Applied Investment Management (AIM) Program

AIM Class of 2016 Equity Fund Reports

Spring 2015

Date**:* Tuesday, April 28, 2015 | Time: *3:00 - 3:45 p.m.* | Location: ***AIM Room

Student Presenter	Company Name	Ticker	Industry
Xuelin (Sara) Zhou	Investors Bancorp Inc.	ISBC	Financial Services
Wenting (Mavis) Peng	Bank of China Limited ADR	BACHY	International Financial Services
Yubing Zhang	Pennsylvania Power and Light, Inc. (PPL)	PPL	Utilities

These student presentations are an important element of the applied learning experience in the AIM program. The students conduct fundamental equity research and present their recommendations in written and oral format – with the goal of adding their stock to the AIM Equity Fund. Your comments and advice add considerably to their educational experience and is greatly appreciated. Each student will spend about 5-7 minutes presenting their formal recommendation, which is then followed by about 3-4 minutes of Q & A.

David S. Krause, PhD
Director, Applied Investment Management Program
Marquette University
College of Business Administration, Department of Finance
436 Straz Hall, PO Box 1881
Milwaukee, WI 53201-1881
mailto: AIM@marquette.edu

Website: MarquetteBuz/AIM   AIM Blog: AIM Program Blog
Twitter: Marquette AIM   Facebook: Marquette AIM

Investors Bancorp Inc. (ISBC)
April 28, 2015

Xuelin (Sara) Zhou Financial Services

Investors Bancorp, Inc. (NASDAQ: ISBC), headquartered in Short Hills, NJ, operates as the holding company for the Investors Bank. Founded in 1926 as a chartered mutual savings and loan association, ISBC now operates more than 132 retail branches in New York, New Jersey, and Massachusetts. ISBC is in the business of attracting deposits from the public and borrowing funds in the wholesale markets to originate loans and to invest in securities. Its loan portfolio consists mostly of one- to four-family residential mortgage loans (38.2%), multi-family loans (33.4%), commercial real estate loans (CRE) (20.8%), commercial and industrial loans (C&I) (3.6%), and construction loans (1.0%). ISBC provides a variety of deposit accounts and emphasizes quality customer service. Its primary market areas are northern and central New Jersey and it has a commercial real estate loan production office in Manhattan, NY. ISBC has total assets of $18.77 billion and total deposits of $12.17 billion (4Q 2014).

Price ($): (4/21/2015)	11.96
Price Target ($):	14.99
52Wk H-L ($):	12 - 9.8
Market Cap (mil):	4,277
Float (mil):	353.6
Short Interest (%):	2.3%
Avg. Daily Vol (mil):	2.4
Dividend ($):	0.2
Yield (%):	1.7

Beta:	0.78
WACC	5.74%
M-Term Rev. Gr Rate Est:	11.5%
M-Term EPS Gr Rate Est:	17.3%
Financial Leverage:	4.25
ROA:	0.70%
ROE:	7.85%
Tier 1 Capital Ratio:	25.48%
Credit Provisions/Loans	25.00%

FY: Dec	2013	2014	2015E	2016E
Revenue (Mil)	545.07	660.86	738.84	823.81
% Growth	9.85%	21.24%	11.80%	11.50%
Net Interest Margin	3.37%	3.27%	3.18%	3.32%
EPS (Cal)	$0.32	$0.38	$0.54	$0.70
P/E (Cal)	37.4	31.5	22.0	17.1
BVPS ($)	8.20	9.99	10.19	10.07
P/B	1.22	1.11	1.17	1.19
Dividend Per Share ($)	0.08	0.14	0.20	0.27

Recommendation

Operating in core markets with attractive economics and demographics, ISBC is well positioned to take advantage of the strong lending trends in New Jersey and the greater New York City region. ISBC has maintained consistent growth of 11.6% both organically and through strategic acquisitions over the several past years. From 2010 to 2014, ISBC grew net interest income at a CAGR of 13.28% and the firm has demonstrated strong profitability and high asset quality with sufficient levels of loan loss reserves. Since 2005, the company has increased its assets by over 212%, grown its loan portfolio by 455%, and increased deposits by over 230%. Total loans were $14.9 billion (4Q 2014), or 16% higher than a year earlier, benefited by its diversification into greater commercial lending and the strong commercial loan demand in greater New York area. Commercial loans currently represent 59% of ISBC's loan portfolio and it has increased 28%, 38%, and 48% respectively in the past three years. Commercial loans have helped the company reduce its interest rate exposure to residential loans mortgage loans due to their shorter durations. Given its recently completed second step conversion and its excess capital position, ISBC trades at a favorable discount despite its high growth potential, based on P/B metrics compared to its peers. Management has committed to a 10% share repurchase in 2015 (with only 5% announced thus far), representing a positive driver to compliment the firm's earnings growth. Heavier buyback activity is expected to start in Q2, since ISBC has to wait until the one-year anniversary of the completion of the second step conversion in May 2014. The company started to pay dividends in 2012 and has seen an annual growth rate over 50%. With its strong balance sheet, diversified loan portfolio, strategic acquisitions, over-capitalized position, and share repurchase activity, it is recommended that Investors Bancorp to be added to the AIM Equity Fund with a price target of $14.99, which offers a potential upside of 25.33%.

Investment Thesis

- **Growth Through Acquisitions.** By prudently deploying the proceeds from its IPO in 2005, ISBC has completed 7 strategic acquisitions for expansion and increasing presence in its market area. The acquisition of Marathon Bank and Brooklyn Federal Savings Bank has helped ISBC shift deposit mix from certificates of deposits to more stable and lower cost core products, which resulted in a 70% growth in core deposits in 2012. The acquisition of Roma Bank generated $991 million net loan growth in 2013, in addition to $1.6 billion (or 15%) in organic loan growth. The Roma acquisition in the metro-Philadelphia market created new opportunities to expand the business model. With the company's excess capital position, additional potential accretive acquisitions could be an effective use of capital and could result upside to strengthen earnings.

- **Real Estate Market Rebound.** ISBC's loan portfolio heavily concentrates in residential and commercial real estate loans. The combination of a low interest rate environment and the strengthening regional job market is supporting the recovery in property markets while accelerating real estate lending activities. Northern New Jersey's real estate market has seen a 2.6% increase in housing prices and an average 17.6% growth in single-family home sales in 1Q 2015, which could further result increase in one- to four-family residential loans that already comprise 38.2% of the company loan portfolio. The improving macro economy should decrease non-performing mortgage-backed loans and improve credit quality by sustaining the income-producing properties. The ratio of loan losses to total loans decreased to an impressive 0.07% as of December 31, 2014.
- **Favorable Local Economies and Demographics.** ISBC operates in one of the most attractive banking markets in the United States and benefits from favorable demographics. The forecasted GDP growth rate at 2.6% in 2015 will lead to higher growth and net interest margin stability. Its core market is densely populated and experiencing rising incomes. All of the counties the company serves have a strong mature market with median household income greater than $42,000, which is expected to increase in a range from 8.14% to 26.86% through 2018.

Valuation

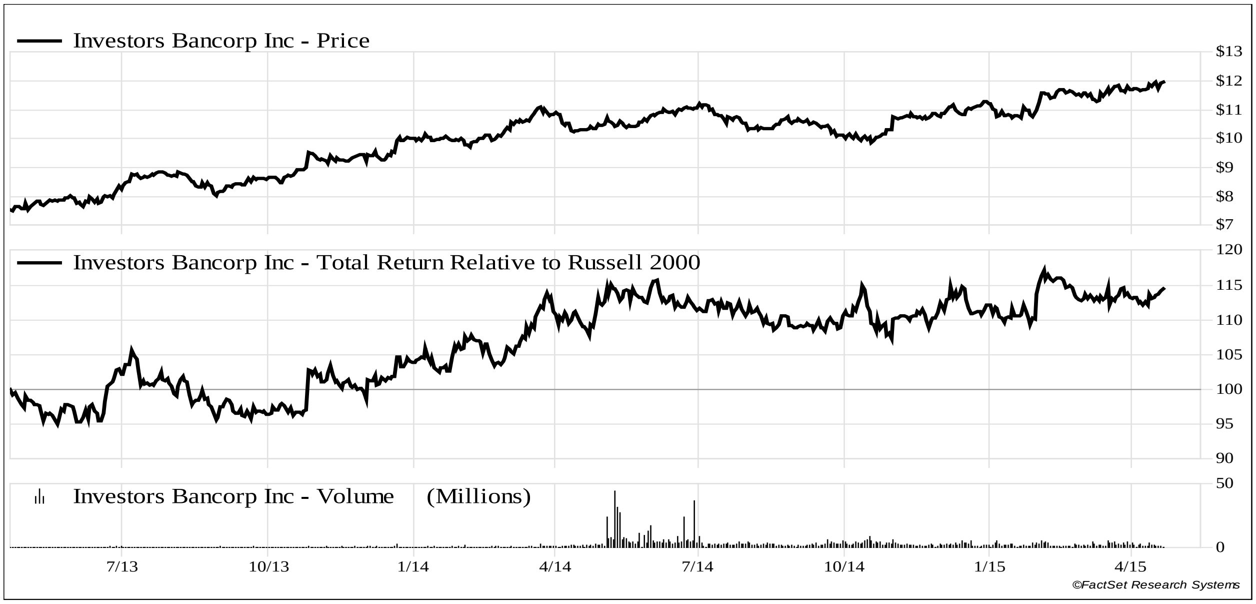
A five-year Dividend Discount Model (DDM) was applied to find the intrinsic value of ISBC. A 7.85% cost of equity was used with a terminal growth rate of 3% yielding an intrinsic value of $15.32. A sensitivity analysis on the terminal growth rate and cost of equity ranged from $12.08-21.04. Additionally, a price-to-book multiples approach was also conducted. The 5-year average historic price to book for ISBC was 1.48x with the market cap weighted average being 1.49x. Weighting the historical average by 40% and the market cap average at 60%, the P/B yielded an intrinsic value of $14.66. By weighting these valuations 50/50 respectively, a price target of $14.99 was reached, resulting a 25.33% upside. ISBC paid a $0.12 annual dividend in 2014, yielding 1.6%.

Risks

- **Interest Rate Volatility.** ISBC's profitability largely relies on its net interest income, which could be negatively affected by the changes in the interest rate. The company's interest bearing liabilities mature more quickly than interest-earning assets. This imbalance could result significant earnings volatility, because market interest rates change over time.
- **Potential Legal and Regulatory Change.** ISBC is subject to extensive regulation, supervision and examination by the FDIC, CFPB, and Federal Reserve Board. ISBC has to comply with various regulations, including but not limited to requirement for additional capital, imposition of restrictions on operations, anti-money laundering, and Bank Secrecy Act Compliance. New laws, regulations, and any changes in regulatory or oversight could have a material impact on the company and increase costs of regulatory compliance, on-going operations, and profitability.

Management

Kevin Cummings has served as the President and Chief Executive Officer of Investors Bancorp and Investors Bank since 2008. He previously held positions as Executive Vice President and Chief Operating Officer of Investors Bank. Prior to Investors Bank, Mr. Cummings was an audit partner at KPMG's Financial Services. He is also the former Chairman of the Board and current member of the Executive Committee of the New Jersey Bankers Association.



Ownership

% of Shares Held by All Insider Owners:	1.30%
% of Shares Held by Institutional & Mutual Fund Owners:	77.00%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Blue Harbour Group LP	24,603,000 ▲	6.90
Fidelity Management & Research Co.	20,873,000 ▲	5.80
The Vanguard Group, Inc.	20,847,000 ▲	5.80
BlackRock Fund Advisors	17,938,000 ▲	5.00
SSgA Funds Management, Inc.	13,065,000 ▼	3.60

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	Net Margin	P/B	Dividend Yield
Investors Bancorp	ISBC	4,277	702	18.77%	1.12	1.06
PacWest Bancorp	PACW	4,690	766	21.99%	1.34	2.75
Cullen/Frost Bankers	CFR	4,459	1,021	27.13%	1.65	2.87
BOK Financial	BOKF	4,399	1,351	21.41%	1.26	2.70
Commerce Bancshares	CBSH	4,129	1,081	23.92%	1.92	1.97
Sybovus Financial	SNV	3,736	1,159	16.84%	1.26	1.14
Peer Averages		4,282	1,076	22.26%	1.49	2.29

Bank of China Limited ADR (BACHY)

April 28, 2015

Wenting (Mavis) Peng International Financials

Bank of China Limited (OTC: BACHY), also known as BOC, engages in provision of financial and banking services. BACHY is one of the six largest commercial banks in China. It operates in six major segments: Corporate Banking (46% of revenue), Personal Banking (27.7%), Treasury Operations (20.4%), Investment Banking (1%), Insurance (3%), and Other (2.4%). It offers a wide range of services to institutional clients, government authorities, financial institutions and retails investors. The Treasury Operations segment includes foreign exchange transactions, customer-based interest rate and foreign exchange derivative transactions, money market transactions, proprietary trading, and asset and liability management. The company primarily operates in China with presence in 42 countries and regions. Bank of China was founded in 1912 and is headquartered in Beijing, China.

Price ($): (4/20/15)	16.90
Price Target ($):	20.45
52Wk H-L ($):	17.84 - 10.87
Market Cap (mil):	221,363
Float (mil):	4.88
Short Interest (%):	0.65
Avg. Daily Vol:	42,500
Dividend ($):	0.67
Yield (%):	3.78

Beta:	1.11
Cost of Equity	8.10%
M-Term Rev. Gr Rate Est:	15.0%
M-Term EPS Gr Rate Est:	20.0%
Financial Leverage	12.89
ROA (%):	1.16
ROE (%):	16.34
Tier 1 Capital Ratio	11.35%
Credit Provisions/Loans	0.50%

FY: Dec	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Revenue (Mil)	105,005.0	120,054.2	138,600.8	166,558.5
% Growth	7.04%	14.33%	15.45%	20.17%
Net Interest Margin	2.24	2.25	2.19	2.16
Pretax Margin	32.76%	30.98%	31.14%	32.99%
EPS (Cal)	$2.28	$2.47	$2.69	$3.44
P/E (Cal)	5.0	5.7	6.3	4.9
BVPS	13.7	14.9	17.5	19.9
P/B	0.8	0.9	1.0	0.9

Recommendation

BACHY has a strong financial position among its peers. The Bank recently achieved a net profit of RMB 177.2B, a YoY increase of 8.22%, well above the average growth rate of 2.31% for the Chinese banking industry. BACHY's Tier 1 capital ratio is 11.4%, ranking 7th among the 1,000 largest banks around the world, rising 2 positions above 2013. Moreover, BACHY has ranked first in China in terms of foreign currency deposits from financial institutions. The inbound international settlement business volume directed to the Bank by its overseas correspondent banks also ranked the first in the market. BACHY's international settlement volume reached $3.92 trillion, representing an increase of 14.79% in FY14. In addition, the Bank's net interest income and non-interest income achieved rapid growth. BACHY achieved a net interest income of RMB 321.1B, a YoY increase of 13.23% and non-interest income totaled RMB 135.2B, a YoY increase of 9.12%. Net interest margin increased by 1 bps to 2.25% YoY and similar growth is expected to continue. Additionally, BACHY's domestic corporate loans totaled RMB 4,021.257B, up 9.01% YoY at the end of 2014. With its strong relative financial position, leading global positioning, ability for growth, and credit and lending abilities, it is recommended that BACHY be added to the AIM International Equity Fund with a price target of $20.45, offering a potential upside of 21%. BACHY also pays a dividend of $0.67, yielding 3.8%.

Investment Thesis

- **The Launch of "One Belt and One Road" Long-Term Strategic Plan.** The "One Belt and One Road" region, consisting of 65 developing countries around China, has a total economic aggregate of over $21 trillion, accounting for 29% of the global economy. The Chinese government plans to invest over $645B in infrastructure construction in these countries. BACHY has 18 branches in the region and has launched a plan to expand its presence to over 50% of the region, while offering $100B credit line in three years, aiming to boost its international presence and business. With the strongest global position among its Chinese peers, BACHY is well positioned to benefit from the "One Belt and One Road" plan and is expected to generate profits by a CAGR of 30% in the next 5 years.

- **Pilot Free Trade Zone (FTZ).** With the introduction of the China (Shanghai) Pilot Free Trade Zone, BACHY is expected to continue the strong growth of its international business in the Treasury Operation segment. In 2014, BACHY extended RMB 8.293B in overseas loans in the Shanghai FTZ and opened a total of 2,625 free trade accounts. Through free trade accounts, BACHY has launched the most diversified business in the banking industry. Additionally, BACHY is the first Chinese bank to complete metal and bulk commodity derivatives transactions. Further diversified businesses through FTZs are expected to double BACHY's non-interest income of $22B by 2017.
- **Long-Term Growth Potential of Credit Scale and Bank Loan Ability.** The existing monetary policy should help increase the Bank's lending ability and increase its credit scale. The People's Bank of China lowered reserve requirement by 150 bps in 2015. The credit scale has increased from RMB 697.3B at the end of 2014 to RMB 1,470B due to a lower reserve requirement and the higher credit scale increase is expected. Additionally, Chinese Monetary Base 1 at January 2015 has increased 10.80% from December 2014, with Monetary Base 2 up 10.60%. Chinese banks currently have stronger liquidity and bank loan ability.

Valuation

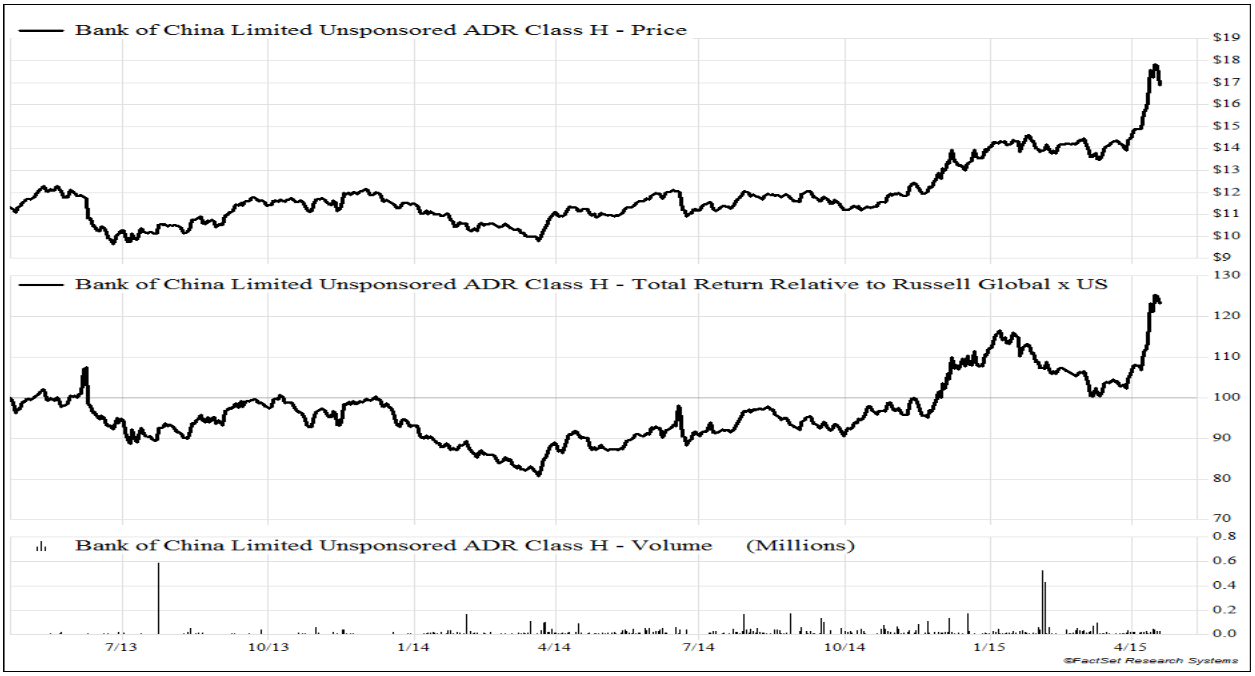
To find the intrinsic value of BACHY, a 5-year DDM model, P/B and P/E multiples were conducted. The DDM was conducted with a terminal growth rate of 2.0% band a cost of equity of 8.10%, resulting in an intrinsic value of $21.11. A sensitivity analysis on both cost of equity and terminal growth rate produced a range of $18.81-$24.14. Applying a conservatively weighted BACHY historical and peer multiple of 1.13x to BACHY 2015E BVPS, an intrinsic value of $19.89 was generated. A weighted historical and peer P/E multiple of 7.33X was used against 2015E EPS of $2.69, reaching a value of $19.70. Weighting three valuations at 50:25:25, a price target of $20.45 was established, representing a 21% upside.

Risks

- **Non-Performing Loans Risk.** The slowing Chinese economy could potentially result in increasing number of events of default and tightening liquidity, particularly in overheated industries such as real estate. The NPL ratio was 1.18%, up 22 bps YoY and BACHY has identified impaired loans totaled RMB 99.789B, representing an increase of 22 bps YoY.
- **Interest Rate Risk.** The ongoing marketization of the Chinese financial market and interest rate liberalization directed by the central bank of China magnified the uncertainties in the banking sector. Low deposit interest rate (currently at 2.5% as of March 2015) can adversely impact BACHY's net interest margin and then lower its profitability. Thus, to maintain steady growth of net interest income, while keeping interest rate risk within a tolerable range is very important for commercial banks.
- **Foreign Currency Exchange Risk.** BACHY has exposure to many foreign currency markets. It generated revenue of $1.44B in the U.S, 40.8% YoY increase. Chinese Yuan is now moving adverse to $1: ¥6.20 in foreign exchange rate market. As the interest rate expected to decrease in the future, the Chinese Yuan might depreciate, resulting down price in ADR price. Therefore, the floating foreign exchange rate could increase the volatility of the ADR price in the U.S market.

Management

Tian Guoli is the Chairman and Chairman of Strategic Development Committee of BACHY. Mr. Tian has been the Chairman of the Board of Bank of China Limited and Bank of China (Hong Kong) Limited since 2013. Additionally, Mr. Tian has been President of CITIC Group Corporation since 2011 and served as its General Manager from December 2010 to 2013. He is also a senior economist with rich experience in financial industry. Mr. Tian received his degree in Economics from Hubei Institute of Finance and Economics in 1983. Chen Siqing is Vice Chairman of the Board of Directors since 2014 and President of BACHY since 2014.



Source: FactSet

Ownership

% of Shares Held by All Insider Owners:	8.10%
% of Shares Held by Institutional & Mutual Fund Owners:	44.80%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Thomas White International Ltd.	1,026,298 ▲	0.03
Columbia Management Investment Advisers LLC	14,952 ▲	0.00
Arquigest SGIIC SA	8,168 ▲	0.00
Madrona Funds LLC	3,364 ▼	0.00
Security Investors LLC	3,047 ▲	0.00

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap(mil)	Sales (mil)	Net Margin	P/B	Dividend Yield
Bank of China	BACHY	221,362.83	120,054.2	22.89%	0.94	3.78
Agricultural Bank of China H	1288.HK	206,918.77	129,354.5	22.52%	1.03	5.10
China Construction Bank H	CICHY	251,409.31	142,110.9	26.02%	1.20	5.95
ICBC H	1398.HK	314,558.06	166,700.4	26.85%	1.30	5.68
Bank of East Asia Ltd.	23.HK	11,228.61	4,437.4	19.36%	1.10	3.30
Bank of Communications H	601328	80,046.54	53,770.7	19.88%	1.00	-
Peer Averages		172,832.26	99,275	20.00%	1.13	5.0

Source: FactSet

Pennsylvania Power and Light, Inc. (PPL)
April 28, 2015

Yubing Zhang Domestic Utility

PPL Corp is a utility holding company which delivers electricity and natural gas, generates electricity from power plants, and markets wholesale and retail energy. It operates regulated utilities in three regions: United Kingdom (U.K.) (23% of revenues), Kentucky (28%) and Pennsylvania (18%). 31% of their business is in the Supply segment which is approved to spin off and form another energy company - Talen. The U.K segment serves electricity distribution in England and South Wales. Louisville Gas and Electric Company and Kentucky Utility serve customers in Kentucky, Virginia, and Tennessee for electricity distribution. The Pennsylvania Regulated segment provides electric utility service under PPL Utility Corp. The company was founded in 1920 and is headquartered in Allentown, PA.

Price ($): (4/24/15)	34.58
Price Target ($):	38.32
52WK H-L ($):	31.3-38.1
Market Cap (mil):	23,075
Float (mil):	666.0
Short Interest (%):	5.36%
Avg. Daily Vol (mil):	4.84
Dividend ($):	1.49
Yield (%):	4.30%

Beta:	0.44
WACC	6.5%
M-Term Rev. Gr Rate Est:	4.0%
M-Term EPS Gr Rate Est:	4.0%
Debt/Equity:	160.0%
Debt/EBITDA (ttm):	4.28
ROA:	3.3%
ROE:	12.1%
ROIC:	4.8%

FY: Dec	2013	2014	2015E	2016E
Revenue (Mil)	11,657.0	12,821.0	10,354.0	10,369.0
% Growth	43.36%	9.99%	-19.00%	1.00%
Gross Margin	26.77%	31.31%	32.00%	33.00%
Operating Margin	23.65%	28.39%	29.00%	30.00%
EPS (Cal)	$1.76	$2.61	$2.23	$2.31
FCF/Share	($1.59)	($1.03)	$0.95	($1.04)
P/E (Cal)	17.1x	13.92x	16.5x	16.4x
EV/EBITDA	9.28x	8.39x	10.8x	10.8x

Recommendation

PPL has maintained a 4.8% dividend yield rate over the past five years. The 53% dividend payout ratio places PPL in a competitive position among its peers. Additionally, the $2.61 2014 EPS increased 32% over FY 2013, which represents a positive sign for this highly regulated utility business. The 48% EPS YoY % increase helps PPL stand out among its peers. Moreover, the updated investment plan drives a CAGR of about 7% in the projected rate base through FY 2019; offering growth opportunities for its shareholders. The management team is also targeting to achieve compound annual growth in earnings per share of 4% to 6% through at least 2017. The most important driver for PPL to stay competitive is the increasing business scale. The utility industry heavily relies on investment in infrastructure and other assets. In 2014, the capital expenditure on their domestic utility assets was nearly $2.3 billion. 95% of the invested projects were in Pennsylvania and when completed should generate direct benefits beginning in 2015. Finally, the proceeds from the spinoff of their Supply business is aimed to help fund another energy company, Talen, along with Riverstone Holding LLC. The estimated $1 billion annual earnings of Talen should land PPL a spot on the Fortune 500 list of the biggest American companies. Based on positive historical and projected operating results, it is recommended that PPL be added to the AIM Equity Fund with a target price of $38.67, representing a potential upside of 11.81%. The firm pays a dividend of $1.49 per share for a yield of 4.3%.

Investment Thesis

- **Increased Rate Case Revenues.** The company will receive a support cost reduction of $75 million by spinning off the Supply business. Additionally, a previous rate case will be effective this June which will increase PPL’s annual rate base electric rate of $30 million and $150 million at LG&E and KU - and result in an increase in annual base gas rate of $14 million at LG&E. In 2014, the sale of Montana hydroelectric facilities provided about $900 million to fund an increase in utility infrastructure investment and pay down debt in Kentucky. For the Pennsylvania regulated segment, the transmission CapEx spend is $2.1 billion and $1.2 billion for distribution CapEx spending. A new distribution rate case is planned and it should be effective in 2016.

- **Improved Economic Conditions.** The US unemployment rate is decreasing which is a positive sign for economy recovery. The unemployment rate in Kentucky is at a low of 5.1% and Pennsylvania has a similarly low unemployment rate as well. Comparing with the average U.S unemployment rate 5.6%, these two regions have accelerated their economic recovery velocity. Although the U.K and the entire Euro Zone are experiencing deflationary pressure, a solid 2.8% growth rate is predicted.

- **Lower Interest Rates and Looser Monetary Policy.** In terms of interest rates, the Fed has planned to increase interest rate at the beginning of June however; lower inflation indicates that the rate increase will likely occur in the latter half of the year. The continuing lower interest rates assist the company in reducing debt cover pressure allowing PPL to be able to fund more new projects.

Valuation

In order to reach an intrinsic value for the firm, a Dividend Discount Model was created by using a dividend growth rate of 2.5%, which resulted in a valuation of $37.5 per share. A P/E ratio comparison method was also created using an average industry P/E ratio, as well the firm's historical 10 year P/E. By weighting the industry average P/E of 21.96x and the historical average of 13.77x equally, the P/E multiple was calculated at 17.87x. Using the estimated EPS for 2015 of $2.23, a value of $39.83 was calculated. Finally, by weighting the DDM at 50% and P/E multiple by 50%, a price target of $38.67 was determined establishing a potential upside of 11.81%.

Risks

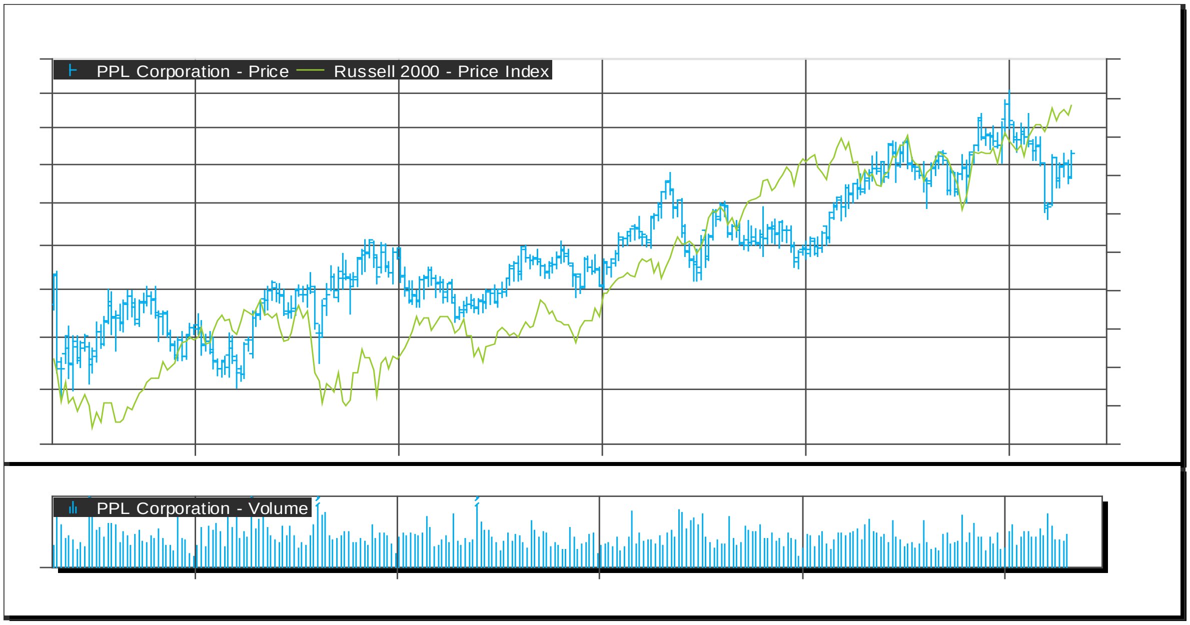
- **Uncertainty of British Pound to US Dollar Exchange Rate.** The relatively low US Dollar and British Pound exchange rate drives the risk concern of the UK segment. The current budged rate is $1.60 per pound. Over the last three years, there is a short lived lower exchange rate which dived below $1.50. Therefore, PPL are almost fully hedged at 97% for 2015 at an average rate of $1.63. The hedge ratio drop to 70% for 2016 at an average rate of $1.61.

- **Lower Energy Margin Due to Lower Energy Prices.** The Supply segment contributed $0.29 earnings per share in 2014 which represented a YoY decrease of $0.10 per share. The decline was driven by the lower energy and capacity prices. The continuing lower energy margin may offset the increasing in the industry growth.

- **Impact on Extreme Weather.** Variations on weather may impact the demand of electricity and other energy that PLL provides. In the past three years, the world has experience unusual cooling summer and extreme cold winter. These two seasons are typical demand driven seasons for earning so that unusual weather may create uncertainty of earnings. Moreover, extreme weather has increased repairing expenses for PPL in the past two years and it will impact earnings in the following year.

Management

William H. Spence, MBA has held the Chairman, President and CEO position since 2006. He started with the company in 2001 as president and director. Mr. Spence was previously employed as President by PPL Generation LLC and he also served on the board at United Way of the Greater Lehigh Valley. Vincent Sorgi has been CFO and senior VP since 2008. Dr. Jaime Bohnke is the Vice President-Supply Chain & Procurement at PPL and Clarence J. Hopf will become Talen Energy's Chief Commercial Officer, with responsibility for energy marketing and fossil and hydro generation functions. He is the PPL Energy Supply's senior vice president-Fossil and Hydro Generation.



Source: FactSet

Ownership

% of Shares Held by All Insider and 5% Owners:	0.04% ▲
% of Shares Held by Institutional & Mutual Fund Owners:	>70.7% ▲

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
The Vanguard Group, Inc.	36,651 ▲	5.5
SSgA Funds Management, Inc.	34,398 ▲	5.2
BlackRock Fund Advisors	32,962 ▲	4.9
Fidelity Management & Research Co.	25,400 ▲	3.8
Franklin Advisers, Inc.	16,288 ▼	2.4

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	D/E	P/E	EV/ EBITDA
American Electric Power	AEP	27,859	1,634	0.98	16	9.7
Exelon	EXC	28,490	1,623	0.88	19.72	9.2
FirstEnergy	FE	15,023	213	1.54	54.92	15.7
Consolidated Edison	ED	18,188	1,062	0.92	17.79	10.2
Dominion Resources	D	43,069	1,310	1.89	34.33	15.9
Peer Averages		26,193	1,052	1.3	31.69	12.8

**Removed For Relative Valuation Analysis*

Source: FactSet