

<div>Form 5500</div> <div>Department of the Treasury Internal Revenue Service</div> <div>Department of Labor Employee Benefits Security Administration</div> <div>Pension Benefit Guaranty Corporation</div>	<div>Annual Return/Report of Employee Benefit Plan</div> <div>This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).</div> <div>▶ Complete all entries in accordance with the instructions to the Form 5500.</div>	<div>OMB Nos. 1210-0110 1210-0089</div> <div>2009</div> <div>This Form is Open to Public Inspection</div>
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Part I	Annual Report Identification Information
For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009	
A This return/report is for:	<div>☐ a multiemployer plan;</div> <div>☒ a single-employer plan;</div> <div>☐ a multiple-employer plan; or</div> <div>☐ a DFE (specify) ____</div>
B This return/report is:	<div>☐ the first return/report;</div> <div>☒ an amended return/report;</div> <div>☐ the final return/report;</div> <div>☐ a short plan year return/report (less than 12 months).</div>
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	<div>☒ Form 5558;</div> <div>☐ automatic extension;</div> <div>☐ the DFVC program;</div> <div>☐ special extension (enter description)</div>

Part II	Basic Plan Information—enter all requested information
1a Name of plan SUSQUEHANNA BANCSHARES, INC. 401(K) PLAN	1b Three-digit plan number (PN) ▶ 002
	1c Effective date of plan 01/01/1989
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) SUSQUEHANNA BANCSHARES, INC. C/O SBI FINANCE TAX DEPT C/O SBI FINANCE TAX DEPT 26 NORTH CEDAR STREET LITITZ, PA 17543	2b Employer Identification Number (EIN) 23-2201716
	2c Sponsor's telephone number 717-625-6424
	2d Business code (see instructions) 522110

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/08/2010	MICHAEL SQUIERDO
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/08/2010	MICHAEL SQUIERDO
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") SUSQUEHANNA BANCSHARES, INC. C/O SBI FINANCE TAX DEPT C/O SBI FINANCE TAX DEPT 26 NORTH CEDAR STREET LITITZ, PA 17543	3b Administrator's EIN 23-2201716 <hr/> 3c Administrator's telephone number 717-625-6424
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN <hr/> 4c PN
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5 Total number of participants at the beginning of the plan year	5	3829
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6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	2975
b Retired or separated participants receiving benefits.....	6b	6
c Other retired or separated participants entitled to future benefits.....	6c	454
d Subtotal. Add lines 6a , 6b , and 6c	6d	3435
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	7
f Total. Add lines 6d and 6e	6f	3442
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	3404
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	53

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
 2E 2F 2G 2J 2K 2S 2T

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1) ☒ **R** (Retirement Plan Information)
 (2) ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
 (3) ☐ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1) ☒ **H** (Financial Information)
 (2) ☐ **I** (Financial Information – Small Plan)
 (3) ☐ **A** (Insurance Information)
 (4) ☒ **C** (Service Provider Information)
 (5) ☐ **D** (DFE/Participating Plan Information)
 (6) ☐ **G** (Financial Transaction Schedules)

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2009
		This Form is Open to Public Inspection.
For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009		
A Name of plan SUSQUEHANNA BANCSHARES, INC. 401(K) PLAN	B Three-digit plan number (PN) ▶	002
C Plan sponsor's name as shown on line 2a of Form 5500 SUSQUEHANNA BANCSHARES, INC.	D Employer Identification Number (EIN) 23-2201716	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No
- b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation
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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

DIVERSIFIED INVESTMENT ADVISORS

13-3689044

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
12 15 28 37 38 50 54 59 61 62 63 64 65	RECORDKEEPER	98196	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

NRP FINANCIAL, INC.

209 NORTH MAIN STREET
BRYAN, OH 43506

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
16	BROKER	0	Yes ☒ No ☐	Yes ☐ No ☒	100000	Yes ☐ No ☒

(a) Enter name and EIN or address (see instructions)

NATIONAL FINANCIAL SERVICES

04-3523567

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
33	SECURITIES BROKERAGE	0	Yes ☒ No ☐	Yes ☐ No ☒	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
DIVERSIFIED INVESTMENT ADVISORS	13 15 28 37 38 50 54 59 61 62 63 64 65	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
AMERICAN BEACON 4151 AMON CARTER BLVD MD 2450 FORT WORTH, TX 76155	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
NATIONAL FINANCIAL SERVICES	33	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
AMERICAN BEACON 4151 AMON CARTER BLVD MD 2450 FORT WORTH, TX 76115	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
DIVERSIFIED INVESTMENT ADVISORS	13 15 28 37 38 50 54 59 61 62 63 64 65	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
AMERICAN FUNDS 5300 ROBIN HOOD ROAD NORFOLK, VA 23513	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
NATIONAL FINANCIAL SERVICES	33	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
AMERICAN FUNDS 5300 ROBIN HOOD ROAD NORFOLK, VA 23513	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
DIVERSIFIED INVESTMENT ADVISORS	13 15 28 37 38 50 54 59 61 62 63 64 65	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
BLACKROCK 40 EAST 52ND ST NEW YORK, NY 10022	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
NATIONAL FINANCIAL SERVICES	33	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
BLACKROCK 40 EAST 52ND ST NEW YORK, NY 10022	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
DIVERSIFIED INVESTMENT ADVISORS	13 15 28 37 38 50 54 59 61 62 63 64 65	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
ROYCE 745 FIFTH AVENUE NEW YORK, NY 10151	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
NATIONAL FINANCIAL SERVICES	33	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
ROYCE 745 FIFTH AVENUE NEW YORK, NY 10151	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
DIVERSIFIED INVESTMENT ADVISORS	13 15 28 37 38 50 54 59 61 62 63 64 65	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
THORNBURG 2300 NORTH RIDGETOP ROAD SANTA FE, NM 87506	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
NATIONAL FINANCIAL SERVICES	33	0
(d) Enter name and EIN (address) of source of indirect compensation		
THORNBURG 2300 NORTH RIDGETOP ROAD SANTA FE, NM 87506	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	
(a) Enter service provider name as it appears on line 2		
NRP FINANCIAL, INC.	16	100000
(d) Enter name and EIN (address) of source of indirect compensation		
DIVERSIFIED INVESTMENT ADVISORS 13-3689044	COMMISSIONS	
(a) Enter service provider name as it appears on line 2		
(d) Enter name and EIN (address) of source of indirect compensation		

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2009
		This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning <u>01/01/2009</u> and ending <u>12/31/2009</u>		
A Name of plan <u>SUSQUEHANNA BANCSHARES, INC. 401(K) PLAN</u>	B Three-digit plan number (PN) ►	<u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>SUSQUEHANNA BANCSHARES, INC.</u>	D Employer Identification Number (EIN) <u>23-2201716</u>	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		<u>686357</u>
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	<u>366617</u>	<u>57084</u>
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	<u>1688020</u>	<u>2238281</u>
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	<u>77992987</u>	<u>100317086</u>
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	2119228	800263
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	82166852	104099071

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	82166852	104099071
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	5110579	
(B) Participants	2a(1)(B)	8373843	
(C) Others (including rollovers)	2a(1)(C)	416530	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		13900952

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	70	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	133792	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		133862

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	1994636	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		1994636

(3) Rents	2b(3)		
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(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0
(6) Net investment gain (loss) from common/collective trusts	2b(6)		88
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		13862212
c Other income.....	2c		-1291296
d Total income. Add all income amounts in column (b) and enter total.....	2d		28600454

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	6561570	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		6561570
f Corrective distributions (see instructions)	2f		5136
g Certain deemed distributions of participant loans (see instructions).....	2g		3333
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)	98196	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		98196
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		6668235

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		21932219
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unqualified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☐ Yes ☒ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: REINSEL KUNTZ LESHAR LLP

(2) EIN: 23-2108173

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		50000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.		X	

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)

5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2009
		This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan <u>SUSQUEHANNA BANCSHARES, INC. 401(K) PLAN</u>	B Three-digit plan number (PN) ▶ <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>SUSQUEHANNA BANCSHARES, INC.</u>	D Employer Identification Number (EIN) <u>23-2201716</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>13-3689044</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____	If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☐ N/A

Part III	Amendments
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9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
--	-----------------------------------	-----------------------------------	-------------------------------	-----------------------------

Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2009
v.092308.1

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

- a** Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%
- b** Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more
- c** What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

SUSQUEHANNA BANCSHARES, INC.

401(k) PLAN

FINANCIAL STATEMENTS

AND SUPPLEMENTAL SCHEDULE

DECEMBER 31, 2009 AND 2008

CONTENTS

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INDEPENDENT AUDITORS' REPORT

Administrative Committee of the
Susquehanna Bancshares, Inc. 401(k) Plan
Lititz, Pennsylvania

We have audited the accompanying statements of net assets available for benefits of Susquehanna Bancshares, Inc. 401(k) Plan (Plan) as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Reinsel Kuntz Lesher LLP".

Lancaster, Pennsylvania
September 29, 2010

SUSQUEHANNA BANCSHARES, INC. 401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	<u>DECEMBER 31,</u> <u>2009</u>	<u>DECEMBER 31,</u> <u>2008</u>
ASSETS		
Investments, at fair value:		
Temporary cash investments	\$ 57,084	\$ 366,617
Participant loans	2,238,281	1,688,020
Common stock	800,263	2,119,228
Registered investment companies	<u>100,317,086</u>	<u>77,992,987</u>
	103,412,714	82,166,852
Employer contribution receivable	<u>686,357</u>	<u>-</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$104,099,071</u>	<u>\$ 82,166,852</u>

The accompanying notes are an integral part of the financial statements.

SUSQUEHANNA BANCSHARES, INC. 401(k) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	<u>YEAR ENDED</u>	
	<u>DECEMBER 31, 2009</u>	<u>DECEMBER 31, 2008</u>
Contributions:		
Participants' elective contributions	\$ 8,373,843	\$ 8,121,457
Employers' matching contributions	5,110,579	3,576,387
Participants' rollover contributions	<u>416,530</u>	<u>521,188</u>
TOTAL CONTRIBUTIONS	13,900,952	12,219,032
Investment activities:		
Interest and dividend income	2,128,498	2,079,343
Net investment gain (loss) from common collective trust funds	88	(4,103,400)
Net investment gain (loss) from registered investment companies	13,862,212	(26,178,558)
Realized and unrealized net (depreciation) of common stock	<u>(1,291,296)</u>	<u>(175,488)</u>
INCREASE (DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS DERIVED FROM INVESTMENT ACTIVITIES	14,699,502	(28,378,103)
Deductions:		
Benefits paid to participants	(6,570,039)	(11,356,904)
Administrative expenses	<u>(98,196)</u>	<u>(42,027)</u>
TOTAL DEDUCTIONS	<u>(6,668,235)</u>	<u>(11,398,931)</u>
NET INCREASE (DECREASE)	21,932,219	(27,558,002)
Net assets available for benefits at beginning of year	<u>82,166,852</u>	<u>109,724,854</u>
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	<u>\$104,099,071</u>	<u>\$ 82,166,852</u>

The accompanying notes are an integral part of the financial statements.

SUSQUEHANNA BANCSHARES, INC. 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements are prepared on the accrual basis of accounting.

Investment contracts held by a defined contribution plan are required to be reported at fair value per FASB ASC 962, *Plan Accounting - Defined Contribution Pension Plans*. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts, because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The provisions of FASB ASC 962 were not applied to the statement of net assets available for benefits at December 31, 2007 since fair value approximated contract value. The investment contract held by the Plan was terminated in February 2008.

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note H for discussion of fair value measurements.

Net investment gains (losses) from registered investment companies include capital gain distributions and realized and unrealized appreciation (depreciation). Net investment gains (losses) from common collective trust funds include interest and realized and unrealized appreciation (depreciation). Realized gains and losses are combined with unrealized appreciation (depreciation) to compute net appreciation (depreciation) for the year for common stock.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

ADMINISTRATIVE EXPENSES

Administrative expenses are paid by the Company and the Plan.

PAYMENT OF BENEFITS

Benefit payments to participants are recorded when paid.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECENT ACCOUNTING PRONOUNCEMENTS

Effective July 1, 2009, the Plan adopted FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification (ASC) as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with GAAP. The adoption of this statement did not have a material impact on the Plan's financial statements.

Effective December 31, 2009, the Plan adopted FASB ASC 855, *Subsequent Events*. The new guidance establishes general standards of accounting for and disclosure of events that occur after the statement of net assets available for benefits date, but before the date the financial statements are issued or available to be issued. This guidance requires plans to reflect in their financial statements the effects of subsequent events that provide additional evidence about conditions at the statement of net assets available for benefits date. Subsequent events that provide evidence about conditions that arose after the statement of net assets available for benefits date should be disclosed if the financial statements would otherwise be misleading. Disclosure should include the nature of the event and either an estimate of its financial effect or a statement that an estimate cannot be made.

In January 2010, FASB issued an amendment ASU 2010-06, *Fair Value Measurements and Disclosures - Improving Disclosures about Fair Value Measurements*, which requires new disclosures and reasons for significant transfers of financial assets and liabilities between Levels 1 and 2. This amendment also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and those disclosures should include a discussion of inputs and valuation techniques. This guidance is effective for periods beginning after December 15, 2009 and has not yet been adopted. The Plan will be required to adopt these disclosures in its 2010 annual financial statements. The amendment further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these changes. This guidance is effective for periods beginning after December 15, 2010 and has not yet been adopted. The Plan will be required to adopt these disclosures in its 2011 annual financial statements. Plan management has not assessed the impact of the guidance on the Plan's financial statement disclosures.

RECLASSIFICATIONS

Amounts previously shown have been reclassified to conform to the current year presentation.

NOTE B - DESCRIPTION OF THE PLAN

The following description of the Susquehanna Bancshares, Inc. 401(k) Plan (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

GENERAL

The Plan is a defined contribution plan covering substantially all full-time employees and certain part-time employees of Susquehanna Bancshares, Inc. and its Subsidiaries (Company). Employees must complete three months of service to begin making salary deferral contributions and one year of service to be eligible for the Company's matching contribution. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

NOTE B - DESCRIPTION OF THE PLAN (Continued)

GENERAL (Continued)

Employers participating in the Plan are as follows:

NAME OF EMPLOYER
Susquehanna Bancshares, Inc.
Susquehanna Bank
Susquehanna Trust & Investment Company
Boston Service Company, Inc. (t/a Hann Financial Service Corp.)
Valley Forge Asset Management Corp.
The Addis Group, LLC
Susquehanna Commercial Finance, Inc.
Stratton Management Company

During 2008, the Company acquired Stratton Holding Company, the parent of Stratton Management Company. In addition, Susquehanna Bank and Susquehanna Bank DV were merged into Susquehanna Bank PA, which subsequently changed its name to Susquehanna Bank.

PLAN AMENDMENT

Effective January 1, 2011, the Plan's automatic enrollment provision was amended to provide for annual increases, on the first day of the plan year, of the participant's automatic deferral rate at a rate of 1% per year until the automatic deferral percentage reaches 6% or until otherwise directed by the participant.

CONTRIBUTIONS

Each year, participants may contribute up to 100% of pretax annual compensation as defined in the Plan. Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified plans and annuity contracts. Participants are automatically enrolled in the Plan and 3% of pretax annual compensation is withheld from the participant's eligible compensation. The participants are then given the option to discontinue participation or change the deferral percentage.

Effective January 1, 2009, the Plan was amended to convert to a safe harbor matching contribution formula. The Company will match 100% of the first 3% and 50% of the next 2% of a participant's eligible compensation made as an elective deferral. During 2008, the Company matched 100% of the first 3% of a participant's eligible compensation which was made as an elective deferral.

Effective July 1, 2009, the Plan was amended to allow for an employer nonelective contribution due to the Company freezing certain benefits effective June 30, 2009 under the defined benefit plan sponsored by the Company. Employees who were hired before January 1, 2009 and who were not age 50 or who had not earned at least 15 years of vesting service as of December 31, 2009 became eligible for an automatic 2% employer nonelective contribution as of July 1, 2009, even if the employee is not contributing to the Plan. Employees who are hired on or after January 1, 2009 will be eligible for the automatic 2% employer nonelective contribution once they have met the eligibility requirements, even if the employee is not contributing to the Plan.

NOTE B - DESCRIPTION OF THE PLAN (Continued)

CONTRIBUTIONS (Continued)

Participants direct the investment of all contributions into various investment options offered by the Plan. The Plan currently offers fifteen mutual funds as investment options for participants. Contributions are subject to certain limitations. The common stock of the Company is not an investment option available to participants for future purchases. The common stock was transferred into the Plan in connection with the acquisition of Community Banks, Inc. and the stock held by former participants in the Community Banks, Inc. 401(k) Plan.

PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contributions and (b) plan earnings and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. A participant who requests a loan from the Plan is directly charged a processing fee. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

VESTING

Participants are immediately vested in their contributions plus actual earnings thereon. Effective January 1, 2009, vesting in the Company's matching contributions made prior to 2009 will be 20% vested upon one year of service and 100% vested upon two years of service. Previously, participants earned 20% vesting for each year of service with 100% vesting after five years of service.

Vesting in the Company's safe harbor matching contributions as of January 1, 2009 will become 100% vested after two years of service. Vesting in the Company's nonelective contributions will vest 20% for each year of service with 100% vesting after five years of service. Participants in the former Community Banks, Inc. 401(k) Plan who became participants in this Plan are 100% vested in all contributions made prior to January 1, 2008. Regardless of the number of years of service, a participant's employer account balance becomes fully vested when a participant retires, becomes permanently disabled or dies.

PAYMENT OF BENEFITS

Distribution of a participant's benefit shall be in the form of an annuity, lump sum, cash installments, partial payment, cash, and employer securities.

PARTICIPANT LOANS

Participants may borrow from their fund accounts a minimum of \$500 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms range from one to five years. The loans are secured by the balance in the participant's account and bear interest at prime rate plus 2.00%, set two times per month. Prior to July 1, 2007, new loans issued charged interest at a rate commensurate with local prevailing rates as determined by the Administrative Committee. Interest rates range from 5.25% to 12.25%. Principal and interest is paid ratably through biweekly payroll deductions.

NOTE B - DESCRIPTION OF THE PLAN (Continued)

FORFEITED ACCOUNTS

Forfeited non-vested accounts, including earnings thereon, totaled \$38,295 and \$157,453, for 2009 and 2008, respectively. Employer contributions were reduced by \$314,014 and \$58,241 during 2009 and 2008, respectively, and \$144 was used to pay administrative expenses during 2009. At December 31, 2009 and 2008, forfeited non-vested accounts totaled \$23,363 and \$299,226, respectively. These accounts will be used first to restore a participant's account upon re-employment, pay administrative expenses, and then to reduce future employer contributions.

PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100 percent vested in their employer contribution accounts.

NOTE C - INCOME TAX STATUS

The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Plan adopted this new guidance for the year ended December 31, 2009. The Plan has adopted a non-standardized form of a prototype plan sponsored by Diversified Investment Advisors, Inc. The prototype plan has received an opinion letter from the Internal Revenue Service dated March 31, 2008, as to the prototype plan's qualified status. The prototype plan opinion letter has been relied upon by this Plan. The Plan has been amended since receiving the determination letter. The plan administrator believes the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC, and that no uncertain tax positions have been taken that would require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

NOTE D - GENERAL INVESTMENT ACCOUNTS WITH INSURANCE COMPANY

The Plan had investment contracts with New England Life Insurance Company. The account was credited with earnings on the underlying investments and charged for plan withdrawals and administrative expenses charged by New England Life Insurance Company. The contract was included in the financial statements at contract value, (which represented contributions made under the contract, plus earnings, less withdrawals and administrative expenses) because it was fully benefit responsive. For example, participants could ordinarily direct the withdrawal of all or a portion of their investment at contract value. There were no reserves against contract value for credit risk of the contract issuer or otherwise. On February 19, 2008, the Plan discontinued the investment contracts with New England Life Insurance Company. The balance held in the insurance contracts was transferred into various mutual funds of the Plan. During the period January 1, 2008 to February 19, 2008, the contracts guaranteed interest at fixed rates of 4.05%, 4.25%, and 4.50%.

NOTE E - INVESTMENTS

The following table presents the fair values of investments. Investments that represent 5% or more of the Plan's net assets are separately identified. All investments are participant-directed.

	DECEMBER 31, 2009		DECEMBER 31, 2008	
	NUMBER OF SHARES OR UNITS	FAIR VALUE	NUMBER OF SHARES OR UNITS	FAIR VALUE
INVESTMENTS AT FAIR VALUE				
Temporary cash investments		\$ 57,084		\$ 366,617
Registered investment companies:				
Transamerica Partners Institutional Core Bond Fund	539,056.7 shs.	5,616,971	437,851.4 shs.	4,247,158
Transamerica Partners Institutional International Equity Fund		-	954,404.4 shs.	4,647,949
Transamerica Partners Institutional Money Market Fund	1,243,404.5 shs.	12,512,877	1,119,093.3 shs.	11,261,995
Transamerica Partners Institutional Stock Index Fund	1,515,422.5 shs.	11,289,898	1,492,056.7 shs.	8,982,181
BlackRock LifePath 2010 Fund		-	453,318.0 shs.	4,759,839
BlackRock LifePath 2020 Fund	465,707.1 shs.	6,808,638	421,097.0 shs.	5,187,915
BlackRock LifePath Retirement Fund	727,650.5 shs.	7,858,625		1,883,780*
Vanguard Intermediate Term U.S. Treasury Fund	917,023.2 shs.	10,169,787	843,996.9 shs.	10,212,362
American Funds EuroPacific Growth Fund	185,780.7 shs.	7,000,216		-
American Funds Growth Fund of America	412,415.1 shs.	11,106,339	380,206.8 shs.	7,680,177
American Beacon Large Cap Value Fund	665,865.1 shs.	10,933,504	623,531.3 shs.	8,174,496
Other		<u>17,020,231</u>		<u>10,955,135</u>
		100,317,086		77,992,987
Common stock		800,263		2,119,228
Participant loans		<u>2,238,281</u>		<u>1,688,020</u>
TOTAL INVESTMENTS		<u>\$103,412,714</u>		<u>\$ 82,166,852</u>

* Represents less than 5% of net assets as of December 31, 2008.

NOTE F - RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

NOTE G - RELATED PARTY TRANSACTIONS

Diversified Investment Advisors provide administrative services to the Plan and, therefore, the transactions qualify as party-in-interest. Fees paid by the Plan for record keeping services in conjunction with processing loans and plan service fees amounted to \$98,196 and \$42,027 for 2009 and 2008, respectively.

NOTE G - RELATED PARTY TRANSACTIONS (Continued)

Certain plan investments are shares of mutual funds management by Transamerica Partners Institutional Funds Group (Transamerica). Transamerica and Diversified Investment Advisors are commonly owned. Therefore, these transactions qualify as party-in-interest.

At December 31, 2009 and 2008, the Plan held in its investment portfolio 135,868 and 133,201 shares, respectively, of common stock of Susquehanna Bancshares, Inc. The fair value of this investment amounted to \$800,263 and \$2,119,228 at December 31, 2009 and 2008, respectively.

NOTE H - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

Registered investment companies: Valued at the net asset value (NAV) of shares held by the Plan at year end.

Temporary cash investments: Valued at the net asset value (NAV) of shares held by the Plan at year end.

Common stock: Valued at the closing price reported on the active market on which the security is traded.

Participant loans: Valued at amortized cost, which approximates fair value.

NOTE H - FAIR VALUE MEASUREMENTS (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2009 and 2008.

	DECEMBER 31, 2009			TOTAL
	LEVEL 1	LEVEL 2	LEVEL 3	
Registered investment companies:				
Domestic stock funds:				
Large value	\$ 10,933,504	\$ -	\$ -	\$ 10,933,504
Large blend	11,289,898	-	-	11,289,898
Large growth	11,106,339	-	-	11,106,339
Other	<u>10,376,631</u>	<u>-</u>	<u>-</u>	<u>10,376,631</u>
	43,706,372	-	-	43,706,372
Balanced funds:				
Retirement income	7,858,625	-	-	7,858,625
Target date	<u>13,452,238</u>	<u>-</u>	<u>-</u>	<u>13,452,238</u>
	21,310,863	-	-	21,310,863
Money market fund	12,512,877	-	-	12,512,877
International stock fund - Foreign large blend	7,000,216	-	-	7,000,216
Fixed income funds:				
Intermediate-term bond	5,616,971	-	-	5,616,971
Intermediate government	<u>10,169,787</u>	<u>-</u>	<u>-</u>	<u>10,169,787</u>
	<u>15,786,758</u>	<u>-</u>	<u>-</u>	<u>15,786,758</u>
Total registered investment companies	100,317,086	-	-	100,317,086
Common stock	800,263	-	-	800,263
Temporary cash investments	57,084	-	-	57,084
Participant loans	<u>-</u>	<u>-</u>	<u>2,238,281</u>	<u>2,238,281</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$101,174,433</u>	<u>\$ -</u>	<u>\$ 2,238,281</u>	<u>\$103,412,714</u>

NOTE H - FAIR VALUE MEASUREMENTS (Continued)

	DECEMBER 31, 2008			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Registered investment companies:				
Domestic stock funds:				
Large value	\$ 8,174,496	\$ -	\$ -	\$ 8,174,496
Large blend	8,982,181	-	-	8,982,181
Large growth	7,680,177	-	-	7,680,177
Other	<u>6,436,225</u>	<u>-</u>	<u>-</u>	<u>6,436,225</u>
	31,273,079	-	-	31,273,079
Balanced funds:				
Target date	14,466,664	-	-	14,466,664
Other	<u>1,883,780</u>	<u>-</u>	<u>-</u>	<u>1,883,780</u>
	16,350,444	-	-	16,350,444
Money market fund	11,261,995	-	-	11,261,995
International stock fund - Foreign large blend	4,647,949	-	-	4,647,949
Fixed income funds:				
Intermediate-term bond	4,247,158	-	-	4,247,158
Intermediate government	<u>10,212,362</u>	<u>-</u>	<u>-</u>	<u>10,212,362</u>
	<u>14,459,520</u>	<u>-</u>	<u>-</u>	<u>14,459,520</u>
Total registered investment companies	77,992,987	-	-	77,992,987
Common stock	2,119,228	-	-	2,119,228
Temporary cash investments	366,617	-	-	366,617
Participant loans	<u>-</u>	<u>-</u>	<u>1,688,020</u>	<u>1,688,020</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 80,478,832</u>	<u>\$ -</u>	<u>\$ 1,688,020</u>	<u>\$ 82,166,852</u>

NOTE H - FAIR VALUE MEASUREMENTS (Continued)

LEVEL 3 GAINS AND LOSSES

The table below presents changes in fair value of the Plan's Level 3 assets for the years ended December 31, 2009 and 2008.

	PARTICIPANT LOANS	
	2009	2008
Balance, beginning of year	\$ 1,688,020	\$ 1,312,294
Purchases, sales, issuances, and Settlements (net)	<u>550,261</u>	<u>375,726</u>
Balance, end of year	<u>\$ 2,238,281</u>	<u>\$ 1,688,020</u>

NOTE I - SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through September 29, 2010. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2009 were noted.

SUPPLEMENTAL SCHEDULE



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULE

Administrative Committee of the
Susquehanna Bancshares, Inc. 401(k) Plan
Lititz, Pennsylvania

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) at December 31, 2009, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Reinsel Kuntz Leshner LLP".

Lancaster, Pennsylvania
September 29, 2010

SUSQUEHANNA BANCSHARES, INC. 401(k) PLAN

EIN #23-2201716 PLAN #001

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

DECEMBER 31, 2009

(a)	(b) IDENTITY OF ISSUE, BORROWER, LESSOR, OR SIMILAR PARTY	(c) DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR, OR MATURITY VALUE	(d) COST	(e) CURRENT VALUE
	Temporary cash investments:			
*	State Street Bank & Trust Co.	Cash Reserve Fund	**	\$ 23,363
*	State Street Bank & Trust Co.	33,721.3 shs. State Street Institutional Liquid Reserves Fund	**	33,721
				<u>57,084</u>
	Registered investment companies:			
	The Vanguard Group	917,023.2 shs. Vanguard Intermediate Term U.S. Treasury Fund	**	10,169,787
	BlackRock, Inc.	465,707.1 shs. BlackRock LifePath 2020 Fund	**	6,808,638
	BlackRock, Inc.	323,037.9 shs. BlackRock LifePath 2030 Fund	**	4,299,635
	BlackRock, Inc.	102,984.9 shs. BlackRock LifePath 2040 Fund	**	1,651,877
	BlackRock, Inc.	41,171.2 shs. BlackRock LifePath 2050 Fund	**	692,088
	BlackRock, Inc.	727,650.5 shs. BlackRock LifePath Retirement Fund	**	7,858,625
	Royce Funds	409,243.2 shs. Royce Pennsylvania Mutual Fund	**	3,867,348
*	Transamerica Partners Funds Group	539,056.7 shs. Transamerica Partners Institutional Core Bond Fund	**	5,616,971
*	Transamerica Partners Funds Group	302,328.9 shs. Transamerica Partners Institutional Mid Value Fund	**	3,637,016
*	Transamerica Partners Funds Group	1,243,404.5 shs. Transamerica Partners Institutional Money Market Fund	**	12,512,877
*	Transamerica Partners Funds Group	1,515,422.5 shs. Transamerica Partners Institutional Stock Index Fund	**	11,289,898
	Thornburg Investment Management	196,327.2 shs. Thornburg Core Growth Fund	**	2,872,267
	American Beacon	665,865.1 shs. American Beacon Large Cap Value Fund	**	10,933,504
	American Funds	185,780.7 shs. American Funds EuroPacific Growth Fund	**	7,000,216
	American Funds	412,415.1 shs. American Funds Growth Fund of America	**	11,106,339
				<u>100,317,086</u>
*	Common stock - Susquehanna Bancshares, Inc.	135,868.0 shs.	**	800,263
*	Participant loans	5.25% to 12.25%	**	2,238,281
				<u><u>\$ 103,412,714</u></u>

* Represents a party-in-interest.

** Cost omitted for participant-directed investments.

SUSQUEHANNA BANCSHARES, INC. 401(k) PLAN

EIN #23-2201716 PLAN #001

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

DECEMBER 31, 2009

(a)	(b) IDENTITY OF ISSUE, BORROWER, LESSOR, OR SIMILAR PARTY	(c) DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR, OR MATURITY VALUE	(d) COST	(e) CURRENT VALUE
	Temporary cash investments:			
*	State Street Bank & Trust Co.	Cash Reserve Fund	**	\$ 23,363
*	State Street Bank & Trust Co.	33,721.3 shs. State Street Institutional Liquid Reserves Fund	**	33,721
				<u>57,084</u>
	Registered investment companies:			
	The Vanguard Group	917,023.2 shs. Vanguard Intermediate Term U.S. Treasury Fund	**	10,169,787
	BlackRock, Inc.	465,707.1 shs. BlackRock LifePath 2020 Fund	**	6,808,638
	BlackRock, Inc.	323,037.9 shs. BlackRock LifePath 2030 Fund	**	4,299,635
	BlackRock, Inc.	102,984.9 shs. BlackRock LifePath 2040 Fund	**	1,651,877
	BlackRock, Inc.	41,171.2 shs. BlackRock LifePath 2050 Fund	**	692,088
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	Royce Funds	409,243.2 shs. Royce Pennsylvania Mutual Fund	**	3,867,348
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*	Transamerica Partners Funds Group	302,328.9 shs. Transamerica Partners Institutional Mid Value Fund	**	3,637,016
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*	Transamerica Partners Funds Group	1,515,422.5 shs. Transamerica Partners Institutional Stock Index Fund	**	11,289,898
	Thornburg Investment Management	196,327.2 shs. Thornburg Core Growth Fund	**	2,872,267
	American Beacon	665,865.1 shs. American Beacon Large Cap Value Fund	**	10,933,504
	American Funds	185,780.7 shs. American Funds EuroPacific Growth Fund	**	7,000,216
	American Funds	412,415.1 shs. American Funds Growth Fund of America	**	11,106,339
				<u>100,317,086</u>
*	Common stock - Susquehanna Bancshares, Inc.	135,868.0 shs.	**	800,263
*	Participant loans	5.25% to 12.25%	**	2,238,281
				<u><u>\$ 103,412,714</u></u>

* Represents a party-in-interest.

** Cost omitted for participant-directed investments.