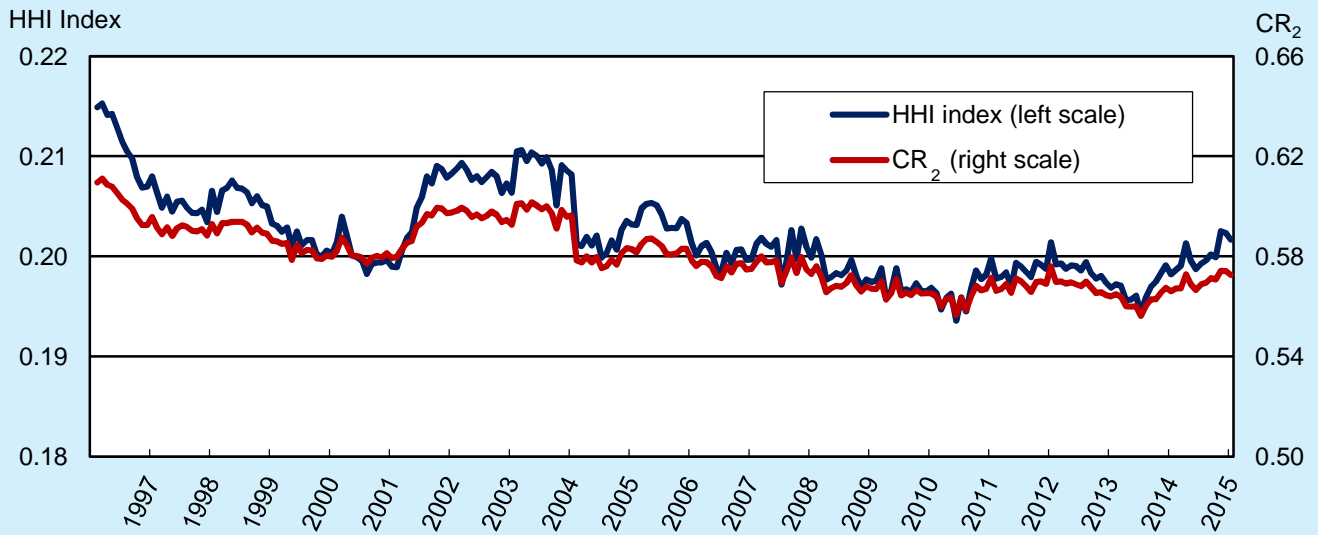


**Figure 1.8**  
**Concentration Indices<sup>a</sup>: Herfindahl-Hirschman (HHI) Index and CR<sub>2</sub> Index<sup>b</sup>, 1997–2015<sup>c</sup>**



<sup>a</sup> Both indices are calculated on the total assets of the commercial banks.

<sup>b</sup>  $\sum_{i=1}^n \left(\frac{y_i}{y}\right)^2 = H$  = 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.

<sup>c</sup> 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.