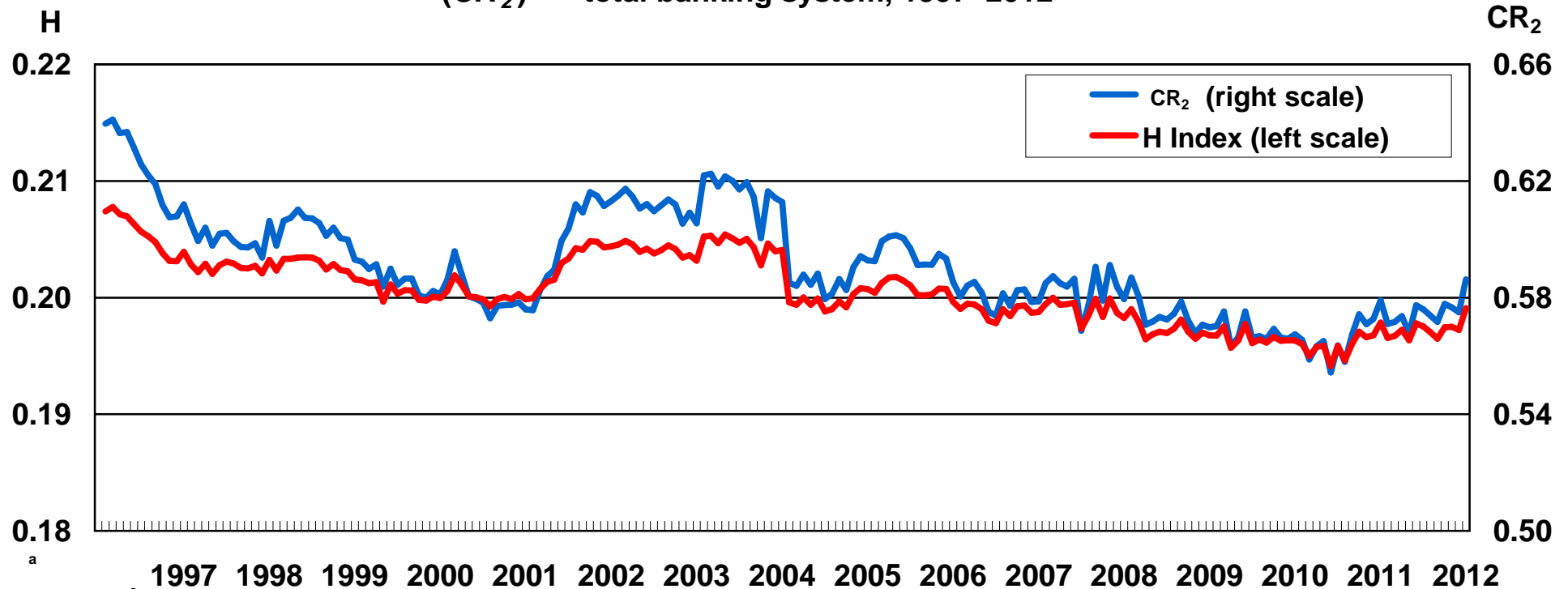


Figure 1.4

The Herfindahl-Hirschman (H) Index^{a,c} and the Market Share Index for the two largest banks (CR_2)^{b,c} - total banking system, 1997–2012^d



^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.

^b CR_2 = The market share of the two largest banks in the system (Leumi and Hapoalim).

^c Calculated based on the total assets of the commercial banks.

^d 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.