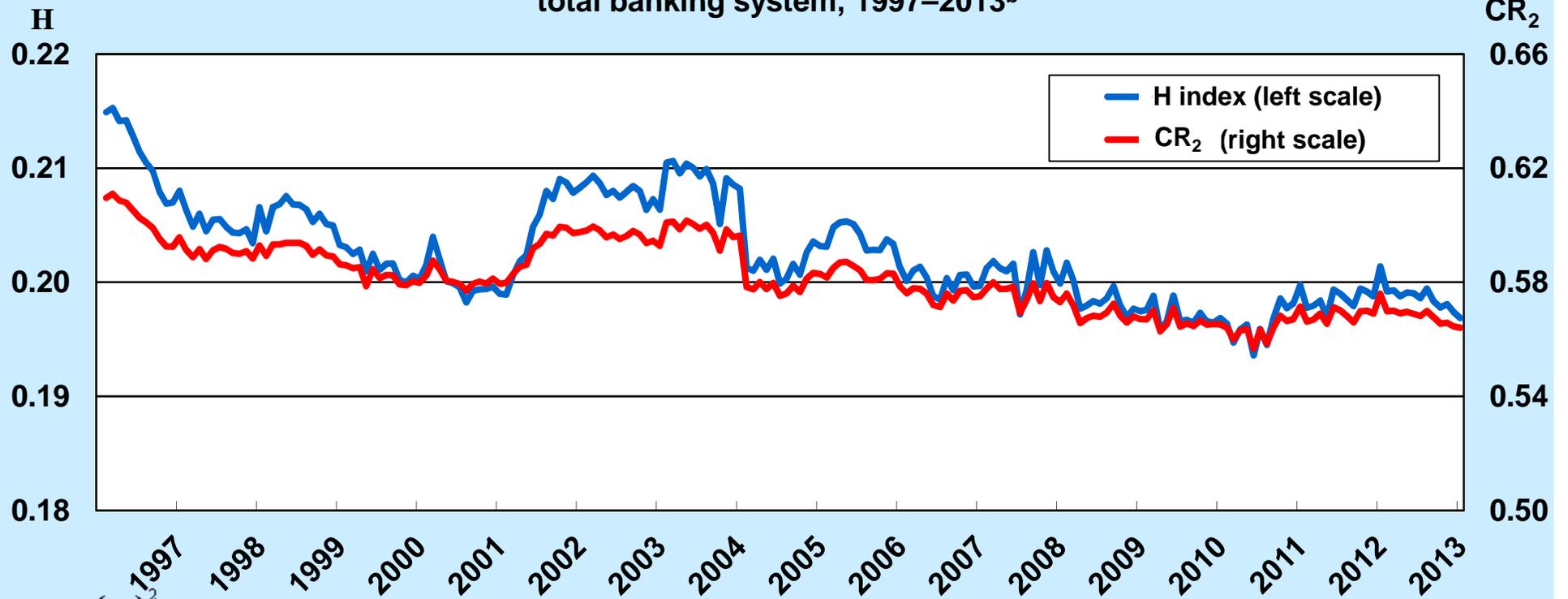


Figure 1.4
The Herfindahl-Hirschman (*H*) Index and the Concentration Ratio (*CR*₂)^a for the two largest banks, total banking system, 1997–2013^b



^a $\sum_{i=1}^n \left(\frac{y_i}{y}\right)^2 = H$ = The Herfindahl-Hirschman Index of industry concentration, where y_i = output of bank i (total assets) and y = the industry's output.

CR_2 = The market share of the two largest banks in the system.

The two indices are calculated based on the commercial banks' assets.

^b In 2012, the indices were affected, *inter alia*, by the completion of the mergers of Discount Mortgage Bank and Leumi Mortgage Bank into their parent banks.

SOURCE: Based on published financial statements, and reports to the Banking Supervision Department.