

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan 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). ► Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information		
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2010</u> and ending <u>12/31/2010</u>			
A This return/report is for:	☐ a multiemployer plan;	☐ a multiple-employer plan; or	
	☒ a single-employer plan;	☐ a DFE (specify) ____	
B This return/report is:	☐ the first return/report;	☐ the final return/report;	
	☒ an amended return/report;	☐ a short plan year return/report (less than 12 months).	
C If the plan is a collectively-bargained plan, check here.	☐		
D Check box if filing under:	☒ Form 5558;	☐ automatic extension;	☐ the DFVC program;
	☐ special extension (enter description)		

Part II	Basic Plan Information —enter all requested information		
1a Name of plan <u>SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN</u>	1b Three-digit plan number (PN) ►	<u>001</u>	
	1c Effective date of plan	<u>01/01/1989</u>	
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) <u>SUSQUEHANNA BANCSHARES, INC.</u> <u>C/O SBI FINANCE TAX DEPT.</u> <u>LITITZ, PA 17543</u>	2b Employer Identification Number (EIN) <u>23-2201716</u>	2c Sponsor's telephone number <u>717-626-4721</u>	2d Business code (see instructions) <u>522110</u>

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	<u>Filed with authorized/valid electronic signature.</u>	<u>10/07/2011</u>	<u>MICHAEL SQUIERDO</u>
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	<u>Filed with authorized/valid electronic signature.</u>	<u>10/07/2011</u>	<u>MICHAEL SQUIERDO</u>
	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

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

Form 5500 (2010)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same")

SUSQUEHANNA BANCSHARES, INC.
C/O SBI FINANCE TAX DEPT.
26 N. CEDAR STREET
LITITZ, PA 17543

3b Administrator's EIN

23-2201716

3c Administrator's telephone number

717-626-4721

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**4c** PN**5** Total number of participants at the beginning of the plan year**5**

4480

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**

2484

b Retired or separated participants receiving benefits.....**6b**

695

c Other retired or separated participants entitled to future benefits.....**6c**

1031

d Subtotal. Add lines **6a**, **6b**, and **6c**.....**6d**

4210

e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....**6e**

56

f Total. Add lines **6d** and **6e**.....**6f**

4266

g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....**6g****h** Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....**6h**

86

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

1C

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

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 SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2010 This Form is Open to Public Inspection
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For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan <u>SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>SUSQUEHANNA BANCSHARES, INC.</u>	D Employer Identification Number (EIN) <u>23-2201716</u>
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I	Basic Information
1 Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2010</u>	
2 Assets:	
a Market value	2a <u>116783043</u>
b Actuarial value	2b <u>116783043</u>
3 Funding target/participant count breakdown	
	(1) Number of participants (2) Funding Target
a For retired participants and beneficiaries receiving payment	3a <u>684</u> <u>34350073</u>
b For terminated vested participants	3b <u>984</u> <u>19925712</u>
c For active participants:	
(1) Non-vested benefits	3c(1) <u>2552375</u>
(2) Vested benefits	3c(2) <u>39797235</u>
(3) Total active	3c(3) <u>2812</u> <u>42349610</u>
d Total	3d <u>4480</u> <u>96625395</u>
4 If the plan is at-risk, check the box and complete items (a) and (b)	☐
a Funding target disregarding prescribed at-risk assumptions	4a
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor	4b
5 Effective interest rate	5 <u>6.64</u> %
6 Target normal cost	6 <u>3876269</u>

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	<u>09/21/2011</u>
Signature of actuary	Date
<u>MATTHEW G. DASKIVICH</u>	<u>11-07639</u>
Type or print name of actuary	Most recent enrollment number
<u>AON CONSULTING</u>	<u>610-834-2100</u>
Firm name	Telephone number (including area code)
<u>555 EAST LANCASTER AVE, SUITE 300</u> <u>0</u> <u>RADNOR, PA 19087-7300</u>	
Address of the firm	

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

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

Schedule SB (Form 5500) 2010
v.092308.1

Part II		Beginning of year carryover and prefunding balances	
		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	14441993	8769756
8	Portion used to offset prior year's funding requirement (Item 35 from prior year)	3270851	0
9	Amount remaining (Item 7 minus item 8).....	11171142	8769756
10	Interest on item 9 using prior year's actual return of <u>11.05</u> %	1234411	969058
11	Prior year's excess contributions to be added to prefunding balance:		
a	Excess contributions (Item 38 from prior year)		17025103
b	Interest on (a) using prior year's effective rate of <u>6.54</u> %		1260957
c	Total available at beginning of current plan year to add to prefunding balance		18286060
d	Portion of (c) to be added to prefunding balance.....		
12	Reduction in balances due to elections or deemed elections.....		
13	Balance at beginning of current year (item 9 + item 10 + item 11d – item 12).....	12405553	9738814

Part III		Funding percentages	
14	Funding target attainment percentage.....	14	97.94 %
15	Adjusted funding target attainment percentage.....	15	120.86 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement.....	16	90.98 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.....	17	%

Part IV		Contributions and liquidity shortfalls	
18 Contributions made to the plan for the plan year by employer(s) and employees:			
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	
Totals ▶		18(b)	0
		18(c)	0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:			
a Contributions allocated toward unpaid minimum required contribution from prior years.....	19a	0	
b Contributions made to avoid restrictions adjusted to valuation date	19b	0	
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date.....	19c	0	
20 Quarterly contributions and liquidity shortfalls:			
a Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No			
b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☒ Yes ☐ No			
c If 20a is "Yes," see instructions and complete the following table as applicable:			
Liquidity shortfall as of end of Quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 4.60 %	2nd segment: 6.65 %	3rd segment: 6.76 %	☐ N/A, full yield curve used
b Applicable month (enter code)				21b 0
22 Weighted average retirement age				22 65
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment.....	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions).....	31	3876269
32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	0	0
b Waiver amortization installment	0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b – item 33).....	34	3876269
	Carryover balance	Prefunding balance
35 Balances used to offset funding requirement	3876269	0
36 Additional cash requirement (item 34 minus item 35).....	36	0
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c).....	37	0
38 Interest-adjusted excess contributions for current year (see instructions).....	38	0
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37).....	39	0
40 Unpaid minimum required contribution for all years	40	0

<div>SCHEDULE C</div> <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>Service Provider Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div>	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection.

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

<div>A</div> <div>Name of plan</div> <div>SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN</div>	<div>B</div> <div>Three-digit plan number (PN)</div> <div>▶</div> <div>001</div>
<div>C</div> <div>Plan sponsor's name as shown on line 2a of Form 5500</div> <div>SUSQUEHANNA BANCSHARES, INC.</div>	<div>D</div> <div>Employer Identification Number (EIN)</div> <div>23-2201716</div>

Part I

Service Provider Information (see instructions)

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

ROBERT GOLDSTEIN

260 SOUNDVIEW AVENUE

WHITE PLAIN, NY 10606

(b)

Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation

(b)

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

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

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 50 59 62 63 64	RECORDKEEPER	5644	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 ☐

(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
(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.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(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.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(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.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(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: STEVEN P. GDOWIK	b EIN: 22-2232264
c Position: ENROLLED ACTUARY	
d Address: 555 EAST LANCASTER AVENUE SUITE 300 RADNOR, PA 19087-5159	e Telephone: 610-834-2100
Explanation: ENROLLED ACTUARY IS NO LONGER WITH THE FIRM	

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 of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

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
		2010
		This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning **01/01/2010** and ending **12/31/2010**

A Name of plan SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN	B Three-digit plan number (PN) ►	001
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	Asset and Liability Statement
---------------	--------------------------------------

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	0	29
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)	305868	187017
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	6794949	1905235
(2) U.S. Government securities.....	1c(2)	10186833	2391870
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)	10889814	6038315
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)	30844519	40714594
(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)		
(9) Value of interest in common/collective trusts.....	1c(9)	2380365	584814
(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)	54113261	73215512
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)	1267434	633693

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(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	116783043	125671079

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	116783043	125671079
---	----	-----------	-----------

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)	0	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		0

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

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	2815	
(B) U.S. Government securities	2b(1)(B)	205265	
(C) Corporate debt instruments	2b(1)(C)	355997	
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		564077

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	949452	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	3840870	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		4790322

(3) Rents	2b(3)		
-----------------	-------	--	--

(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	35004429	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	34951858	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		52571

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)	4222761	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		4222761
(6) Net investment gain (loss) from common/collective trusts	2b(6)		112956
(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)		3261049
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		13003736

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	4102863	
(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)		4102863
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
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)	5644	
(4) Other	2i(4)	7193	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		12837
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		4115700

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		8888036
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 LESHNER, 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.			

- 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
		2010
		This Form is Open to Public Inspection.

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

A Name of plan <u>SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</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
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 <u>110</u>

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
-----------------	-------------------

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) 2010
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: 32% Investment-Grade Debt: 61% High-Yield Debt: 5% Real Estate: 0% Other: 2%

- 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.
Cash Balance Pension Plan
Financial Statements
and Supplemental Schedules
December 31, 2010 and 2009

Susquehanna Bancshares, Inc. Cash Balance Pension Plan
Financial Statements and Supplemental Schedules
December 31, 2010 and 2009

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Independent Auditors' Report on the Financial Statements

Administrative Committee of the
Susquehanna Bancshares, Inc.
Cash Balance Pension Plan
Lititz, Pennsylvania

We have audited the accompanying statements of net assets available for benefits of Susquehanna Bancshares, Inc. Cash Balance Pension Plan (Plan) as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended and the statement of accumulated plan benefits as of December 31, 2009 and the related statement of changes in accumulated plan benefits for the year 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, information regarding the Plan's net assets available for benefits as of December 31, 2010 and 2009, and changes therein for the years then ended and its financial status as of December 31, 2009, and changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Reinsel Kuntz Leshner LLP

September 30, 2011

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statements of Net Assets Available for Benefits

	DECEMBER 31,	
	<u>2010</u>	<u>2009</u>
Cash	\$ 29	\$ -
Investments, at fair value:		
Registered investment companies	73,215,512	54,113,261
U.S. government agencies	2,391,870	10,186,833
Municipal bonds	364,105	355,996
Foreign bonds	269,588	911,438
Corporate bonds and notes	6,038,315	10,889,814
Common stocks	40,714,594	30,844,519
Common collective trust funds	584,814	2,380,365
Temporary cash investment	<u>1,905,235</u>	<u>6,794,949</u>
	125,484,033	116,477,175
Accrued Investment Income	<u>187,017</u>	<u>305,868</u>
Net Assets Available for Benefits	<u>\$125,671,079</u>	<u>\$116,783,043</u>

See accompanying notes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statements of Changes in Net Assets Available for Benefits

	YEAR ENDED DECEMBER 31,	
	<u>2010</u>	<u>2009</u>
Additions:		
Employer contributions	\$ -	\$ 20,000,000
Investment activities:		
Realized and unrealized net appreciation of investments	4,275,332	4,740,825
Interest and dividend income	5,354,399	3,219,343
Net investment gain from registered investment companies	3,261,049	1,722,812
Net investment gain from common collective trust funds	<u>112,956</u>	<u>113,105</u>
	<u>13,003,736</u>	<u>9,796,085</u>
Total Additions	13,003,736	29,796,085
Deductions:		
Benefit payments to participants	4,102,863	4,004,470
Administrative expenses	<u>12,837</u>	<u>24,303</u>
Total Deductions	<u>4,115,700</u>	<u>4,028,773</u>
Net Increase	8,888,036	25,767,312
Net Assets Available for Benefits at Beginning of Year	<u>116,783,043</u>	<u>91,015,731</u>
Net Assets Available for Benefits at End of Year	<u>\$125,671,079</u>	<u>\$116,783,043</u>

See accompanying notes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statement of Accumulated Plan Benefits

December 31, 2009

Actuarial present value of accumulated plan benefits:

Vested benefits:

Retired participants

\$31,387,760

Active and terminated participants

50,869,033

82,256,793

Nonvested benefits

2,109,123

Total Actuarial Present Value of Accumulated Plan Benefits

\$84,365,916

See accompanying notes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statement of Changes in Accumulated Plan Benefits

Year Ended December 31, 2009

Actuarial present value of accumulated plan benefits at beginning of year	\$81,607,648
Increase (decrease) during the year attributable to:	
Benefits accumulated	789,617
Increase for interest due to the decrease in the discount period	5,973,121
Benefits paid	<u>(4,004,470)</u>
Net Increase	<u>2,758,268</u>
Actuarial Present Value of Accumulated Plan Benefits at End of Year	<u>\$84,365,916</u>

See accompanying notes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Notes to Financial Statements

December 31, 2010 and 2009

Note A - Summary of Significant Accounting Policies

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 gain (loss) from registered investment companies includes capital gain distributions and realized and unrealized appreciation (depreciation). Net investment gain (loss) from common collective trust funds includes 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.

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.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future benefit payments attributable under the Plan's provisions to the service that employees have rendered. Accumulated plan benefits include benefits expected to be paid to (1) active employees or their beneficiaries, (2) beneficiaries of employees who have died, and (3) retired or terminated employees or their beneficiaries. The accumulated plan benefits under the current plan provisions are based on the participant's cash balance account converted to an annuity of equivalent value. For those employees grandfathered under the previous plan provisions, the accumulated plan benefits are the greater of benefits based on years of service and the employee's five highest paid consecutive years of employment during the last ten years of employment (final average compensation) or benefits calculated under the current cash balance plan provisions. Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits has been determined by an independent actuary, and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawals, or retirement) between the valuation date and the expected payment dates.

The significant actuarial assumptions used in the valuation as of January 1, 2010 are as follows:

Asset valuation	- Plan assets are valued at market value
Investment return	- 7.5% compounded annually
Mortality	- RP-2000 Combined Healthy Tables for males and females
Retirement age	- Normal retirement age: Age 65 or their age on the valuation date, if later
Salary scale	- None
Cash balance interest credits	- 5.0% compounded annually

Note A - Summary of Significant Accounting Policies (continued)

Actuarial Present Value of Accumulated Plan Benefits (continued)

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The actuarial present value of accumulated plan benefits includes the effect of the Plan freeze as discussed in Note B.

Payment of Benefits

Benefit payments to participants are recorded when paid.

Basis of Accounting

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

Administrative Expenses

Administrative expenses are paid by the Company and the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates. The Plan uses an actuary to determine the actuarial present value of accumulated plan benefits. A change in the actuarial assumptions used could significantly change the amount of the actuarial present value of accumulated plan benefits reported in the accompanying financial statements.

Note B - Description of the Plan

The following description of the Susquehanna Bancshares, Inc. Cash Balance Pension 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 noncontributory defined benefit plan covering substantially all full-time employees of Susquehanna Bancshares, Inc. and its Subsidiaries (Company) who have attained age twenty-one and were hired before January 1, 2009. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective June 30, 2009, certain plan benefits under the Plan were frozen for employees hired before January 1, 2009 who were not age 50 or who had not earned at least 15 years of vesting service as of December 31, 2009. These employees will retain the benefits they have earned through June 30, 2009, but will no longer accrue future pay-based credits to their accounts within the Plan. These employees will continue to receive interest each year at a guaranteed minimum rate of 5%. All other employees hired before January 1, 2009 will continue to participate and accrue benefits under the Plan.

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

Participant Accounts

Under the Plan, an account balance is maintained for each participant to track their appreciation of benefits under the Plan. For participants whose benefits are not frozen, each participant's account is credited with an allocation of (a) an annual contribution based on earnings and (b) an interest credit. For participants that had certain benefits frozen as of June 30, 2009, each participant's account was credited with an allocation of (a) a contribution based on earnings through June 30, 2009 and (b) an interest credit. In future years, these participants will only receive an allocation of an interest credit annually.

An annual contribution, equal to a percentage of W-2 earnings, is credited to the account of each eligible participant who worked at a rate of at least 1,000 hours of service during the plan year. The annual contribution percentage is based upon each participant's age plus years of service as of the beginning of each plan year. The annual contribution percentage ranges from 3% for participants with a total of age plus service of less than 30 years to 11% for participants with a total of age plus service of 100 years or more. In addition, the account balance as of the end of the preceding year is credited with interest based on the 1-year U.S. Treasury Bill, as defined in the Plan, but not less than 5% and not more than 8%. The rate of interest used to credit participant accounts was 5% for the years ended December 31, 2010 and 2009, respectively.

Pension Benefits and Vesting

A participant's right to receive an accrued benefit shall become vested upon the completion of three years of service or the attainment of age 65. Employees are eligible to receive their full accrued benefits upon reaching their normal retirement age (65). The benefit is the balance in the participant's cash balance account converted to an annuity of equivalent value as of the benefit commencement date. Participants who were age 55 or greater with 10 or more years of service as of December 31, 1997 will receive the greater of the benefit payable under the prior plan provisions or the benefit payable based on the participant's cash balance account. The benefit payable under the prior plan provisions is equal to one and one-half percent (1 1/2%) of the final average compensation up to the Social Security covered compensation amount plus two percent (2%) of the final average compensation in excess of the Social Security covered compensation amount times the number of years of credited service up to a maximum of 25 years. Individuals who were participants under a merged plan prior to December 31, 1997 had the accrued benefit from prior bank pension plans included in the participants' opening cash balance account balance as of January 1, 1998. Early retirement is allowed upon the attainment of age 55 and at least 15 years of service. Benefits are generally available in the form of a qualified joint and survivor annuity for employees married on the date retirement benefits commence, and a single life annuity for other employees.

Note B - Description of the Plan (continued)

Pension Benefits and Vesting (continued)

Notwithstanding any other provision of this Plan, for any participant whose benefit in the Susquehanna Bancshares, Inc. Retirement Income Plan that was converted to an Opening Account Balance on the transition date, the Participant's Accrued Benefit shall never be less than the Plan benefit from the Susquehanna Bancshares, Inc. Retirement Income Plan (as of the transition date).

Death and Disability Benefits

The Plan provides for a disability pension if a participant becomes disabled at a time when he or she has at least three years of continuous service and is eligible for Social Security Disability Benefits. Credits will be made to his or her account during the period of disability at the same rate of compensation he or she was receiving prior to becoming disabled if eligible for credits under the partial plan freeze. The amount of disability pension, payable to the participant, is based on his or her accrued benefit at normal or, if eligible, early retirement.

The Plan also provides benefits to spouses of participants who die before retirement, but after completing three years of continuous service. The Plan entitles the surviving spouse to the full benefit which would have been payable to the spouse if the participant had retired on the day preceding his death and elected a joint and 50% survivor option, not half of the benefit as normally paid to the survivor under this form of benefit.

The pre-retirement death benefit provision provides for a single sum death benefit payable to the designated beneficiary of a participant not married as of his or her date of death. The single sum benefit is payable in incremental amounts based on the number of years of vesting service as defined.

Funding Policy

The Company's policy is to fund the pension plan on a current basis up to the amount currently deductible under current tax law. Forfeitures arising under the Plan shall be used to reduce the amount of contributions made by the Company. The Company's contributions for 2010 and 2009 met or exceeded the minimum funding requirements of ERISA.

Although it has not expressed any intention 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 set forth in ERISA.

Note B - Description of the Plan (continued)

Plan Termination

In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

- a. Annuity benefits that former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under plan provisions in effect at any time during the five years preceding plan termination.
- b. Other vested benefits insured by the Pension Benefit Guaranty Corporation (PBGC) (a U.S. government agency) up to the applicable limitations (discussed subsequently).
- c. All other vested benefits (that is, vested benefits not insured by the PBGC).
- d. All nonvested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, a statutory ceiling exists, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees.

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations, and may also depend on the financial condition of the plan sponsor and the level of benefits guaranteed by the PBGC.

Note C - Recent Accounting Pronouncement

In January 2010, FASB issued an amendment, *Fair Value Measurements and Disclosures - Improving Disclosures about Fair Value Measurement* (ASU 2010-06), which requires new disclosures about 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 disclosures about inputs and valuation techniques are required for both Level 2 and Level 3 measurements. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these changes. With respect to matters other than Level 3 measurements, the amendment was effective and adopted for periods beginning on or after December 15, 2009. See Note H for the impact of adoption. The guidance related to Level 3 measurements is effective for periods beginning on or after December 15, 2010 and has not yet been adopted. The Plan will be required to adopt this disclosure in its 2011 financial statements. Plan management is currently evaluating the impact of the guidance related to Level 3 measurements on the Plan's financial statement disclosures.

Note D - Income Tax Status

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan. Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax exempt status and had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Plan is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2007.

The Internal Revenue Service has determined and informed the Company by a letter dated April 20, 2009, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). 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.

Note E - Investments

Except for common collective trust funds, the Plan's investments are held by a bank-administered trust fund. The following table presents the fair values of investments. Investments that represent 5 percent or more of the Plan's net assets are separately identified.

	<u>DECEMBER 31, 2010</u>		<u>DECEMBER 31, 2009</u>	
	<u>NUMBER OF SHARES OR PRINCIPAL AMOUNT</u>	<u>FAIR VALUE</u>	<u>NUMBER OF SHARES OR PRINCIPAL AMOUNT</u>	<u>FAIR VALUE</u>
INVESTMENTS AT FAIR VALUE				
Registered investment companies:				
Vanguard Long-Term Investment Grade Fund	7,612,808.552 shs.	\$ 71,103,632	6,066,509.123 shs.	\$ 54,113,261
Other		<u>2,111,880</u>		-
		73,215,512		54,113,261
U.S. government agencies		2,391,870		10,186,833
Municipal bonds		364,105		355,996
Foreign bonds		269,588		911,438
Corporate bonds and notes		6,038,315		10,889,814
Common stocks		40,714,594		30,844,519
Temporary cash investment:				
Federated Municipal Obligation Money Market Fund		-	6,794,949.300 shs.	6,794,949
Federated Government Obligation Money Market Fund		1,905,235		-
Common collective trust funds		<u>584,814</u>		<u>2,380,365</u>
		<u>\$125,484,033</u>		<u>\$116,477,175</u>

Note E - Investments (continued)

During the years ended December 31, 2010 and 2009, the Plan's investments experienced realized and unrealized net appreciation in total of \$7,649,337 and \$6,576,742, respectively, as follows:

	YEAR ENDED DECEMBER 31,	
	<u>2010</u>	<u>2009</u>
INVESTMENTS AT FAIR VALUE AS DETERMINED BY QUOTED MARKET PRICE		
Registered investment companies	\$ 3,261,049	\$ 1,722,812
U.S. government agencies	(68,963)	(743,180)
Municipal bonds	8,109	5,050
Foreign bonds	5,243	49,125
Corporate bonds and notes	52,659	460,137
Common stocks	<u>4,278,284</u>	<u>4,969,693</u>
	<u>4,275,332</u>	<u>4,740,825</u>
	<u>7,536,381</u>	<u>6,463,637</u>
INVESTMENTS AT VALUES QUOTED BY THE TRUST		
Common collective trust funds	<u>112,956</u>	<u>113,105</u>
	<u>\$ 7,649,337</u>	<u>\$ 6,576,742</u>

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 the amounts reported in the statements of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Note G - Related Party Transactions

Certain plan investments are units of common collective trust funds managed by Diversified Investment Advisors (Diversified). Diversified is a custodian, as defined by the Plan, and provides administrative and investment services to the Plan and therefore, these transactions qualify as party-in-interest. Fees paid by the Plan for administrative and investment services amounted to \$5,644 and \$13,118 for 2010 and 2009, 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, 2010 and 2009.

Temporary cash investments: Valued at the carrying value which is a reasonable estimate of fair value for this short-term investment.

Common stocks, U.S. government agencies, municipal bonds, foreign bonds, and corporate bonds and notes: These investments traded in active markets and on national and international securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued at fair value, by independent third-party valuation services using pricing models and other accepted valuation methodologies, such as quotes for similar securities and observable yield curves and spreads. Securities that trade infrequently and therefore have little or no price transparency are valued using the Plan's investment manager's best estimates.

Common collective trust funds and registered investment companies: The respective fair value of these investments are determined by reference to the funds' underlying assets which are principally marketable equity securities and fixed income securities. Shares held in registered investment companies traded on national securities exchanges are valued at net asset value. Units held in common collective trust funds are valued at the unit value as reported by the respective fund manager.

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, 2010 and 2009.

	DECEMBER 31, 2010			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Registered investment companies:				
Fixed income fund	\$ 71,103,632	\$ -	\$ -	\$ 71,103,632
Commodities broad basket fund	<u>2,111,880</u>	<u>-</u>	<u>-</u>	<u>2,111,880</u>
Total registered investment companies	73,215,512	-	-	73,215,512
U.S. government agencies:				
Federal home loan banks	-	1,119,308	-	1,119,308
Federal farm credit banks	-	1,238,981	-	1,238,981
Other	<u>-</u>	<u>33,581</u>	<u>-</u>	<u>33,581</u>
Total U.S. government agencies	-	2,391,870	-	2,391,870
Municipal bonds	-	364,105	-	364,105
Foreign bonds	-	269,588	-	269,588
*Corporate bonds:				
A credit rating	-	2,472,561	-	2,472,561
A+ credit rating	-	1,849,636	-	1,849,636
A- credit rating and above	-	1,395,382	-	1,395,382
BBB+ credit rating	<u>-</u>	<u>320,736</u>	<u>-</u>	<u>320,736</u>
Total corporate bonds	-	6,038,315	-	6,038,315
Common stocks:				
Raw materials, goods, and services	7,448,210	-	-	7,448,210
Consumer nondurables	16,118,255	-	-	16,118,255
Energy	2,480,305	-	-	2,480,305
Financial	2,314,440	-	-	2,314,440
Capital goods	3,358,468	-	-	3,358,468
Utilities	8,464,506	-	-	8,464,506
Other	<u>530,410</u>	<u>-</u>	<u>-</u>	<u>530,410</u>
Total common stocks	40,714,594	-	-	40,714,594
Common collective trust funds	-	584,814	-	584,814

Note H - Fair Value Measurements (continued)

DECEMBER 31, 2010				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Temporary cash investment - Money market fund	<u>1,905,235</u>	<u>-</u>	<u>-</u>	<u>1,905,235</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$115,835,341</u>	<u>\$ 9,648,692</u>	<u>\$ -</u>	<u>\$125,484,033</u>
DECEMBER 31, 2009				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Registered investment companies - Fixed income fund	\$ 54,113,261	\$ -	\$ -	\$ 54,113,261
U.S. government agencies:				
Federal home loan banks	-	5,025,123	-	5,025,123
Federal farm credit banks	-	3,975,568	-	3,975,568
Other	<u>-</u>	<u>1,186,142</u>	<u>-</u>	<u>1,186,142</u>
Total U.S. government agencies	-	10,186,833	-	10,186,833
Municipal bonds	-	355,996	-	355,996
Foreign bonds	-	911,438	-	911,438
*Corporate bonds:				
A credit rating	-	5,792,781	-	5,792,781
A+ credit rating	-	2,180,852	-	2,180,852
A- credit rating and above	-	2,136,835	-	2,136,835
BBB+ credit rating	<u>-</u>	<u>779,346</u>	<u>-</u>	<u>779,346</u>
Total corporate bonds	-	10,889,814	-	10,889,814
Common stocks:				
Raw materials, goods, and services	6,936,670	-	-	6,936,670
Consumer nondurables	11,022,540	-	-	11,022,540
Energy	1,539,310	-	-	1,539,310
Capital goods	1,730,970	-	-	1,730,970
Utilities	8,566,180	-	-	8,566,180
Other	<u>1,048,849</u>	<u>-</u>	<u>-</u>	<u>1,048,849</u>
Total common stocks	30,844,519	-	-	30,844,519
Common collective trust funds:				
Bond fund	-	1,830,501	-	1,830,501
Other	<u>-</u>	<u>549,864</u>	<u>-</u>	<u>549,864</u>
Total common collective trust funds	-	2,380,365	-	2,380,365

Note H - Fair Value Measurements (continued)

	DECEMBER 31, 2009			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Temporary cash investment - Money market fund	<u>6,794,949</u>	<u>-</u>	<u>-</u>	<u>6,794,949</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 91,752,729</u>	<u>\$ 24,724,446</u>	<u>\$ -</u>	<u>\$116,477,175</u>

*Corporate bond ratings are as of report date, due to historical information not being available. The ratings are presented using the Standard & Poor's rating system.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2010, there were no significant transfers in or out of Levels 1, 2, or 3.

Note I - Fair Value of Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)

The following tables set forth additional disclosures of the Plan's investments whose fair value is estimated using net asset value per share (or its equivalent) as of December 31, 2010 and 2009.

2010				
INVESTMENT	FAIR VALUE	UNFUNDED COMMITMENT	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Common collective trust funds:				
Core Bond Portfolio (a)	\$ 549,320	\$ -	Daily	None
Money Market Portfolio (b)	<u>35,494</u>	<u>-</u>	Daily	None
Total	<u>\$ 584,814</u>	<u>\$ -</u>		
2009				
INVESTMENT	FAIR VALUE	UNFUNDED COMMITMENT	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Common collective trust funds:				
Core Bond Portfolio (a)	\$ 1,830,501	\$ -	Daily	None
Money Market Portfolio (b)	<u>549,864</u>	<u>-</u>	Daily	None
Total	<u>\$ 2,380,365</u>	<u>\$ -</u>		

(a) This class is a bond fund whose objective is to achieve maximum total return. The fund invests in primarily U.S. government agency obligations, corporate debt securities, and mortgage-backed securities. Investments in this class can be redeemed daily at the current net asset value per unit based on the fair value of the underlying assets. The fair value of investments in this class has been estimated using the net asset value per unit of the investment as reported by the respective fund manager.

Note I - Fair Value of Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent) (continued)

- (b) The class is a money market fund whose objective is to provide liquidity and as high a level of income as is consistent with the preservation of capital. The fund invests in primarily certificates of deposit, commercial paper, repurchase agreements, and short-term U.S. government obligations. Investments in this class can be redeemed daily at the current net asset value per unit based on the fair value of the underlying assets. The fair value of investments in this class has been estimated using the net asset value per unit of the investments as reported by the respective fund manager.

Note J - Subsequent Events

The Plan has evaluated subsequent events through September 30, 2011. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2010 were noted.



Independent Auditors' Report on the Supplemental Schedules

Administrative Committee of the
Susquehanna Bancshares, Inc.
Cash Balance Pension 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 schedules of Schedule H, Line 4i - Schedule of Assets (Held at End of Year) at December 31, 2010 and Schedule H, Line 4j - Schedule of Reportable Transactions for the year ended December 31, 2010, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are 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. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are 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 Leshar LLP'. The signature is written in dark ink and is positioned above a horizontal line.

September 30, 2011

Supplemental Schedules

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2010

(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
Registered investment companies:				
	Vanguard Funds	7,612,808.552 shs. Vanguard Long-Term Investment Grade Fund	\$ 66,477,320	\$ 71,103,632
	PIMCO Funds	227,328.334 shs. PIMCO Commodity Real Return Strategy Fund	1,809,364	2,111,880
			68,286,684	73,215,512
U.S. government agencies:				
	Federal Home Loan Banks	\$ 300,000 par, 5.625%, due 05/15/11	320,964	313,611
	Federal Home Loan Banks	\$ 150,000 par, 4.625%, due 09/11/20	151,714	161,504
	Federal Home Loan Banks	\$ 250,000 par, 5.375%, due 06/08/12	249,758	267,391
	Federal Farm Credit Banks	\$ 100,000 par, 5.750%, due 01/18/11	107,683	100,219
	Federal Farm Credit Banks	\$ 185,000 par, 6.250%, due 07/11/11	207,383	190,755
	Federal Farm Credit Banks	\$ 150,000 par, 5.430%, due 07/24/13	156,315	166,997
	Federal Farm Credit Banks	\$ 125,000 par, 3.880%, due 07/08/13	122,307	134,153
	Federal Farm Credit Banks	\$ 175,000 par, 4.500%, due 05/06/14	178,777	193,418
	Federal Farm Credit Banks	\$ 298,000 par, 5.650%, due 06/30/14	336,317	341,708
	Federal Farm Credit Banks	\$ 100,000 par, 4.625%, due 08/26/15	97,977	111,731
	Federal Home Loan Banks	\$ 260,000 par, 5.000%, due 12/16/11	261,225	271,418
	Federal Home Loan Banks	\$ 100,000 par, 6.435%, due 12/12/11	112,358	105,384
	Federal National Mortgage Association	\$ 24,588 par, 6.000%, due 07/01/16	24,609	26,766
	Federal National Mortgage Association	\$ 5,970 par, 5.500%, due 12/01/11	5,949	6,393
	GNMA Pool 146675X	\$ 417 par, 9.000%, due 07/15/16	407	422
			2,333,743	2,391,870
Municipal bonds:				
	Ambridge Boro PA	\$ 120,000 par, 5.300%, due 10/15/14	119,383	131,764
	Frederick MD	\$ 100,000 par, 4.170%, due 03/01/13	100,000	102,506
	Frederick MD	\$ 125,000 par, 4.520%, due 03/01/13	125,000	129,835
			344,383	364,105
Foreign bond -				
	Astrazeneca PLC	\$ 250,000 par, 5.400%, due 09/15/12	257,558	269,588
Corporate bonds and notes:				
	AT&T Corp.	\$ 300,000 par, 7.300%, due 11/15/11	308,586	316,917
	Bear Stearns Co., Inc.	\$ 100,000 par, 5.350%, due 02/01/12	100,352	104,642
	Bellsouth Corp.	\$ 250,000 par, 4.750%, due 11/15/12	256,745	266,675
	Bottling Group LLC	\$ 350,000 par, 6.950%, due 03/15/14	374,980	405,583
	Brown Forman Corp.	\$ 250,000 par, 5.000%, due 02/01/14	256,800	272,093
	Cisco Systems, Inc.	\$ 250,000 par, 5.250%, due 02/22/11	263,325	251,567
	Costco Wholesale Corp.	\$ 300,000 par, 5.300%, due 03/15/12	321,099	315,612
	Costco Co.	\$ 215,000 par, 5.500%, due 03/15/17	211,270	244,958
	John Deere Cap	\$ 100,000 par, 5.100%, due 01/15/13	99,940	107,975
	John Deere Corp.	\$ 100,000 par, 4.950%, due 12/17/12	99,390	107,862
	Dupont E.I. de Nemours & Co.	\$ 110,000 par, 4.875%, due 04/30/14	109,430	119,797
	Florida Power & Light Co.	\$ 235,000 par, 4.850%, due 02/01/13	229,508	251,525
	General Electric Corp.	\$ 275,000 par, 5.000%, due 01/08/16	273,625	293,535

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year) (continued)

December 31, 2010

(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
Corporate bonds and notes:				
	General Electric Cap Corp.	\$ 250,000 par, 5.250%, due 10/19/12	256,297	267,195
	Hewlett Packard Co.	\$ 150,000 par, 4.500%, due 03/01/13	153,599	160,554
	IBM Intl Group Cap LLC	\$ 250,000 par, 5.050%, due 10/22/12	265,338	268,752
	IBM Corp.	\$ 250,000 par, 4.750%, due 11/29/12	245,712	268,395
	Merrill Lynch Co.	\$ 50,000 par, 6.050%, due 08/15/12	50,780	52,945
	NSTAR Electric Co.	\$ 250,000 par, 4.875%, due 04/15/14	245,652	272,313
	Nucor Corp.	\$ 250,000 par, 5.000%, due 12/01/12	250,148	267,993
	Oracle Corp.	\$ 280,000 par, 5.250%, due 01/15/16	275,428	314,798
	Pitney Bowes, Inc.	\$ 309,000 par, 3.875%, due 06/15/13	286,751	320,736
	Target Corp.	\$ 114,000 par, 5.125%, due 01/15/13	116,682	123,397
	United Technologies Corp.	\$ 125,000 par, 4.875%, due 05/01/15	118,176	138,376
	Wal-Mart Stores, Inc.	\$ 250,000 par, 4.125%, due 02/15/11	242,367	251,060
	Walgreen Co.	\$ 250,000 par, 4.875%, due 08/01/13	264,713	273,060
			5,676,693	6,038,315
Common stocks:				
	3M Co.	9,000 shs.	763,437	776,700
	Abbott Laboratories	28,000 shs.	1,304,893	1,341,480
	AGCO Corporation	10,300 shs.	435,576	521,798
	Archer Daniels Midland	42,000 shs.	1,139,043	1,263,360
	AT&T Inc.	44,000 shs.	1,154,623	1,292,720
	Barrick Gold Corp.	26,000 shs.	787,644	1,382,680
	Bristol-Myers Squibb Co.	33,000 shs.	773,980	873,840
	Cameco Corp.	13,000 shs.	375,230	524,940
	Central Fund Canada	80,000 shs.	857,514	1,658,400
	China Mobile Limited Sponsored ADR	15,000 shs.	788,683	744,300
	Cisco Systems, Inc.	24,000 shs.	435,479	485,520
	Chevron Corp.	8,500 shs.	586,511	775,625
	Clorox	8,000 shs.	499,514	506,240
	Coca Cola Company	23,000 shs.	1,026,043	1,512,710
	Colgate-Palmolive Company	8,000 shs.	628,941	642,960
	ConocoPhillips	10,000 shs.	579,755	681,000
	Deere & Co.	7,000 shs.	297,890	581,350
	Exxon Mobil Corporation	14,000 shs.	897,670	1,023,680
	Fluor Corp.	17,000 shs.	766,874	1,126,420
	General Electric Co.	29,000 shs.	706,820	530,410
	Glaxo Smithkline PLC Sponsored ADR	12,000 shs.	450,805	470,640
	Gold Fields LTD New Sponsored ADR	45,000 shs.	529,895	815,850
	Goldcorp, Inc.	29,000 shs.	762,929	1,333,420
	Intel Corp.	34,000 shs.	633,984	715,020
	Ishares MSCI Japan Index	75,000 shs.	776,968	818,250
	Johnson & Johnson	21,000 shs.	1,306,709	1,298,850
	JPMorgan Chase & Co.	12,000 shs.	493,624	509,040
	Kellogg Company	6,000 shs.	323,831	306,480
	Kimberly Clark Corp.	8,000 shs.	490,037	504,320
	McCormick & Co., Inc.	14,000 shs.	546,446	651,420
	Merck & Company, Inc.	34,000 shs.	1,106,560	1,225,360

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year) (continued)

December 31, 2010

(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
Common stocks:				
	Microsoft Corp.	24,000 shs.	621,763	669,840
	Newmont Mining	20,000 shs.	771,089	1,228,600
	Nippon Telegraph & Telephone Corp. Sponsored ADR	44,000 shs.	1,077,195	1,009,360
	Oracle Systems Corp.	23,000 shs.	459,436	719,900
	Paychex, Inc.	16,000 shs.	487,819	494,560
	Pepsico, Inc.	15,500 shs.	943,726	1,012,615
	Pfizer, Inc.	44,000 shs.	1,013,560	770,440
	Philip Morris International, Inc.	10,000 shs.	507,503	585,300
	PNC Financial Services Group, Inc.	8,000 shs.	486,880	485,760
	Procter & Gamble	19,000 shs.	1,112,404	1,222,270
	Shaw Group, Inc.	13,000 shs.	386,132	444,990
	Texas Instruments, Inc.	16,000 shs.	489,136	520,000
	Transcanada Corp.	13,000 shs.	486,396	494,520
	Travelers Companies, Inc.	9,000 shs.	435,908	501,390
	Verizon Communications	30,700 shs.	893,383	1,098,446
	Vodafone Group PLC Sponsored ADR	28,000 shs.	643,201	740,320
	Wal-Mart Stores, Inc.	16,000 shs.	828,381	862,880
	Waste Management, Inc.	26,000 shs.	735,785	958,620
			34,607,605	40,714,594
Common collective trust funds:				
*	Diversified Investment Advisors	30,276.387 units Money Market Portfolio	549,320	549,320
*	Diversified Investment Advisors	1,350.046 units Core Bond Portfolio	30,518	35,494
			579,838	584,814
Temporary cash investment -				
	Federated Investors, Inc.	1,905,235.410 shs. Federated Government Obligations Money Market Fund	1,905,235	1,905,235
Total Assets Held at End of Year			\$ 113,991,739	\$ 125,484,033

* Denotes a party-in-interest.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4j - Schedule of Reportable Transactions

Year Ended December 31, 2010

(a) IDENTITY OF PARTY INVOLVED	(b) DESCRIPTION OF ASSET (INCLUDING INTEREST RATE AND MATURITY IN CASE OF LOAN)	(c) PURCHASE PRICE	(d) SELLING PRICE	(e) LEASE RENTAL	(f) EXPENSE INCURRED WITH TRANSACTION	(g) COST OF ASSET	(h) CURRENT VALUE OF ASSET ON TRANSACTION DATE	(i) NET GAIN OR (LOSS)
Federated Investors, Inc.	Government Obligation							
	Money Market Fund	<u>\$ 16,018,431</u>				<u>\$ 16,018,431</u>	<u>\$ 16,018,431</u>	<u>\$ -</u>
		(122)						
Federated Investors, Inc.	Government Obligation							
	Money Market Fund		<u>\$ 14,113,196</u>			<u>\$ 14,113,196</u>	<u>\$ 14,113,196</u>	<u>\$ -</u>
			(38)					
Federated Investors, Inc.	Municipal Obligation							
	Money Market Fund	<u>\$ 27,755,597</u>				<u>\$ 27,755,597</u>	<u>\$ 27,755,597</u>	<u>\$ -</u>
		(78)						
Federated Investors, Inc.	Municipal Obligation							
	Money Market Fund		<u>\$ 34,550,546</u>			<u>\$ 34,550,546</u>	<u>\$ 34,550,546</u>	<u>\$ -</u>
			(38)					
Vanguard Funds	Long-Term Investment							
	Grade Fund	<u>\$ 14,031,838</u>				<u>\$ 14,031,838</u>	<u>\$ 14,031,838</u>	<u>\$ -</u>
		(16)						

Susquehanna Bancshares, Inc.
Cash Balance Pension Plan
Financial Statements
and Supplemental Schedules
December 31, 2010 and 2009

Susquehanna Bancshares, Inc. Cash Balance Pension Plan
Financial Statements and Supplemental Schedules
December 31, 2010 and 2009

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Independent Auditors' Report on the Financial Statements

Administrative Committee of the
Susquehanna Bancshares, Inc.
Cash Balance Pension Plan
Lititz, Pennsylvania

We have audited the accompanying statements of net assets available for benefits of Susquehanna Bancshares, Inc. Cash Balance Pension Plan (Plan) as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended and the statement of accumulated plan benefits as of December 31, 2009 and the related statement of changes in accumulated plan benefits for the year 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, information regarding the Plan's net assets available for benefits as of December 31, 2010 and 2009, and changes therein for the years then ended and its financial status as of December 31, 2009, and changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Reinsel Kuntz Leshner LLP

September 30, 2011

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statements of Net Assets Available for Benefits

	DECEMBER 31,	
	<u>2010</u>	<u>2009</u>
Cash	\$ 29	\$ -
Investments, at fair value:		
Registered investment companies	73,215,512	54,113,261
U.S. government agencies	2,391,870	10,186,833
Municipal bonds	364,105	355,996
Foreign bonds	269,588	911,438
Corporate bonds and notes	6,038,315	10,889,814
Common stocks	40,714,594	30,844,519
Common collective trust funds	584,814	2,380,365
Temporary cash investment	<u>1,905,235</u>	<u>6,794,949</u>
	125,484,033	116,477,175
Accrued Investment Income	<u>187,017</u>	<u>305,868</u>
Net Assets Available for Benefits	<u>\$125,671,079</u>	<u>\$116,783,043</u>

See accompanying notes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statements of Changes in Net Assets Available for Benefits

	YEAR ENDED DECEMBER 31,	
	<u>2010</u>	<u>2009</u>
Additions:		
Employer contributions	\$ -	\$ 20,000,000
Investment activities:		
Realized and unrealized net appreciation of investments	4,275,332	4,740,825
Interest and dividend income	5,354,399	3,219,343
Net investment gain from registered investment companies	3,261,049	1,722,812
Net investment gain from common collective trust funds	<u>112,956</u>	<u>113,105</u>
	<u>13,003,736</u>	<u>9,796,085</u>
Total Additions	13,003,736	29,796,085
Deductions:		
Benefit payments to participants	4,102,863	4,004,470
Administrative expenses	<u>12,837</u>	<u>24,303</u>
Total Deductions	<u>4,115,700</u>	<u>4,028,773</u>
Net Increase	8,888,036	25,767,312
Net Assets Available for Benefits at Beginning of Year	<u>116,783,043</u>	<u>91,015,731</u>
Net Assets Available for Benefits at End of Year	<u>\$125,671,079</u>	<u>\$116,783,043</u>

See accompanying notes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statement of Accumulated Plan Benefits

December 31, 2009

Actuarial present value of accumulated plan benefits:

Vested benefits:

Retired participants

\$31,387,760

Active and terminated participants

50,869,033

82,256,793

Nonvested benefits

2,109,123

Total Actuarial Present Value of Accumulated Plan Benefits

\$84,365,916

See accompanying notes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statement of Changes in Accumulated Plan Benefits

Year Ended December 31, 2009

Actuarial present value of accumulated plan benefits at beginning of year	\$81,607,648
Increase (decrease) during the year attributable to:	
Benefits accumulated	789,617
Increase for interest due to the decrease in the discount period	5,973,121
Benefits paid	<u>(4,004,470)</u>
Net Increase	<u>2,758,268</u>
Actuarial Present Value of Accumulated Plan Benefits at End of Year	<u>\$84,365,916</u>

See accompanying notes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Notes to Financial Statements

December 31, 2010 and 2009

Note A - Summary of Significant Accounting Policies

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 gain (loss) from registered investment companies includes capital gain distributions and realized and unrealized appreciation (depreciation). Net investment gain (loss) from common collective trust funds includes 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.

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.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future benefit payments attributable under the Plan's provisions to the service that employees have rendered. Accumulated plan benefits include benefits expected to be paid to (1) active employees or their beneficiaries, (2) beneficiaries of employees who have died, and (3) retired or terminated employees or their beneficiaries. The accumulated plan benefits under the current plan provisions are based on the participant's cash balance account converted to an annuity of equivalent value. For those employees grandfathered under the previous plan provisions, the accumulated plan benefits are the greater of benefits based on years of service and the employee's five highest paid consecutive years of employment during the last ten years of employment (final average compensation) or benefits calculated under the current cash balance plan provisions. Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits has been determined by an independent actuary, and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawals, or retirement) between the valuation date and the expected payment dates.

The significant actuarial assumptions used in the valuation as of January 1, 2010 are as follows:

Asset valuation	- Plan assets are valued at market value
Investment return	- 7.5% compounded annually
Mortality	- RP-2000 Combined Healthy Tables for males and females
Retirement age	- Normal retirement age: Age 65 or their age on the valuation date, if later
Salary scale	- None
Cash balance interest credits	- 5.0% compounded annually

Note A - Summary of Significant Accounting Policies (continued)

Actuarial Present Value of Accumulated Plan Benefits (continued)

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The actuarial present value of accumulated plan benefits includes the effect of the Plan freeze as discussed in Note B.

Payment of Benefits

Benefit payments to participants are recorded when paid.

Basis of Accounting

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

Administrative Expenses

Administrative expenses are paid by the Company and the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates. The Plan uses an actuary to determine the actuarial present value of accumulated plan benefits. A change in the actuarial assumptions used could significantly change the amount of the actuarial present value of accumulated plan benefits reported in the accompanying financial statements.

Note B - Description of the Plan

The following description of the Susquehanna Bancshares, Inc. Cash Balance Pension 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 noncontributory defined benefit plan covering substantially all full-time employees of Susquehanna Bancshares, Inc. and its Subsidiaries (Company) who have attained age twenty-one and were hired before January 1, 2009. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective June 30, 2009, certain plan benefits under the Plan were frozen for employees hired before January 1, 2009 who were not age 50 or who had not earned at least 15 years of vesting service as of December 31, 2009. These employees will retain the benefits they have earned through June 30, 2009, but will no longer accrue future pay-based credits to their accounts within the Plan. These employees will continue to receive interest each year at a guaranteed minimum rate of 5%. All other employees hired before January 1, 2009 will continue to participate and accrue benefits under the Plan.

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

Participant Accounts

Under the Plan, an account balance is maintained for each participant to track their appreciation of benefits under the Plan. For participants whose benefits are not frozen, each participant's account is credited with an allocation of (a) an annual contribution based on earnings and (b) an interest credit. For participants that had certain benefits frozen as of June 30, 2009, each participant's account was credited with an allocation of (a) a contribution based on earnings through June 30, 2009 and (b) an interest credit. In future years, these participants will only receive an allocation of an interest credit annually.

An annual contribution, equal to a percentage of W-2 earnings, is credited to the account of each eligible participant who worked at a rate of at least 1,000 hours of service during the plan year. The annual contribution percentage is based upon each participant's age plus years of service as of the beginning of each plan year. The annual contribution percentage ranges from 3% for participants with a total of age plus service of less than 30 years to 11% for participants with a total of age plus service of 100 years or more. In addition, the account balance as of the end of the preceding year is credited with interest based on the 1-year U.S. Treasury Bill, as defined in the Plan, but not less than 5% and not more than 8%. The rate of interest used to credit participant accounts was 5% for the years ended December 31, 2010 and 2009, respectively.

Pension Benefits and Vesting

A participant's right to receive an accrued benefit shall become vested upon the completion of three years of service or the attainment of age 65. Employees are eligible to receive their full accrued benefits upon reaching their normal retirement age (65). The benefit is the balance in the participant's cash balance account converted to an annuity of equivalent value as of the benefit commencement date. Participants who were age 55 or greater with 10 or more years of service as of December 31, 1997 will receive the greater of the benefit payable under the prior plan provisions or the benefit payable based on the participant's cash balance account. The benefit payable under the prior plan provisions is equal to one and one-half percent (1 1/2%) of the final average compensation up to the Social Security covered compensation amount plus two percent (2%) of the final average compensation in excess of the Social Security covered compensation amount times the number of years of credited service up to a maximum of 25 years. Individuals who were participants under a merged plan prior to December 31, 1997 had the accrued benefit from prior bank pension plans included in the participants' opening cash balance account balance as of January 1, 1998. Early retirement is allowed upon the attainment of age 55 and at least 15 years of service. Benefits are generally available in the form of a qualified joint and survivor annuity for employees married on the date retirement benefits commence, and a single life annuity for other employees.

Note B - Description of the Plan (continued)

Pension Benefits and Vesting (continued)

Notwithstanding any other provision of this Plan, for any participant whose benefit in the Susquehanna Bancshares, Inc. Retirement Income Plan that was converted to an Opening Account Balance on the transition date, the Participant's Accrued Benefit shall never be less than the Plan benefit from the Susquehanna Bancshares, Inc. Retirement Income Plan (as of the transition date).

Death and Disability Benefits

The Plan provides for a disability pension if a participant becomes disabled at a time when he or she has at least three years of continuous service and is eligible for Social Security Disability Benefits. Credits will be made to his or her account during the period of disability at the same rate of compensation he or she was receiving prior to becoming disabled if eligible for credits under the partial plan freeze. The amount of disability pension, payable to the participant, is based on his or her accrued benefit at normal or, if eligible, early retirement.

The Plan also provides benefits to spouses of participants who die before retirement, but after completing three years of continuous service. The Plan entitles the surviving spouse to the full benefit which would have been payable to the spouse if the participant had retired on the day preceding his death and elected a joint and 50% survivor option, not half of the benefit as normally paid to the survivor under this form of benefit.

The pre-retirement death benefit provision provides for a single sum death benefit payable to the designated beneficiary of a participant not married as of his or her date of death. The single sum benefit is payable in incremental amounts based on the number of years of vesting service as defined.

Funding Policy

The Company's policy is to fund the pension plan on a current basis up to the amount currently deductible under current tax law. Forfeitures arising under the Plan shall be used to reduce the amount of contributions made by the Company. The Company's contributions for 2010 and 2009 met or exceeded the minimum funding requirements of ERISA.

Although it has not expressed any intention 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 set forth in ERISA.

Note B - Description of the Plan (continued)

Plan Termination

In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

- a. Annuity benefits that former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under plan provisions in effect at any time during the five years preceding plan termination.
- b. Other vested benefits insured by the Pension Benefit Guaranty Corporation (PBGC) (a U.S. government agency) up to the applicable limitations (discussed subsequently).
- c. All other vested benefits (that is, vested benefits not insured by the PBGC).
- d. All nonvested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, a statutory ceiling exists, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees.

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations, and may also depend on the financial condition of the plan sponsor and the level of benefits guaranteed by the PBGC.

Note C - Recent Accounting Pronouncement

In January 2010, FASB issued an amendment, *Fair Value Measurements and Disclosures - Improving Disclosures about Fair Value Measurement* (ASU 2010-06), which requires new disclosures about 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 disclosures about inputs and valuation techniques are required for both Level 2 and Level 3 measurements. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these changes. With respect to matters other than Level 3 measurements, the amendment was effective and adopted for periods beginning on or after December 15, 2009. See Note H for the impact of adoption. The guidance related to Level 3 measurements is effective for periods beginning on or after December 15, 2010 and has not yet been adopted. The Plan will be required to adopt this disclosure in its 2011 financial statements. Plan management is currently evaluating the impact of the guidance related to Level 3 measurements on the Plan's financial statement disclosures.

Note D - Income Tax Status

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan. Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax exempt status and had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Plan is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2007.

The Internal Revenue Service has determined and informed the Company by a letter dated April 20, 2009, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). 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.

Note E - Investments

Except for common collective trust funds, the Plan's investments are held by a bank-administered trust fund. The following table presents the fair values of investments. Investments that represent 5 percent or more of the Plan's net assets are separately identified.

	<u>DECEMBER 31, 2010</u>		<u>DECEMBER 31, 2009</u>	
	<u>NUMBER OF SHARES OR PRINCIPAL AMOUNT</u>	<u>FAIR VALUE</u>	<u>NUMBER OF SHARES OR PRINCIPAL AMOUNT</u>	<u>FAIR VALUE</u>
INVESTMENTS AT FAIR VALUE				
Registered investment companies:				
Vanguard Long-Term Investment Grade Fund	7,612,808.552 shs.	\$ 71,103,632	6,066,509.123 shs.	\$ 54,113,261
Other		<u>2,111,880</u>		-
		73,215,512		54,113,261
U.S. government agencies		2,391,870		10,186,833
Municipal bonds		364,105		355,996
Foreign bonds		269,588		911,438
Corporate bonds and notes		6,038,315		10,889,814
Common stocks		40,714,594		30,844,519
Temporary cash investment:				
Federated Municipal Obligation Money Market Fund		-	6,794,949.300 shs.	6,794,949
Federated Government Obligation Money Market Fund		1,905,235		-
Common collective trust funds		<u>584,814</u>		<u>2,380,365</u>
		<u>\$125,484,033</u>		<u>\$116,477,175</u>

Note E - Investments (continued)

During the years ended December 31, 2010 and 2009, the Plan's investments experienced realized and unrealized net appreciation in total of \$7,649,337 and \$6,576,742, respectively, as follows:

	YEAR ENDED DECEMBER 31,	
	2010	2009
INVESTMENTS AT FAIR VALUE AS DETERMINED BY QUOTED MARKET PRICE		
Registered investment companies	\$ 3,261,049	\$ 1,722,812
U.S. government agencies	(68,963)	(743,180)
Municipal bonds	8,109	5,050
Foreign bonds	5,243	49,125
Corporate bonds and notes	52,659	460,137
Common stocks	<u>4,278,284</u>	<u>4,969,693</u>
	<u>4,275,332</u>	<u>4,740,825</u>
	7,536,381	6,463,637
INVESTMENTS AT VALUES QUOTED BY THE TRUST		
Common collective trust funds	<u>112,956</u>	<u>113,105</u>
	<u>\$ 7,649,337</u>	<u>\$ 6,576,742</u>

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 the amounts reported in the statements of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Note G - Related Party Transactions

Certain plan investments are units of common collective trust funds managed by Diversified Investment Advisors (Diversified). Diversified is a custodian, as defined by the Plan, and provides administrative and investment services to the Plan and therefore, these transactions qualify as party-in-interest. Fees paid by the Plan for administrative and investment services amounted to \$5,644 and \$13,118 for 2010 and 2009, 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, 2010 and 2009.

Temporary cash investments: Valued at the carrying value which is a reasonable estimate of fair value for this short-term investment.

Common stocks, U.S. government agencies, municipal bonds, foreign bonds, and corporate bonds and notes: These investments traded in active markets and on national and international securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued at fair value, by independent third-party valuation services using pricing models and other accepted valuation methodologies, such as quotes for similar securities and observable yield curves and spreads. Securities that trade infrequently and therefore have little or no price transparency are valued using the Plan's investment manager's best estimates.

Common collective trust funds and registered investment companies: The respective fair value of these investments are determined by reference to the funds' underlying assets which are principally marketable equity securities and fixed income securities. Shares held in registered investment companies traded on national securities exchanges are valued at net asset value. Units held in common collective trust funds are valued at the unit value as reported by the respective fund manager.

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, 2010 and 2009.

	DECEMBER 31, 2010			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Registered investment companies:				
Fixed income fund	\$ 71,103,632	\$ -	\$ -	\$ 71,103,632
Commodities broad basket fund	<u>2,111,880</u>	<u>-</u>	<u>-</u>	<u>2,111,880</u>
Total registered investment companies	73,215,512	-	-	73,215,512
U.S. government agencies:				
Federal home loan banks	-	1,119,308	-	1,119,308
Federal farm credit banks	-	1,238,981	-	1,238,981
Other	<u>-</u>	<u>33,581</u>	<u>-</u>	<u>33,581</u>
Total U.S. government agencies	-	2,391,870	-	2,391,870
Municipal bonds	-	364,105	-	364,105
Foreign bonds	-	269,588	-	269,588
*Corporate bonds:				
A credit rating	-	2,472,561	-	2,472,561
A+ credit rating	-	1,849,636	-	1,849,636
A- credit rating and above	-	1,395,382	-	1,395,382
BBB+ credit rating	<u>-</u>	<u>320,736</u>	<u>-</u>	<u>320,736</u>
Total corporate bonds	-	6,038,315	-	6,038,315
Common stocks:				
Raw materials, goods, and services	7,448,210	-	-	7,448,210
Consumer nondurables	16,118,255	-	-	16,118,255
Energy	2,480,305	-	-	2,480,305
Financial	2,314,440	-	-	2,314,440
Capital goods	3,358,468	-	-	3,358,468
Utilities	8,464,506	-	-	8,464,506
Other	<u>530,410</u>	<u>-</u>	<u>-</u>	<u>530,410</u>
Total common stocks	40,714,594	-	-	40,714,594
Common collective trust funds	-	584,814	-	584,814

Note H - Fair Value Measurements (continued)

	DECEMBER 31, 2010			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Temporary cash investment - Money market fund	<u>1,905,235</u>	<u>-</u>	<u>-</u>	<u>1,905,235</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$115,835,341</u>	<u>\$ 9,648,692</u>	<u>\$ -</u>	<u>\$125,484,033</u>
	DECEMBER 31, 2009			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Registered investment companies - Fixed income fund	\$ 54,113,261	\$ -	\$ -	\$ 54,113,261
U.S. government agencies:				
Federal home loan banks	-	5,025,123	-	5,025,123
Federal farm credit banks	-	3,975,568	-	3,975,568
Other	<u>-</u>	<u>1,186,142</u>	<u>-</u>	<u>1,186,142</u>
Total U.S. government agencies	-	10,186,833	-	10,186,833
Municipal bonds	-	355,996	-	355,996
Foreign bonds	-	911,438	-	911,438
*Corporate bonds:				
A credit rating	-	5,792,781	-	5,792,781
A+ credit rating	-	2,180,852	-	2,180,852
A- credit rating and above	-	2,136,835	-	2,136,835
BBB+ credit rating	<u>-</u>	<u>779,346</u>	<u>-</u>	<u>779,346</u>
Total corporate bonds	-	10,889,814	-	10,889,814
Common stocks:				
Raw materials, goods, and services	6,936,670	-	-	6,936,670
Consumer nondurables	11,022,540	-	-	11,022,540
Energy	1,539,310	-	-	1,539,310
Capital goods	1,730,970	-	-	1,730,970
Utilities	8,566,180	-	-	8,566,180
Other	<u>1,048,849</u>	<u>-</u>	<u>-</u>	<u>1,048,849</u>
Total common stocks	30,844,519	-	-	30,844,519
Common collective trust funds:				
Bond fund	-	1,830,501	-	1,830,501
Other	<u>-</u>	<u>549,864</u>	<u>-</u>	<u>549,864</u>
Total common collective trust funds	-	2,380,365	-	2,380,365

Note H - Fair Value Measurements (continued)

	DECEMBER 31, 2009			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Temporary cash investment - Money market fund	<u>6,794,949</u>	<u>-</u>	<u>-</u>	<u>6,794,949</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 91,752,729</u>	<u>\$ 24,724,446</u>	<u>\$ -</u>	<u>\$116,477,175</u>

*Corporate bond ratings are as of report date, due to historical information not being available. The ratings are presented using the Standard & Poor's rating system.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2010, there were no significant transfers in or out of Levels 1, 2, or 3.

Note I - Fair Value of Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)

The following tables set forth additional disclosures of the Plan's investments whose fair value is estimated using net asset value per share (or its equivalent) as of December 31, 2010 and 2009.

2010				
INVESTMENT	FAIR VALUE	UNFUNDED COMMITMENT	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Common collective trust funds:				
Core Bond Portfolio (a)	\$ 549,320	\$ -	Daily	None
Money Market Portfolio (b)	<u>35,494</u>	<u>-</u>	Daily	None
Total	<u>\$ 584,814</u>	<u>\$ -</u>		
2009				
INVESTMENT	FAIR VALUE	UNFUNDED COMMITMENT	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Common collective trust funds:				
Core Bond Portfolio (a)	\$ 1,830,501	\$ -	Daily	None
Money Market Portfolio (b)	<u>549,864</u>	<u>-</u>	Daily	None
Total	<u>\$ 2,380,365</u>	<u>\$ -</u>		

(a) This class is a bond fund whose objective is to achieve maximum total return. The fund invests in primarily U.S. government agency obligations, corporate debt securities, and mortgage-backed securities. Investments in this class can be redeemed daily at the current net asset value per unit based on the fair value of the underlying assets. The fair value of investments in this class has been estimated using the net asset value per unit of the investment as reported by the respective fund manager.

Note I - Fair Value of Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent) (continued)

- (b) The class is a money market fund whose objective is to provide liquidity and as high a level of income as is consistent with the preservation of capital. The fund invests in primarily certificates of deposit, commercial paper, repurchase agreements, and short-term U.S. government obligations. Investments in this class can be redeemed daily at the current net asset value per unit based on the fair value of the underlying assets. The fair value of investments in this class has been estimated using the net asset value per unit of the investments as reported by the respective fund manager.

Note J - Subsequent Events

The Plan has evaluated subsequent events through September 30, 2011. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2010 were noted.



Independent Auditors' Report on the Supplemental Schedules

Administrative Committee of the
Susquehanna Bancshares, Inc.
Cash Balance Pension 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 schedules of Schedule H, Line 4i - Schedule of Assets (Held at End of Year) at December 31, 2010 and Schedule H, Line 4j - Schedule of Reportable Transactions for the year ended December 31, 2010, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are 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. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are 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 Leshar LLP'.

September 30, 2011

Supplemental Schedules

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2010

(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
	Registered investment companies:			
	Vanguard Funds	7,612,808.552 shs. Vanguard Long-Term Investment Grade Fund	\$ 66,477,320	\$ 71,103,632
	PIMCO Funds	227,328.334 shs. PIMCO Commodity Real Return Strategy Fund	1,809,364	2,111,880
			68,286,684	73,215,512
	U.S. government agencies:			
	Federal Home Loan Banks	\$ 300,000 par, 5.625%, due 05/15/11	320,964	313,611
	Federal Home Loan Banks	\$ 150,000 par, 4.625%, due 09/11/20	151,714	161,504
	Federal Home Loan Banks	\$ 250,000 par, 5.375%, due 06/08/12	249,758	267,391
	Federal Farm Credit Banks	\$ 100,000 par, 5.750%, due 01/18/11	107,683	100,219
	Federal Farm Credit Banks	\$ 185,000 par, 6.250%, due 07/11/11	207,383	190,755
	Federal Farm Credit Banks	\$ 150,000 par, 5.430%, due 07/24/13	156,315	166,997
	Federal Farm Credit Banks	\$ 125,000 par, 3.880%, due 07/08/13	122,307	134,153
	Federal Farm Credit Banks	\$ 175,000 par, 4.500%, due 05/06/14	178,777	193,418
	Federal Farm Credit Banks	\$ 298,000 par, 5.650%, due 06/30/14	336,317	341,708
	Federal Farm Credit Banks	\$ 100,000 par, 4.625%, due 08/26/15	97,977	111,731
	Federal Home Loan Banks	\$ 260,000 par, 5.000%, due 12/16/11	261,225	271,418
	Federal Home Loan Banks	\$ 100,000 par, 6.435%, due 12/12/11	112,358	105,384
	Federal National Mortgage Association	\$ 24,588 par, 6.000%, due 07/01/16	24,609	26,766
	Federal National Mortgage Association	\$ 5,970 par, 5.500%, due 12/01/11	5,949	6,393
	GNMA Pool 146675X	\$ 417 par, 9.000%, due 07/15/16	407	422
			2,333,743	2,391,870
	Municipal bonds:			
	Ambridge Boro PA	\$ 120,000 par, 5.300%, due 10/15/14	119,383	131,764
	Frederick MD	\$ 100,000 par, 4.170%, due 03/01/13	100,000	102,506
	Frederick MD	\$ 125,000 par, 4.520%, due 03/01/13	125,000	129,835
			344,383	364,105
	Foreign bond -			
	Astrazeneca PLC	\$ 250,000 par, 5.400%, due 09/15/12	257,558	269,588
	Corporate bonds and notes:			
	AT&T Corp.	\$ 300,000 par, 7.300%, due 11/15/11	308,586	316,917
	Bear Stearns Co., Inc.	\$ 100,000 par, 5.350%, due 02/01/12	100,352	104,642
	Bellsouth Corp.	\$ 250,000 par, 4.750%, due 11/15/12	256,745	266,675
	Bottling Group LLC	\$ 350,000 par, 6.950%, due 03/15/14	374,980	405,583
	Brown Forman Corp.	\$ 250,000 par, 5.000%, due 02/01/14	256,800	272,093
	Cisco Systems, Inc.	\$ 250,000 par, 5.250%, due 02/22/11	263,325	251,567
	Costco Wholesale Corp.	\$ 300,000 par, 5.300%, due 03/15/12	321,099	315,612
	Costco Co.	\$ 215,000 par, 5.500%, due 03/15/17	211,270	244,958
	John Deere Cap	\$ 100,000 par, 5.100%, due 01/15/13	99,940	107,975
	John Deere Corp.	\$ 100,000 par, 4.950%, due 12/17/12	99,390	107,862
	Dupont E.I. de Nemours & Co.	\$ 110,000 par, 4.875%, due 04/30/14	109,430	119,797
	Florida Power & Light Co.	\$ 235,000 par, 4.850%, due 02/01/13	229,508	251,525
	General Electric Corp.	\$ 275,000 par, 5.000%, due 01/08/16	273,625	293,535

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year) (continued)

December 31, 2010

(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
Corporate bonds and notes:				
	General Electric Cap Corp.	\$ 250,000 par, 5.250%, due 10/19/12	256,297	267,195
	Hewlett Packard Co.	\$ 150,000 par, 4.500%, due 03/01/13	153,599	160,554
	IBM Intl Group Cap LLC	\$ 250,000 par, 5.050%, due 10/22/12	265,338	268,752
	IBM Corp.	\$ 250,000 par, 4.750%, due 11/29/12	245,712	268,395
	Merrill Lynch Co.	\$ 50,000 par, 6.050%, due 08/15/12	50,780	52,945
	NSTAR Electric Co.	\$ 250,000 par, 4.875%, due 04/15/14	245,652	272,313
	Nucor Corp.	\$ 250,000 par, 5.000%, due 12/01/12	250,148	267,993
	Oracle Corp.	\$ 280,000 par, 5.250%, due 01/15/16	275,428	314,798
	Pitney Bowes, Inc.	\$ 309,000 par, 3.875%, due 06/15/13	286,751	320,736
	Target Corp.	\$ 114,000 par, 5.125%, due 01/15/13	116,682	123,397
	United Technologies Corp.	\$ 125,000 par, 4.875%, due 05/01/15	118,176	138,376
	Wal-Mart Stores, Inc.	\$ 250,000 par, 4.125%, due 02/15/11	242,367	251,060
	Walgreen Co.	\$ 250,000 par, 4.875%, due 08/01/13	264,713	273,060
			5,676,693	6,038,315
Common stocks:				
	3M Co.	9,000 shs.	763,437	776,700
	Abbott Laboratories	28,000 shs.	1,304,893	1,341,480
	AGCO Corporation	10,300 shs.	435,576	521,798
	Archer Daniels Midland	42,000 shs.	1,139,043	1,263,360
	AT&T Inc.	44,000 shs.	1,154,623	1,292,720
	Barrick Gold Corp.	26,000 shs.	787,644	1,382,680
	Bristol-Myers Squibb Co.	33,000 shs.	773,980	873,840
	Cameco Corp.	13,000 shs.	375,230	524,940
	Central Fund Canada	80,000 shs.	857,514	1,658,400
	China Mobile Limited Sponsored ADR	15,000 shs.	788,683	744,300
	Cisco Systems, Inc.	24,000 shs.	435,479	485,520
	Chevron Corp.	8,500 shs.	586,511	775,625
	Clorox	8,000 shs.	499,514	506,240
	Coca Cola Company	23,000 shs.	1,026,043	1,512,710
	Colgate-Palmolive Company	8,000 shs.	628,941	642,960
	ConocoPhillips	10,000 shs.	579,755	681,000
	Deere & Co.	7,000 shs.	297,890	581,350
	Exxon Mobil Corporation	14,000 shs.	897,670	1,023,680
	Fluor Corp.	17,000 shs.	766,874	1,126,420
	General Electric Co.	29,000 shs.	706,820	530,410
	Glaxo Smithkline PLC Sponsored ADR	12,000 shs.	450,805	470,640
	Gold Fields LTD New Sponsored ADR	45,000 shs.	529,895	815,850
	Goldcorp, Inc.	29,000 shs.	762,929	1,333,420
	Intel Corp.	34,000 shs.	633,984	715,020
	Ishares MSCI Japan Index	75,000 shs.	776,968	818,250
	Johnson & Johnson	21,000 shs.	1,306,709	1,298,850
	JPMorgan Chase & Co.	12,000 shs.	493,624	509,040
	Kellogg Company	6,000 shs.	323,831	306,480
	Kimberly Clark Corp.	8,000 shs.	490,037	504,320
	McCormick & Co., Inc.	14,000 shs.	546,446	651,420
	Merck & Company, Inc.	34,000 shs.	1,106,560	1,225,360

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year) (continued)

December 31, 2010

(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
Common stocks:				
	Microsoft Corp.	24,000 shs.	621,763	669,840
	Newmont Mining	20,000 shs.	771,089	1,228,600
	Nippon Telegraph & Telephone Corp. Sponsored ADR	44,000 shs.	1,077,195	1,009,360
	Oracle Systems Corp.	23,000 shs.	459,436	719,900
	Paychex, Inc.	16,000 shs.	487,819	494,560
	Pepsico, Inc.	15,500 shs.	943,726	1,012,615
	Pfizer, Inc.	44,000 shs.	1,013,560	770,440
	Philip Morris International, Inc.	10,000 shs.	507,503	585,300
	PNC Financial Services Group, Inc.	8,000 shs.	486,880	485,760
	Procter & Gamble	19,000 shs.	1,112,404	1,222,270
	Shaw Group, Inc.	13,000 shs.	386,132	444,990
	Texas Instruments, Inc.	16,000 shs.	489,136	520,000
	Transcanada Corp.	13,000 shs.	486,396	494,520
	Travelers Companies, Inc.	9,000 shs.	435,908	501,390
	Verizon Communications	30,700 shs.	893,383	1,098,446
	Vodafone Group PLC Sponsored ADR	28,000 shs.	643,201	740,320
	Wal-Mart Stores, Inc.	16,000 shs.	828,381	862,880
	Waste Management, Inc.	26,000 shs.	735,785	958,620
			34,607,605	40,714,594
Common collective trust funds:				
*	Diversified Investment Advisors	30,276.387 units Money Market Portfolio	549,320	549,320
*	Diversified Investment Advisors	1,350.046 units Core Bond Portfolio	30,518	35,494
			579,838	584,814
Temporary cash investment -				
	Federated Investors, Inc.	1,905,235.410 shs. Federated Government Obligations Money Market Fund	1,905,235	1,905,235
Total Assets Held at End of Year			\$ 113,991,739	\$ 125,484,033

* Denotes a party-in-interest.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4j - Schedule of Reportable Transactions

Year Ended December 31, 2010

(a) IDENTITY OF PARTY INVOLVED	(b) DESCRIPTION OF ASSET (INCLUDING INTEREST RATE AND MATURITY IN CASE OF LOAN)	(c) PURCHASE PRICE	(d) SELLING PRICE	(e) LEASE RENTAL	(f) EXPENSE INCURRED WITH TRANSACTION	(g) COST OF ASSET	(h) CURRENT VALUE OF ASSET ON TRANSACTION DATE	(i) NET GAIN OR (LOSS)
	Federated Investors, Inc. Government Obligation Money Market Fund	<u>\$ 16,018,431</u> (122)				<u>\$ 16,018,431</u>	<u>\$ 16,018,431</u>	<u>\$ -</u>
	Federated Investors, Inc. Government Obligation Money Market Fund		<u>\$ 14,113,196</u> (38)			<u>\$ 14,113,196</u>	<u>\$ 14,113,196</u>	<u>\$ -</u>
	Federated Investors, Inc. Municipal Obligation Money Market Fund	<u>\$ 27,755,597</u> (78)				<u>\$ 27,755,597</u>	<u>\$ 27,755,597</u>	<u>\$ -</u>
	Federated Investors, Inc. Municipal Obligation Money Market Fund		<u>\$ 34,550,546</u> (38)			<u>\$ 34,550,546</u>	<u>\$ 34,550,546</u>	<u>\$ -</u>
	Vanguard Funds Long-Term Investment Grade Fund	<u>\$ 14,031,838</u> (16)				<u>\$ 14,031,838</u>	<u>\$ 14,031,838</u>	<u>\$ -</u>

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2010 This Form is Open to Public Inspection
--	--	---

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan Susquehanna Bancshares, Inc. Cash Balance Pension Plan	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF Susquehanna Bancshares, Inc.	D Employer Identification Number (EIN) 23-2201716
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I Basic Information			
1 Enter the valuation date: Month <u>1</u> Day <u>1</u> Year <u>2010</u>			
2 Assets:			
a Market value.....	2a	116,783,043	
b Actuarial value.....	2b	116,783,043	
3 Funding target/participant count breakdown		(1) Number of participants	(2) Funding Target
a For retired participants and beneficiaries receiving payment.....	3a	684	34,350,073
b For terminated vested participants.....	3b	984	19,925,712
c For active participants:			
(1) Non-vested benefits.....	3c(1)		2,552,375
(2) Vested benefits.....	3c(2)		39,797,235
(3) Total active.....	3c(3)	2,812	42,349,610
d Total.....	3d	4,480	96,625,395
4 If the plan is at-risk, check the box and complete items (a) and (b) ☐			
a Funding target disregarding prescribed at-risk assumptions.....	4a		
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor.....	4b		
5 Effective interest rate.....	5	6.64 %	
6 Target normal cost.....	6	3,876,269	

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	Matthew G. Daskivich <i>MBD</i>	09/21/2011
Signature of actuary		Date
Matthew G. Daskivich		11-07639
Type or print name of actuary		Most recent enrollment number
Aon Consulting, Inc.		(610) 834-2100
Firm name		Telephone number (including area code)
555 East Lancaster Ave, Suite 300		
Radnor PA 19087-5159		
Address of the firm		

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

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

Schedule SB (Form 5500) 2010
v.092308.1

Part II Beginning of year carryover and prefunding balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	14,441,993	8,769,756
8 Portion used to offset prior year's funding requirement (Item 35 from prior year)	3,270,851	0
9 Amount remaining (Item 7 minus item 8)	11,171,142	8,769,756
10 Interest on item 9 using prior year's actual return of <u>11.05</u> %	1,234,411	969,058
11 Prior year's excess contributions to be added to prefunding balance:		
a Excess contributions (Item 38 from prior year)		17,025,103
b Interest on (a) using prior year's effective rate of <u>6.54</u> %		1,260,957
c Total available at beginning of current plan year to add to prefunding balance		18,286,060
d Portion of (c) to be added to prefunding balance		0
12 Reduction in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (item 9 + item 10 + item 11d - item 12)	12,405,553	9,738,814

Part III Funding percentages

14 Funding target attainment percentage	14	97.94 %
15 Adjusted funding target attainment percentage	15	120.86 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	90.98 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and liquidity shortfalls

18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
Totals ▶			18(b)	0	18(c) 0

19 Discounted employer contributions - see instructions for small plan with a valuation date after the beginning of the year:	
a Contributions allocated toward unpaid minimum required contribution from prior years	19a 0
b Contributions made to avoid restrictions adjusted to valuation date	19b 0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c 0
20 Quarterly contributions and liquidity shortfalls:	
a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
c If 20a is "Yes," see instructions and complete the following table as applicable:	

Liquidity shortfall as of end of Quarter of this plan year

(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 4.60 %	2nd segment: 6.65 %	3rd segment: 6.76 %	☐ N/A, full yield curve used
b Applicable month (enter code)				21b 0
22 Weighted average retirement age				22 65
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions)	31	3,876,269
32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	0	0
b Waiver amortization installment	0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b - item 33)	34	3,876,269
	Carryover balance	Prefunding balance
35 Balances used to offset funding requirement	3,876,269	0
36 Additional cash requirement (item 34 minus item 35)	36	0
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c)	37	0
38 Interest-adjusted excess contributions for current year (see instructions)	38	0
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37)	39	0
40 Unpaid minimum required contribution for all years	40	0

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN

PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.

EIN: 23-2201716

PN: 001

Attachment to Schedule SB, line 22 – Description of Weighted Average Retirement Age

100% of active participants are assumed to retire at age 65.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
PN: 001
Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Cost Method

The method of valuation used for pension benefits is called the Unit Credit Cost Method. Under this method, Target Liability is determined as the present value of all benefits earned to date by all current plan participants and beneficiaries. The Target Liability Normal Cost is the present value of benefits projected to accrue during the current plan year, including the effect of projected pay increases during the current plan year (for plans with a pay-related benefit formula).

The interest rate and mortality assumptions used to calculate the Target Liability and Target Liability Normal Cost are mandated by the IRS each year. Additionally, in any year that the plan is deemed to be “at-risk”, additional mandated assumptions may apply regarding timing of retirement and election of form of payment at retirement.

The plan’s Funding Shortfall for a plan year is the excess, if any, of the Target Liability over the adjusted Actuarial Value of Assets. The initial Funding Shortfall, as well as subsequent increases or decreases is the unfunded Target Liability, are amortized over a period of seven years from the time the base is established. Once the Funding Shortfall reaches zero, all Funding Shortfall Amortization Bases are eliminated.

Asset Method

The Actuarial Value of Assets is set equal to the Market Value of Assets.

Valuation Date

January 1, 2010.

Employees Included in the Calculations

All active employees who have met the Plan’s eligibility requirements as of the valuation date are included in the calculations. Former employees or their survivors who are receiving or entitled to receive an immediate or deferred benefit under the provisions of the Plan are also included.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
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Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Source of Data

Data were obtained as of the valuation date and were supplied to us by the Employer. Employees who worked 1,000 hours are assumed to work on the same basis in all future years after the valuation date. We rely on the Employer to inform us of any former participants who have been rehired and lost prior service because of the length of their break in service. These employees may have participation requirements different from other new employees. The Employee data have not been audited by us, but were reconciled and reviewed for consistency and reasonableness.

Past salaries are based on actual salary history. Financial information was supplied to us by the Trustee. The financial information has not been audited by us, but was reconciled and reviewed for consistency and reasonableness.

Interest and Other Rate Assumptions

Below is a summary of interest and inflation rates used for the January 1, 2010 valuation.

Interest Rates		Assumption
(1)	Target Liability	
(a)	Liabilities Due within 5 Years	4.60%
(b)	Liabilities Due in 5 to 20 Years	6.65%
(c)	Liabilities Due in More than 20 Years	6.76%
(2)	ASC 960	7.50%
(3)	Other:	
(a)	Cash Bal. Interest Credit for ASC 960	5.00%
(b)	Cash Bal. Interest Credit for Target Liability	5.00%
Other Rates		Assumption
(1)	Social Security Wage Bases	4.50%
(2)	CPI for Social Security	4.00%
(3)	Future Salaries	
(a)	Funding	4.50%
(b)	FAS 35	None
(4)	Cost of Living Adjustment	0.00%

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
 PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
 EIN: 23-2201716
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 Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Decrement Assumptions

Below is a summary of decrements used in this valuation.

Mortality Decrements		Description
(1)	ASC 960	
(a)	Actives	RP-2000 Combined Healthy Male and Female
(b)	Non-Disabled Inactives	RP-2000 Combined Healthy Male and Female
(c)	Disabled Inactives	RP-2000 Disabled Retiree Male and Female
(2)	Target Liability	RP-2000 IRS PPA projected at 2010 Annuitant and Non-Annuitant Male and Female

—Retirement—		—Disability—			—Termination—		
Decrement		Decrement	Male	Female	Decrement	Male	Female
Age	Rates	Age	Rates	Rates	Age	Rates	Rates
65	1.000000	25	0.001000	0.001000	25	0.172242	0.172242
		40	0.001600	0.001600	40	0.112500	0.112500
		55	0.007100	0.007100	55	0.017264	0.017264
		65	0.000000	0.000000	65	0.000000	0.000000

The weighted average retirement age is 65.00. Sample Retirement, Disability, and Termination rates are illustrated in the tables above.

Expenses

An expense load of \$24,303 was added to the Target Normal Cost. This is the actual amount of expenses paid from the trust in the prior plan year.

Form of Benefit Payment

100% of participants are assumed to elect the Normal Form of Payment.

- (1) Cash balances are converted to annuities based on the RP-2000 PPA at 2010 Unisex 50/50 Mortality Table and an interest rate of 7%.
- (2) For the purpose of valuing death benefits, 80% of the employees are assumed to be married. Wives are assumed to be 3 years younger than their husbands.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
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Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Changes in Valuation Assumptions

The following changes in actuarial assumptions or methods have been made since the prior valuation:

- (1) The Segment Rates used to value the Target Liability changed as shown below:

	01/01/2010	01/01/2009
Target Liability Interest Rates (by Segment)		
Liabilities Due within 5 years	4.60%	5.32%
Liabilities Due in 5 to 20 years	6.65%	6.45%
Liabilities Due in More than 20 years	6.76%	6.69%

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
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Attachment to Schedule SB, Part V – Summary of Plan Provisions

General Information

Original Effective Date:	January 1, 1989
Effective Date of Last Amendment:	June 30, 2009
Plan Year:	January 1st to December 31st
Employer Fiscal Year	January 1st to December 31st
Employer ID Number:	23-2201716
Plan Administrator's ID Number:	23-2201716
Plan Number:	001
Plan Administrator:	Susquehanna Bancshares, Inc.

Eligibility

Employees who were Participants on December 31, 1997 are Participants effective January 1, 1998. All other employees become Participants on the January 1 of the year in which the Employee attains age 21 and completes one Year of Service. Effective January 1, 2005, Employees will become Participants on the January 1 following employment.

Participants in the Plan prior to January 1, 1998 are eligible for a minimum accrued benefit determined as of December 31, 1997. Participants who attained age 55 and 10 Years of Credited Service receive continuing Credited Service and Compensation under the terms of the Retirement Income Plan. Participants in prior plans merged into this Plan have their prior plan accrued benefits and certain optional features preserved under this Plan.

Effective as of June 30, 2009, the plan became closed to new entrants.

Credited Service

Plan Years in which 1,000 Hours of Service are earned as an eligible employee. For the purpose of the Grandfathered Benefit, completed calendar months in the year of hire and termination are counted as Credited Service regardless of the number of Hours of Service. Service under the Prior Retirement Income Plan is limited to 25 years. Credited Service is generally limited to service from the date of acquisition if the participant was not a member of a prior plan.

Vesting Service

Plan Years in which 1,000 Hours of Service are earned. Prior to 2005, a year of Vesting Service is also earned for the period from date of hire to the anniversary thereof, with the next vesting period beginning with the January 1 following employment.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Attachment to Schedule SB, Part V – Summary of Plan Provisions

Compensation

Compensation for Pay Credits

Compensation is defined as total pay for the calendar year including overtime, bonus, pretax contributions to 401(k) or Section 125 plans and severance. Compensation for a given year is limited to \$200,000 (as adjusted by law).

Final Average Compensation

For Grandfathered Benefits only, Compensation is defined as base pay for the calendar year, excluding overtime, bonuses or other awards. The average of the compensation received during the five consecutive calendar years which produces the highest result.

Covered Compensation

For Grandfathered Benefits only, the average of the Social Security Taxable Wage base for the 35-year period prior to, and including, the year in which the Participant attains Social Security retirement age. The Wage Base is assumed to remain constant from age at determination to Social Security retirement age.

Cash Balance Account

Initial Account

A cash balance account was established for each participant based on the present value of their accrued benefit at December 31, 1997, increased by 5%.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Attachment to Schedule SB, Part V – Summary of Plan Provisions

Pay Credits

At the end of each Plan Year, an annual contribution is made to a Participant's Account equal to a percentage of Compensation, provided that the participant worked at a rate of at least 1,000 hours of service during the Plan Year. The contribution is based on each participant's age (full years) plus Credited Service as of the beginning of each plan year, determined as follows:

<u>Participant's Age Plus Service</u>	<u>Contribution Allocation</u>
Less than 30	3%
30 – 39	4%
40 – 49	5%
50 – 59	6%
60 – 69	7%
70 – 79	8%
80 – 89	9%
90 – 99	10%
100 or more	11%

Effective June 30, 2009, participants with fewer than 15 years of credited service and who have not attained age 50 as of December 31, 2009 will no longer accrue pay credits under the plan.

Interest Credits

The Cash Balance Account balance is credited with interest equal to the average one-year Treasury Bill rate in effect at the end of October of the prior year. Effective as of January 1, 2002, the Interest Credit is limited to a minimum of 5% and a maximum of 8%.

Annuity Conversion Factor

The Annuity Conversion Factor is the amount used to convert the Cash Balance Account to an annuity. It is currently determined using the IRS Applicable Table as determined by Revenue Ruling 2007-67 and an interest rate of 7%.

Normal Retirement

Normal Retirement Date is the first day of the month coincident with or next following the attainment of age 65 and 5 Years of Vesting Service. Upon retirement, Participants will receive their Cash Balance Account converted to an annuity using the Annuity Conversion Factor, or if greater, their Grandfathered Benefit.

Early Retirement

A Participant may choose to retire on an Early Retirement Date after attainment of age 55 and 15 Years of Vesting Service. Upon retirement, Participants will receive their Cash Balance Account converted to an annuity using the Annuity Conversion Factor, or if greater, their Grandfathered Benefit. The Grandfathered Benefit is reduced by 4% per year for early commencement.

Disability Retirement Eligibility

A disabled Participant who has attained five Years of Vesting Service and is eligible for Social Security Disability Benefits will continue to earn Pay Credits and Service during the period of disability, based on the rate of Compensation at the time the disability commenced. Participant may elect to retire at Normal or, if eligible, Early Retirement.

Death Benefit

In the event of an active married participant's death on or before the earliest retirement age, the surviving spouse shall receive a benefit based on the participant's vested Accrued Benefit as of the date of death, but payable as if the participant had separated from service on the date of death, survived to the earliest retirement age, elected a Joint and 100% Survivor Annuity, and died on the day after the earliest retirement age.

In the event of an active married participant's death after the attainment of age 55 and the completion of 15 years of Credited Service, but prior to Normal Retirement Date, it will be assumed the participant had retired on the day prior to death and elected a Joint and 100% Survivor Benefit.

In the event of an active non-married participant's death after the attainment of five Years of Vesting Service, a single lump sum payment will be made based on Years of Service at date of death:

<u>Years of Service</u>	<u>Single Sum Payment</u>
Less than vesting service requirement	\$0
Upon vesting, but fewer than 10	\$5,000
10 or more, but fewer than 20	\$10,000
20 or more	\$25,000

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
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Attachment to Schedule SB, Part V – Summary of Plan Provisions

Severance Benefit

Upon the termination of employment after 5 or more Years of Service a participant shall have a vested interest in his Accrued Benefit which will be payable at Normal Retirement Date. The percentage vested shall be:

Years of Service	Vested Percent
Fewer than 5	0%
5 or more	100%

In the event that a participant has met the service requirements for Early Retirement at the date of termination, he may elect to receive his vested interest at age 55. Such benefit will be reduced as described under Early Retirement.

Normal Form of Payment

For single Participants, the Normal Form of Payment is an annuity paid in monthly installments for life. For married Participants, the Normal Form of Payment is a Joint and 50% Survivor Annuity (actuarially equivalent to the life annuity) with spouse as joint annuitant.

Optional Forms of Payment

All Optional Forms of Payment are actuarially equivalent to the Normal Form of Payment. If a married participant does not elect the Normal Form of Payment or does not elect one of the Optional Forms of Payment described below, then the participant's Retirement Benefit shall automatically be paid under option [1] below. The options are:

- (1) A reduced benefit to be paid during the participant's lifetime with 50% of the reduced benefit to be continued to his spouse for her lifetime after his death.
- (2) A reduced benefit to be paid during the participant's lifetime with 75% of the reduced benefit to be continued to his spouse for her lifetime after his death.
- (3) A reduced benefit to be paid during the participant's lifetime with the same reduced benefit to be continued to his spouse for her lifetime after his death.
- (4) A reduced benefit to be paid for 60, 120, 180, or 240 Months Certain and thereafter for life.

All Optional Forms of Payment are actuarially equivalent to the Normal Form of Payment on a unisex basis based on 7% interest and the RP-2000 Mortality Table as prescribed in Revenue Ruling 2007-67.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Attachment to Schedule SB, Part V – Summary of Plan Provisions

Plan Changes Since Last Valuation

Effective as of June 30, 2009, the plan was closed to new entrants. Additionally, Participants with fewer than 15 years of credited service and who have not attained age 50 as of December 31, 2009 no longer accrue pay credits under the plan.

Schedule of Credited Service for Predecessor Employers

As described in Appendix IV of the Plan Document, service is credited for benefit accruals from the dates noted below for service with a predecessor employer. All service with a predecessor is included for vesting service under this Plan.

Predecessor Employer	Credited Service Commencement Date
Atlantic Federal Savings Bank	4/1/1995
Central Savings Bank	1/1/1994
Citizen's National Bank of Greencastle	All Service
Citizen's National Bank of Waynesboro	1/1/1989
Community Bank	1/1/2008
Equity National Bank	3/1/1997
Fairfax Savings Bank	2/1/1996
Farmers First Bank	All Service
Farmer's & Merchants Bank of Hagerstown	6/1/1989
Farmers National Bank of Mullica Hill	3/1/1997
Farmers National Bank of Quarryville	10/1/1983
First American National Bank of Pennsylvania	All Service
First Capitol Bank	1/1/1997
First National Bank Trust of Sunbury	All Service
First National Bank Trust of Maryland	7/9/1994
Founders Bank	8/1/1997
Hann Financial Group	4/1/2000
Minotola National Bank	5/1/2006
Patriot Bank	6/10/2004
Reisterstown Federal Savings Bank	5/1/1995
Sovran Bank (Washington County, Md.)	3/27/1992
Spring Grove	All Service
Susque-Bancshares Leasing Co.	10/1/1986
Valley Forge Asset Management Corp.	3/3/2000
West End National Bank	8/6/1983
Williamsport National Bank	All Service

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
PN: 001
Attachment to Schedule SB, line 26 – Schedule of Active Participant Data

Age - Service Distribution for Average Compensation (Alternative A, Scatter 1)

[illegible]

Attachment to Schedule SB, line 26 – Schedule of Active Participant Data

[illegible]

Susquehanna Bancshares, Inc.
Cash Balance Pension Plan
Financial Statements
and Supplemental Schedules
December 31, 2010 and 2009

Susquehanna Bancshares, Inc. Cash Balance Pension Plan
Financial Statements and Supplemental Schedules
December 31, 2010 and 2009

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Independent Auditors' Report on the Financial Statements

Administrative Committee of the
Susquehanna Bancshares, Inc.
Cash Balance Pension Plan
Lititz, Pennsylvania

We have audited the accompanying statements of net assets available for benefits of Susquehanna Bancshares, Inc. Cash Balance Pension Plan (Plan) as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended and the statement of accumulated plan benefits as of December 31, 2009 and the related statement of changes in accumulated plan benefits for the year 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, information regarding the Plan's net assets available for benefits as of December 31, 2010 and 2009, and changes therein for the years then ended and its financial status as of December 31, 2009, and changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Reinsel Kuntz Leshner LLP

September 30, 2011

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statements of Net Assets Available for Benefits

	DECEMBER 31,	
	<u>2010</u>	<u>2009</u>
Cash	\$ 29	\$ -
Investments, at fair value:		
Registered investment companies	73,215,512	54,113,261
U.S. government agencies	2,391,870	10,186,833
Municipal bonds	364,105	355,996
Foreign bonds	269,588	911,438
Corporate bonds and notes	6,038,315	10,889,814
Common stocks	40,714,594	30,844,519
Common collective trust funds	584,814	2,380,365
Temporary cash investment	<u>1,905,235</u>	<u>6,794,949</u>
	125,484,033	116,477,175
Accrued Investment Income	<u>187,017</u>	<u>305,868</u>
Net Assets Available for Benefits	<u>\$125,671,079</u>	<u>\$116,783,043</u>

See accompanying notes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statements of Changes in Net Assets Available for Benefits

	YEAR ENDED DECEMBER 31,	
	<u>2010</u>	<u>2009</u>
Additions:		
Employer contributions	\$ -	\$ 20,000,000
Investment activities:		
Realized and unrealized net appreciation of investments	4,275,332	4,740,825
Interest and dividend income	5,354,399	3,219,343
Net investment gain from registered investment companies	3,261,049	1,722,812
Net investment gain from common collective trust funds	<u>112,956</u>	<u>113,105</u>
	<u>13,003,736</u>	<u>9,796,085</u>
Total Additions	13,003,736	29,796,085
Deductions:		
Benefit payments to participants	4,102,863	4,004,470
Administrative expenses	<u>12,837</u>	<u>24,303</u>
Total Deductions	<u>4,115,700</u>	<u>4,028,773</u>
Net Increase	8,888,036	25,767,312
Net Assets Available for Benefits at Beginning of Year	<u>116,783,043</u>	<u>91,015,731</u>
Net Assets Available for Benefits at End of Year	<u>\$125,671,079</u>	<u>\$116,783,043</u>

See accompanying notes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statement of Accumulated Plan Benefits

December 31, 2009

Actuarial present value of accumulated plan benefits:

Vested benefits:

Retired participants

\$31,387,760

Active and terminated participants

50,869,033

82,256,793

Nonvested benefits

2,109,123

Total Actuarial Present Value of Accumulated Plan Benefits

\$84,365,916

See accompanying notes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statement of Changes in Accumulated Plan Benefits

Year Ended December 31, 2009

Actuarial present value of accumulated plan benefits at beginning of year	\$81,607,648
Increase (decrease) during the year attributable to:	
Benefits accumulated	789,617
Increase for interest due to the decrease in the discount period	5,973,121
Benefits paid	<u>(4,004,470)</u>
Net Increase	<u>2,758,268</u>
Actuarial Present Value of Accumulated Plan Benefits at End of Year	<u>\$84,365,916</u>

See accompanying notes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Notes to Financial Statements

December 31, 2010 and 2009

Note A - Summary of Significant Accounting Policies

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 gain (loss) from registered investment companies includes capital gain distributions and realized and unrealized appreciation (depreciation). Net investment gain (loss) from common collective trust funds includes 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.

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.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future benefit payments attributable under the Plan's provisions to the service that employees have rendered. Accumulated plan benefits include benefits expected to be paid to (1) active employees or their beneficiaries, (2) beneficiaries of employees who have died, and (3) retired or terminated employees or their beneficiaries. The accumulated plan benefits under the current plan provisions are based on the participant's cash balance account converted to an annuity of equivalent value. For those employees grandfathered under the previous plan provisions, the accumulated plan benefits are the greater of benefits based on years of service and the employee's five highest paid consecutive years of employment during the last ten years of employment (final average compensation) or benefits calculated under the current cash balance plan provisions. Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits has been determined by an independent actuary, and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawals, or retirement) between the valuation date and the expected payment dates.

The significant actuarial assumptions used in the valuation as of January 1, 2010 are as follows:

Asset valuation	- Plan assets are valued at market value
Investment return	- 7.5% compounded annually
Mortality	- RP-2000 Combined Healthy Tables for males and females
Retirement age	- Normal retirement age: Age 65 or their age on the valuation date, if later
Salary scale	- None
Cash balance interest credits	- 5.0% compounded annually

Note A - Summary of Significant Accounting Policies (continued)

Actuarial Present Value of Accumulated Plan Benefits (continued)

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The actuarial present value of accumulated plan benefits includes the effect of the Plan freeze as discussed in Note B.

Payment of Benefits

Benefit payments to participants are recorded when paid.

Basis of Accounting

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

Administrative Expenses

Administrative expenses are paid by the Company and the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates. The Plan uses an actuary to determine the actuarial present value of accumulated plan benefits. A change in the actuarial assumptions used could significantly change the amount of the actuarial present value of accumulated plan benefits reported in the accompanying financial statements.

Note B - Description of the Plan

The following description of the Susquehanna Bancshares, Inc. Cash Balance Pension 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 noncontributory defined benefit plan covering substantially all full-time employees of Susquehanna Bancshares, Inc. and its Subsidiaries (Company) who have attained age twenty-one and were hired before January 1, 2009. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective June 30, 2009, certain plan benefits under the Plan were frozen for employees hired before January 1, 2009 who were not age 50 or who had not earned at least 15 years of vesting service as of December 31, 2009. These employees will retain the benefits they have earned through June 30, 2009, but will no longer accrue future pay-based credits to their accounts within the Plan. These employees will continue to receive interest each year at a guaranteed minimum rate of 5%. All other employees hired before January 1, 2009 will continue to participate and accrue benefits under the Plan.

Note B - Description of the Plan (continued)

General (continued)

Employers participating in the Plan are as follows:

<u>NAME OF EMPLOYER</u>
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

Participant Accounts

Under the Plan, an account balance is maintained for each participant to track their appreciation of benefits under the Plan. For participants whose benefits are not frozen, each participant's account is credited with an allocation of (a) an annual contribution based on earnings and (b) an interest credit. For participants that had certain benefits frozen as of June 30, 2009, each participant's account was credited with an allocation of (a) a contribution based on earnings through June 30, 2009 and (b) an interest credit. In future years, these participants will only receive an allocation of an interest credit annually.

An annual contribution, equal to a percentage of W-2 earnings, is credited to the account of each eligible participant who worked at a rate of at least 1,000 hours of service during the plan year. The annual contribution percentage is based upon each participant's age plus years of service as of the beginning of each plan year. The annual contribution percentage ranges from 3% for participants with a total of age plus service of less than 30 years to 11% for participants with a total of age plus service of 100 years or more. In addition, the account balance as of the end of the preceding year is credited with interest based on the 1-year U.S. Treasury Bill, as defined in the Plan, but not less than 5% and not more than 8%. The rate of interest used to credit participant accounts was 5% for the years ended December 31, 2010 and 2009, respectively.

Pension Benefits and Vesting

A participant's right to receive an accrued benefit shall become vested upon the completion of three years of service or the attainment of age 65. Employees are eligible to receive their full accrued benefits upon reaching their normal retirement age (65). The benefit is the balance in the participant's cash balance account converted to an annuity of equivalent value as of the benefit commencement date. Participants who were age 55 or greater with 10 or more years of service as of December 31, 1997 will receive the greater of the benefit payable under the prior plan provisions or the benefit payable based on the participant's cash balance account. The benefit payable under the prior plan provisions is equal to one and one-half percent (1 1/2%) of the final average compensation up to the Social Security covered compensation amount plus two percent (2%) of the final average compensation in excess of the Social Security covered compensation amount times the number of years of credited service up to a maximum of 25 years. Individuals who were participants under a merged plan prior to December 31, 1997 had the accrued benefit from prior bank pension plans included in the participants' opening cash balance account balance as of January 1, 1998. Early retirement is allowed upon the attainment of age 55 and at least 15 years of service. Benefits are generally available in the form of a qualified joint and survivor annuity for employees married on the date retirement benefits commence, and a single life annuity for other employees.

Note B - Description of the Plan (continued)

Pension Benefits and Vesting (continued)

Notwithstanding any other provision of this Plan, for any participant whose benefit in the Susquehanna Bancshares, Inc. Retirement Income Plan that was converted to an Opening Account Balance on the transition date, the Participant's Accrued Benefit shall never be less than the Plan benefit from the Susquehanna Bancshares, Inc. Retirement Income Plan (as of the transition date).

Death and Disability Benefits

The Plan provides for a disability pension if a participant becomes disabled at a time when he or she has at least three years of continuous service and is eligible for Social Security Disability Benefits. Credits will be made to his or her account during the period of disability at the same rate of compensation he or she was receiving prior to becoming disabled if eligible for credits under the partial plan freeze. The amount of disability pension, payable to the participant, is based on his or her accrued benefit at normal or, if eligible, early retirement.

The Plan also provides benefits to spouses of participants who die before retirement, but after completing three years of continuous service. The Plan entitles the surviving spouse to the full benefit which would have been payable to the spouse if the participant had retired on the day preceding his death and elected a joint and 50% survivor option, not half of the benefit as normally paid to the survivor under this form of benefit.

The pre-retirement death benefit provision provides for a single sum death benefit payable to the designated beneficiary of a participant not married as of his or her date of death. The single sum benefit is payable in incremental amounts based on the number of years of vesting service as defined.

Funding Policy

The Company's policy is to fund the pension plan on a current basis up to the amount currently deductible under current tax law. Forfeitures arising under the Plan shall be used to reduce the amount of contributions made by the Company. The Company's contributions for 2010 and 2009 met or exceeded the minimum funding requirements of ERISA.

Although it has not expressed any intention 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 set forth in ERISA.

Note B - Description of the Plan (continued)

Plan Termination

In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

- a. Annuity benefits that former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under plan provisions in effect at any time during the five years preceding plan termination.
- b. Other vested benefits insured by the Pension Benefit Guaranty Corporation (PBGC) (a U.S. government agency) up to the applicable limitations (discussed subsequently).
- c. All other vested benefits (that is, vested benefits not insured by the PBGC).
- d. All nonvested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, a statutory ceiling exists, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees.

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations, and may also depend on the financial condition of the plan sponsor and the level of benefits guaranteed by the PBGC.

Note C - Recent Accounting Pronouncement

In January 2010, FASB issued an amendment, *Fair Value Measurements and Disclosures - Improving Disclosures about Fair Value Measurement* (ASU 2010-06), which requires new disclosures about 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 disclosures about inputs and valuation techniques are required for both Level 2 and Level 3 measurements. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these changes. With respect to matters other than Level 3 measurements, the amendment was effective and adopted for periods beginning on or after December 15, 2009. See Note H for the impact of adoption. The guidance related to Level 3 measurements is effective for periods beginning on or after December 15, 2010 and has not yet been adopted. The Plan will be required to adopt this disclosure in its 2011 financial statements. Plan management is currently evaluating the impact of the guidance related to Level 3 measurements on the Plan's financial statement disclosures.

Note D - Income Tax Status

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan. Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax exempt status and had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Plan is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2007.

The Internal Revenue Service has determined and informed the Company by a letter dated April 20, 2009, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). 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.

Note E - Investments

Except for common collective trust funds, the Plan's investments are held by a bank-administered trust fund. The following table presents the fair values of investments. Investments that represent 5 percent or more of the Plan's net assets are separately identified.

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	NUMBER OF SHARES OR PRINCIPAL AMOUNT	FAIR VALUE	NUMBER OF SHARES OR PRINCIPAL AMOUNT	FAIR VALUE
INVESTMENTS AT FAIR VALUE				
Registered investment companies:				
Vanguard Long-Term Investment Grade Fund	7,612,808.552 shs.	\$ 71,103,632	6,066,509.123 shs.	\$ 54,113,261
Other		<u>2,111,880</u>		-
		73,215,512		54,113,261
U.S. government agencies		2,391,870		10,186,833
Municipal bonds		364,105		355,996
Foreign bonds		269,588		911,438
Corporate bonds and notes		6,038,315		10,889,814
Common stocks		40,714,594		30,844,519
Temporary cash investment:				
Federated Municipal Obligation Money Market Fund		-	6,794,949.300 shs.	6,794,949
Federated Government Obligation Money Market Fund		1,905,235		-
Common collective trust funds		<u>584,814</u>		<u>2,380,365</u>
		<u>\$125,484,033</u>		<u>\$116,477,175</u>

Note E - Investments (continued)

During the years ended December 31, 2010 and 2009, the Plan's investments experienced realized and unrealized net appreciation in total of \$7,649,337 and \$6,576,742, respectively, as follows:

	YEAR ENDED DECEMBER 31,	
	<u>2010</u>	<u>2009</u>
INVESTMENTS AT FAIR VALUE AS DETERMINED BY QUOTED MARKET PRICE		
Registered investment companies	\$ 3,261,049	\$ 1,722,812
U.S. government agencies	(68,963)	(743,180)
Municipal bonds	8,109	5,050
Foreign bonds	5,243	49,125
Corporate bonds and notes	52,659	460,137
Common stocks	<u>4,278,284</u>	<u>4,969,693</u>
	<u>4,275,332</u>	<u>4,740,825</u>
	<u>7,536,381</u>	<u>6,463,637</u>
INVESTMENTS AT VALUES QUOTED BY THE TRUST		
Common collective trust funds	<u>112,956</u>	<u>113,105</u>
	<u>\$ 7,649,337</u>	<u>\$ 6,576,742</u>

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 the amounts reported in the statements of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Note G - Related Party Transactions

Certain plan investments are units of common collective trust funds managed by Diversified Investment Advisors (Diversified). Diversified is a custodian, as defined by the Plan, and provides administrative and investment services to the Plan and therefore, these transactions qualify as party-in-interest. Fees paid by the Plan for administrative and investment services amounted to \$5,644 and \$13,118 for 2010 and 2009, 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, 2010 and 2009.

Temporary cash investments: Valued at the carrying value which is a reasonable estimate of fair value for this short-term investment.

Common stocks, U.S. government agencies, municipal bonds, foreign bonds, and corporate bonds and notes: These investments traded in active markets and on national and international securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued at fair value, by independent third-party valuation services using pricing models and other accepted valuation methodologies, such as quotes for similar securities and observable yield curves and spreads. Securities that trade infrequently and therefore have little or no price transparency are valued using the Plan's investment manager's best estimates.

Common collective trust funds and registered investment companies: The respective fair value of these investments are determined by reference to the funds' underlying assets which are principally marketable equity securities and fixed income securities. Shares held in registered investment companies traded on national securities exchanges are valued at net asset value. Units held in common collective trust funds are valued at the unit value as reported by the respective fund manager.

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, 2010 and 2009.

	DECEMBER 31, 2010			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Registered investment companies:				
Fixed income fund	\$ 71,103,632	\$ -	\$ -	\$ 71,103,632
Commodities broad basket fund	<u>2,111,880</u>	<u>-</u>	<u>-</u>	<u>2,111,880</u>
Total registered investment companies	73,215,512	-	-	73,215,512
U.S. government agencies:				
Federal home loan banks	-	1,119,308	-	1,119,308
Federal farm credit banks	-	1,238,981	-	1,238,981
Other	<u>-</u>	<u>33,581</u>	<u>-</u>	<u>33,581</u>
Total U.S. government agencies	-	2,391,870	-	2,391,870
Municipal bonds	-	364,105	-	364,105
Foreign bonds	-	269,588	-	269,588
*Corporate bonds:				
A credit rating	-	2,472,561	-	2,472,561
A+ credit rating	-	1,849,636	-	1,849,636
A- credit rating and above	-	1,395,382	-	1,395,382
BBB+ credit rating	<u>-</u>	<u>320,736</u>	<u>-</u>	<u>320,736</u>
Total corporate bonds	-	6,038,315	-	6,038,315
Common stocks:				
Raw materials, goods, and services	7,448,210	-	-	7,448,210
Consumer nondurables	16,118,255	-	-	16,118,255
Energy	2,480,305	-	-	2,480,305
Financial	2,314,440	-	-	2,314,440
Capital goods	3,358,468	-	-	3,358,468
Utilities	8,464,506	-	-	8,464,506
Other	<u>530,410</u>	<u>-</u>	<u>-</u>	<u>530,410</u>
Total common stocks	40,714,594	-	-	40,714,594
Common collective trust funds	-	584,814	-	584,814

Note H - Fair Value Measurements (continued)

	DECEMBER 31, 2010			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Temporary cash investment - Money market fund	<u>1,905,235</u>	<u>-</u>	<u>-</u>	<u>1,905,235</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$115,835,341</u>	<u>\$ 9,648,692</u>	<u>\$ -</u>	<u>\$125,484,033</u>
	DECEMBER 31, 2009			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Registered investment companies - Fixed income fund	\$ 54,113,261	\$ -	\$ -	\$ 54,113,261
U.S. government agencies:				
Federal home loan banks	-	5,025,123	-	5,025,123
Federal farm credit banks	-	3,975,568	-	3,975,568
Other	<u>-</u>	<u>1,186,142</u>	<u>-</u>	<u>1,186,142</u>
Total U.S. government agencies	-	10,186,833	-	10,186,833
Municipal bonds	-	355,996	-	355,996
Foreign bonds	-	911,438	-	911,438
*Corporate bonds:				
A credit rating	-	5,792,781	-	5,792,781
A+ credit rating	-	2,180,852	-	2,180,852
A- credit rating and above	-	2,136,835	-	2,136,835
BBB+ credit rating	<u>-</u>	<u>779,346</u>	<u>-</u>	<u>779,346</u>
Total corporate bonds	-	10,889,814	-	10,889,814
Common stocks:				
Raw materials, goods, and services	6,936,670	-	-	6,936,670
Consumer nondurables	11,022,540	-	-	11,022,540
Energy	1,539,310	-	-	1,539,310
Capital goods	1,730,970	-	-	1,730,970
Utilities	8,566,180	-	-	8,566,180
Other	<u>1,048,849</u>	<u>-</u>	<u>-</u>	<u>1,048,849</u>
Total common stocks	30,844,519	-	-	30,844,519
Common collective trust funds:				
Bond fund	-	1,830,501	-	1,830,501
Other	<u>-</u>	<u>549,864</u>	<u>-</u>	<u>549,864</u>
Total common collective trust funds	-	2,380,365	-	2,380,365

Note H - Fair Value Measurements (continued)

	DECEMBER 31, 2009			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Temporary cash investment - Money market fund	<u>6,794,949</u>	<u>-</u>	<u>-</u>	<u>6,794,949</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 91,752,729</u>	<u>\$ 24,724,446</u>	<u>\$ -</u>	<u>\$116,477,175</u>

*Corporate bond ratings are as of report date, due to historical information not being available. The ratings are presented using the Standard & Poor's rating system.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2010, there were no significant transfers in or out of Levels 1, 2, or 3.

Note I - Fair Value of Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)

The following tables set forth additional disclosures of the Plan's investments whose fair value is estimated using net asset value per share (or its equivalent) as of December 31, 2010 and 2009.

2010				
INVESTMENT	FAIR VALUE	UNFUNDED COMMITMENT	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Common collective trust funds:				
Core Bond Portfolio (a)	\$ 549,320	\$ -	Daily	None
Money Market Portfolio (b)	<u>35,494</u>	<u>-</u>	Daily	None
Total	<u>\$ 584,814</u>	<u>\$ -</u>		
2009				
INVESTMENT	FAIR VALUE	UNFUNDED COMMITMENT	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Common collective trust funds:				
Core Bond Portfolio (a)	\$ 1,830,501	\$ -	Daily	None
Money Market Portfolio (b)	<u>549,864</u>	<u>-</u>	Daily	None
Total	<u>\$ 2,380,365</u>	<u>\$ -</u>		

(a) This class is a bond fund whose objective is to achieve maximum total return. The fund invests in primarily U.S. government agency obligations, corporate debt securities, and mortgage-backed securities. Investments in this class can be redeemed daily at the current net asset value per unit based on the fair value of the underlying assets. The fair value of investments in this class has been estimated using the net asset value per unit of the investment as reported by the respective fund manager.

Note I - Fair Value of Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent) (continued)

- (b) The class is a money market fund whose objective is to provide liquidity and as high a level of income as is consistent with the preservation of capital. The fund invests in primarily certificates of deposit, commercial paper, repurchase agreements, and short-term U.S. government obligations. Investments in this class can be redeemed daily at the current net asset value per unit based on the fair value of the underlying assets. The fair value of investments in this class has been estimated using the net asset value per unit of the investments as reported by the respective fund manager.

Note J - Subsequent Events

The Plan has evaluated subsequent events through September 30, 2011. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2010 were noted.



Independent Auditors' Report on the Supplemental Schedules

Administrative Committee of the
Susquehanna Bancshares, Inc.
Cash Balance Pension 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 schedules of Schedule H, Line 4i - Schedule of Assets (Held at End of Year) at December 31, 2010 and Schedule H, Line 4j - Schedule of Reportable Transactions for the year ended December 31, 2010, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are 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. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are 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'.

September 30, 2011

Supplemental Schedules

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2010

(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
Registered investment companies:				
	Vanguard Funds	7,612,808.552 shs. Vanguard Long-Term Investment Grade Fund	\$ 66,477,320	\$ 71,103,632
	PIMCO Funds	227,328.334 shs. PIMCO Commodity Real Return Strategy Fund	1,809,364	2,111,880
			68,286,684	73,215,512
U.S. government agencies:				
	Federal Home Loan Banks	\$ 300,000 par, 5.625%, due 05/15/11	320,964	313,611
	Federal Home Loan Banks	\$ 150,000 par, 4.625%, due 09/11/20	151,714	161,504
	Federal Home Loan Banks	\$ 250,000 par, 5.375%, due 06/08/12	249,758	267,391
	Federal Farm Credit Banks	\$ 100,000 par, 5.750%, due 01/18/11	107,683	100,219
	Federal Farm Credit Banks	\$ 185,000 par, 6.250%, due 07/11/11	207,383	190,755
	Federal Farm Credit Banks	\$ 150,000 par, 5.430%, due 07/24/13	156,315	166,997
	Federal Farm Credit Banks	\$ 125,000 par, 3.880%, due 07/08/13	122,307	134,153
	Federal Farm Credit Banks	\$ 175,000 par, 4.500%, due 05/06/14	178,777	193,418
	Federal Farm Credit Banks	\$ 298,000 par, 5.650%, due 06/30/14	336,317	341,708
	Federal Farm Credit Banks	\$ 100,000 par, 4.625%, due 08/26/15	97,977	111,731
	Federal Home Loan Banks	\$ 260,000 par, 5.000%, due 12/16/11	261,225	271,418
	Federal Home Loan Banks	\$ 100,000 par, 6.435%, due 12/12/11	112,358	105,384
	Federal National Mortgage Association	\$ 24,588 par, 6.000%, due 07/01/16	24,609	26,766
	Federal National Mortgage Association	\$ 5,970 par, 5.500%, due 12/01/11	5,949	6,393
	GNMA Pool 146675X	\$ 417 par, 9.000%, due 07/15/16	407	422
			2,333,743	2,391,870
Municipal bonds:				
	Ambridge Boro PA	\$ 120,000 par, 5.300%, due 10/15/14	119,383	131,764
	Frederick MD	\$ 100,000 par, 4.170%, due 03/01/13	100,000	102,506
	Frederick MD	\$ 125,000 par, 4.520%, due 03/01/13	125,000	129,835
			344,383	364,105
Foreign bond -				
	Astrazeneca PLC	\$ 250,000 par, 5.400%, due 09/15/12	257,558	269,588
Corporate bonds and notes:				
	AT&T Corp.	\$ 300,000 par, 7.300%, due 11/15/11	308,586	316,917
	Bear Stearns Co., Inc.	\$ 100,000 par, 5.350%, due 02/01/12	100,352	104,642
	Bellsouth Corp.	\$ 250,000 par, 4.750%, due 11/15/12	256,745	266,675
	Bottling Group LLC	\$ 350,000 par, 6.950%, due 03/15/14	374,980	405,583
	Brown Forman Corp.	\$ 250,000 par, 5.000%, due 02/01/14	256,800	272,093
	Cisco Systems, Inc.	\$ 250,000 par, 5.250%, due 02/22/11	263,325	251,567
	Costco Wholesale Corp.	\$ 300,000 par, 5.300%, due 03/15/12	321,099	315,612
	Costco Co.	\$ 215,000 par, 5.500%, due 03/15/17	211,270	244,958
	John Deere Cap	\$ 100,000 par, 5.100%, due 01/15/13	99,940	107,975
	John Deere Corp.	\$ 100,000 par, 4.950%, due 12/17/12	99,390	107,862
	Dupont E.I. de Nemours & Co.	\$ 110,000 par, 4.875%, due 04/30/14	109,430	119,797
	Florida Power & Light Co.	\$ 235,000 par, 4.850%, due 02/01/13	229,508	251,525
	General Electric Corp.	\$ 275,000 par, 5.000%, due 01/08/16	273,625	293,535

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year) (continued)

December 31, 2010

(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
Corporate bonds and notes:				
	General Electric Cap Corp.	\$ 250,000 par, 5.250%, due 10/19/12	256,297	267,195
	Hewlett Packard Co.	\$ 150,000 par, 4.500%, due 03/01/13	153,599	160,554
	IBM Intl Group Cap LLC	\$ 250,000 par, 5.050%, due 10/22/12	265,338	268,752
	IBM Corp.	\$ 250,000 par, 4.750%, due 11/29/12	245,712	268,395
	Merrill Lynch Co.	\$ 50,000 par, 6.050%, due 08/15/12	50,780	52,945
	NSTAR Electric Co.	\$ 250,000 par, 4.875%, due 04/15/14	245,652	272,313
	Nucor Corp.	\$ 250,000 par, 5.000%, due 12/01/12	250,148	267,993
	Oracle Corp.	\$ 280,000 par, 5.250%, due 01/15/16	275,428	314,798
	Pitney Bowes, Inc.	\$ 309,000 par, 3.875%, due 06/15/13	286,751	320,736
	Target Corp.	\$ 114,000 par, 5.125%, due 01/15/13	116,682	123,397
	United Technologies Corp.	\$ 125,000 par, 4.875%, due 05/01/15	118,176	138,376
	Wal-Mart Stores, Inc.	\$ 250,000 par, 4.125%, due 02/15/11	242,367	251,060
	Walgreen Co.	\$ 250,000 par, 4.875%, due 08/01/13	264,713	273,060
			5,676,693	6,038,315
Common stocks:				
	3M Co.	9,000 shs.	763,437	776,700
	Abbott Laboratories	28,000 shs.	1,304,893	1,341,480
	AGCO Corporation	10,300 shs.	435,576	521,798
	Archer Daniels Midland	42,000 shs.	1,139,043	1,263,360
	AT&T Inc.	44,000 shs.	1,154,623	1,292,720
	Barrick Gold Corp.	26,000 shs.	787,644	1,382,680
	Bristol-Myers Squibb Co.	33,000 shs.	773,980	873,840
	Cameco Corp.	13,000 shs.	375,230	524,940
	Central Fund Canada	80,000 shs.	857,514	1,658,400
	China Mobile Limited Sponsored ADR	15,000 shs.	788,683	744,300
	Cisco Systems, Inc.	24,000 shs.	435,479	485,520
	Chevron Corp.	8,500 shs.	586,511	775,625
	Clorox	8,000 shs.	499,514	506,240
	Coca Cola Company	23,000 shs.	1,026,043	1,512,710
	Colgate-Palmolive Company	8,000 shs.	628,941	642,960
	ConocoPhillips	10,000 shs.	579,755	681,000
	Deere & Co.	7,000 shs.	297,890	581,350
	Exxon Mobil Corporation	14,000 shs.	897,670	1,023,680
	Fluor Corp.	17,000 shs.	766,874	1,126,420
	General Electric Co.	29,000 shs.	706,820	530,410
	Glaxo Smithkline PLC Sponsored ADR	12,000 shs.	450,805	470,640
	Gold Fields LTD New Sponsored ADR	45,000 shs.	529,895	815,850
	Goldcorp, Inc.	29,000 shs.	762,929	1,333,420
	Intel Corp.	34,000 shs.	633,984	715,020
	Ishares MSCI Japan Index	75,000 shs.	776,968	818,250
	Johnson & Johnson	21,000 shs.	1,306,709	1,298,850
	JPMorgan Chase & Co.	12,000 shs.	493,624	509,040
	Kellogg Company	6,000 shs.	323,831	306,480
	Kimberly Clark Corp.	8,000 shs.	490,037	504,320
	McCormick & Co., Inc.	14,000 shs.	546,446	651,420
	Merck & Company, Inc.	34,000 shs.	1,106,560	1,225,360

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year) (continued)

December 31, 2010

(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
Common stocks:				
	Microsoft Corp.	24,000 shs.	621,763	669,840
	Newmont Mining	20,000 shs.	771,089	1,228,600
	Nippon Telegraph & Telephone Corp. Sponsored ADR	44,000 shs.	1,077,195	1,009,360
	Oracle Systems Corp.	23,000 shs.	459,436	719,900
	Paychex, Inc.	16,000 shs.	487,819	494,560
	Pepsico, Inc.	15,500 shs.	943,726	1,012,615
	Pfizer, Inc.	44,000 shs.	1,013,560	770,440
	Philip Morris International, Inc.	10,000 shs.	507,503	585,300
	PNC Financial Services Group, Inc.	8,000 shs.	486,880	485,760
	Procter & Gamble	19,000 shs.	1,112,404	1,222,270
	Shaw Group, Inc.	13,000 shs.	386,132	444,990
	Texas Instruments, Inc.	16,000 shs.	489,136	520,000
	Transcanada Corp.	13,000 shs.	486,396	494,520
	Travelers Companies, Inc.	9,000 shs.	435,908	501,390
	Verizon Communications	30,700 shs.	893,383	1,098,446
	Vodafone Group PLC Sponsored ADR	28,000 shs.	643,201	740,320
	Wal-Mart Stores, Inc.	16,000 shs.	828,381	862,880
	Waste Management, Inc.	26,000 shs.	735,785	958,620
			34,607,605	40,714,594
Common collective trust funds:				
*	Diversified Investment Advisors	30,276.387 units Money Market Portfolio	549,320	549,320
*	Diversified Investment Advisors	1,350.046 units Core Bond Portfolio	30,518	35,494
			579,838	584,814
Temporary cash investment -				
	Federated Investors, Inc.	1,905,235.410 shs. Federated Government Obligations Money Market Fund	1,905,235	1,905,235
Total Assets Held at End of Year			\$ 113,991,739	\$ 125,484,033

* Denotes a party-in-interest.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4j - Schedule of Reportable Transactions

Year Ended December 31, 2010

(a) IDENTITY OF PARTY INVOLVED	(b) DESCRIPTION OF ASSET (INCLUDING INTEREST RATE AND MATURITY IN CASE OF LOAN)	(c) PURCHASE PRICE	(d) SELLING PRICE	(e) LEASE RENTAL	(f) EXPENSE INCURRED WITH TRANSACTION	(g) COST OF ASSET	(h) CURRENT VALUE OF ASSET ON TRANSACTION DATE	(i) NET GAIN OR (LOSS)
Federated Investors, Inc.	Government Obligation							
	Money Market Fund	<u>\$ 16,018,431</u>				<u>\$ 16,018,431</u>	<u>\$ 16,018,431</u>	<u>\$ -</u>
		(122)						
Federated Investors, Inc.	Government Obligation							
	Money Market Fund		<u>\$ 14,113,196</u>			<u>\$ 14,113,196</u>	<u>\$ 14,113,196</u>	<u>\$ -</u>
			(38)					
Federated Investors, Inc.	Municipal Obligation							
	Money Market Fund	<u>\$ 27,755,597</u>				<u>\$ 27,755,597</u>	<u>\$ 27,755,597</u>	<u>\$ -</u>
		(78)						
Federated Investors, Inc.	Municipal Obligation							
	Money Market Fund		<u>\$ 34,550,546</u>			<u>\$ 34,550,546</u>	<u>\$ 34,550,546</u>	<u>\$ -</u>
			(38)					
Vanguard Funds	Long-Term Investment							
	Grade Fund	<u>\$ 14,031,838</u>				<u>\$ 14,031,838</u>	<u>\$ 14,031,838</u>	<u>\$ -</u>
		(16)						

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2010 This Form is Open to Public Inspection
--	--	---

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan Susquehanna Bancshares, Inc. Cash Balance Pension Plan	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF Susquehanna Bancshares, Inc.	D Employer Identification Number (EIN) 23-2201716
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I Basic Information			
1 Enter the valuation date: Month <u>1</u> Day <u>1</u> Year <u>2010</u>			
2 Assets:			
a Market value.....	2a	116,783,043	
b Actuarial value.....	2b	116,783,043	
3 Funding target/participant count breakdown		(1) Number of participants	(2) Funding Target
a For retired participants and beneficiaries receiving payment.....	3a	684	34,350,073
b For terminated vested participants.....	3b	984	19,925,712
c For active participants:			
(1) Non-vested benefits.....	3c(1)		2,552,375
(2) Vested benefits.....	3c(2)		39,797,235
(3) Total active.....	3c(3)	2,812	42,349,610
d Total.....	3d	4,480	96,625,395
4 If the plan is at-risk, check the box and complete items (a) and (b) ☐			
a Funding target disregarding prescribed at-risk assumptions.....	4a		
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor.....	4b		
5 Effective interest rate.....	5	6.64 %	
6 Target normal cost.....	6	3,876,269	

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	Matthew G. Daskivich <i>MBD</i>	09/21/2011
Signature of actuary		Date
Matthew G. Daskivich		11-07639
Type or print name of actuary		Most recent enrollment number
Aon Consulting, Inc.		(610) 834-2100
Firm name		Telephone number (including area code)
555 East Lancaster Ave, Suite 300		
Radnor PA 19087-5159		
Address of the firm		

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

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

Schedule SB (Form 5500) 2010
v.092308.1

Part II Beginning of year carryover and prefunding balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	14,441,993	8,769,756
8 Portion used to offset prior year's funding requirement (Item 35 from prior year)	3,270,851	0
9 Amount remaining (Item 7 minus item 8)	11,171,142	8,769,756
10 Interest on item 9 using prior year's actual return of <u>11.05</u> %	1,234,411	969,058
11 Prior year's excess contributions to be added to prefunding balance:		
a Excess contributions (Item 38 from prior year)		17,025,103
b Interest on (a) using prior year's effective rate of <u>6.54</u> %		1,260,957
c Total available at beginning of current plan year to add to prefunding balance		18,286,060
d Portion of (c) to be added to prefunding balance		0
12 Reduction in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (item 9 + item 10 + item 11d - item 12)	12,405,553	9,738,814

Part III Funding percentages

14 Funding target attainment percentage	14	97.94 %
15 Adjusted funding target attainment percentage	15	120.86 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	90.98 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and liquidity shortfalls

18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
Totals ▶			18(b)	0	18(c) 0

19 Discounted employer contributions - see instructions for small plan with a valuation date after the beginning of the year:		
a Contributions allocated toward unpaid minimum required contribution from prior years	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	0
20 Quarterly contributions and liquidity shortfalls:		
a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No	
b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No	
c If 20a is "Yes," see instructions and complete the following table as applicable:		

Liquidity shortfall as of end of Quarter of this plan year

(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 4.60 %	2nd segment: 6.65 %	3rd segment: 6.76 %	☐ N/A, full yield curve used
b Applicable month (enter code)				21b 0
22 Weighted average retirement age				22 65
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions)	31	3,876,269
32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	0	0
b Waiver amortization installment	0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b - item 33)	34	3,876,269
	Carryover balance	Prefunding balance
35 Balances used to offset funding requirement	3,876,269	0
36 Additional cash requirement (item 34 minus item 35)	36	0
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c)	37	0
38 Interest-adjusted excess contributions for current year (see instructions)	38	0
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37)	39	0
40 Unpaid minimum required contribution for all years	40	0

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN

PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.

EIN: 23-2201716

PN: 001

Attachment to Schedule SB, line 22 – Description of Weighted Average Retirement Age

100% of active participants are assumed to retire at age 65.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
PN: 001
Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Cost Method

The method of valuation used for pension benefits is called the Unit Credit Cost Method. Under this method, Target Liability is determined as the present value of all benefits earned to date by all current plan participants and beneficiaries. The Target Liability Normal Cost is the present value of benefits projected to accrue during the current plan year, including the effect of projected pay increases during the current plan year (for plans with a pay-related benefit formula).

The interest rate and mortality assumptions used to calculate the Target Liability and Target Liability Normal Cost are mandated by the IRS each year. Additionally, in any year that the plan is deemed to be “at-risk”, additional mandated assumptions may apply regarding timing of retirement and election of form of payment at retirement.

The plan’s Funding Shortfall for a plan year is the excess, if any, of the Target Liability over the adjusted Actuarial Value of Assets. The initial Funding Shortfall, as well as subsequent increases or decreases is the unfunded Target Liability, are amortized over a period of seven years from the time the base is established. Once the Funding Shortfall reaches zero, all Funding Shortfall Amortization Bases are eliminated.

Asset Method

The Actuarial Value of Assets is set equal to the Market Value of Assets.

Valuation Date

January 1, 2010.

Employees Included in the Calculations

All active employees who have met the Plan’s eligibility requirements as of the valuation date are included in the calculations. Former employees or their survivors who are receiving or entitled to receive an immediate or deferred benefit under the provisions of the Plan are also included.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
PN: 001
Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Source of Data

Data were obtained as of the valuation date and were supplied to us by the Employer. Employees who worked 1,000 hours are assumed to work on the same basis in all future years after the valuation date. We rely on the Employer to inform us of any former participants who have been rehired and lost prior service because of the length of their break in service. These employees may have participation requirements different from other new employees. The Employee data have not been audited by us, but were reconciled and reviewed for consistency and reasonableness.

Past salaries are based on actual salary history. Financial information was supplied to us by the Trustee. The financial information has not been audited by us, but was reconciled and reviewed for consistency and reasonableness.

Interest and Other Rate Assumptions

Below is a summary of interest and inflation rates used for the January 1, 2010 valuation.

Interest Rates		Assumption
(1)	Target Liability	
(a)	Liabilities Due within 5 Years	4.60%
(b)	Liabilities Due in 5 to 20 Years	6.65%
(c)	Liabilities Due in More than 20 Years	6.76%
(2)	ASC 960	7.50%
(3)	Other:	
(a)	Cash Bal. Interest Credit for ASC 960	5.00%
(b)	Cash Bal. Interest Credit for Target Liability	5.00%
Other Rates		Assumption
(1)	Social Security Wage Bases	4.50%
(2)	CPI for Social Security	4.00%
(3)	Future Salaries	
(a)	Funding	4.50%
(b)	FAS 35	None
(4)	Cost of Living Adjustment	0.00%

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
 PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
 EIN: 23-2201716
 PN: 001
 Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Decrement Assumptions

Below is a summary of decrements used in this valuation.

Mortality Decrements		Description
(1)	ASC 960	
(a)	Actives	RP-2000 Combined Healthy Male and Female
(b)	Non-Disabled Inactives	RP-2000 Combined Healthy Male and Female
(c)	Disabled Inactives	RP-2000 Disabled Retiree Male and Female
(2)	Target Liability	RP-2000 IRS PPA projected at 2010 Annuitant and Non-Annuitant Male and Female

—Retirement—		—Disability—			—Termination—		
Decrement		Decrement	Male	Female	Decrement	Male	Female
Age	Rates	Age	Rates	Rates	Age	Rates	Rates
65	1.000000	25	0.001000	0.001000	25	0.172242	0.172242
		40	0.001600	0.001600	40	0.112500	0.112500
		55	0.007100	0.007100	55	0.017264	0.017264
		65	0.000000	0.000000	65	0.000000	0.000000

The weighted average retirement age is 65.00. Sample Retirement, Disability, and Termination rates are illustrated in the tables above.

Expenses

An expense load of \$24,303 was added to the Target Normal Cost. This is the actual amount of expenses paid from the trust in the prior plan year.

Form of Benefit Payment

100% of participants are assumed to elect the Normal Form of Payment.

- (1) Cash balances are converted to annuities based on the RP-2000 PPA at 2010 Unisex 50/50 Mortality Table and an interest rate of 7%.
- (2) For the purpose of valuing death benefits, 80% of the employees are assumed to be married. Wives are assumed to be 3 years younger than their husbands.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Changes in Valuation Assumptions

The following changes in actuarial assumptions or methods have been made since the prior valuation:

- (1) The Segment Rates used to value the Target Liability changed as shown below:

	01/01/2010	01/01/2009
Target Liability Interest Rates (by Segment)		
Liabilities Due within 5 years	4.60%	5.32%
Liabilities Due in 5 to 20 years	6.65%	6.45%
Liabilities Due in More than 20 years	6.76%	6.69%

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
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Attachment to Schedule SB, Part V – Summary of Plan Provisions

General Information

Original Effective Date:	January 1, 1989
Effective Date of Last Amendment:	June 30, 2009
Plan Year:	January 1st to December 31st
Employer Fiscal Year	January 1st to December 31st
Employer ID Number:	23-2201716
Plan Administrator's ID Number:	23-2201716
Plan Number:	001
Plan Administrator:	Susquehanna Bancshares, Inc.

Eligibility

Employees who were Participants on December 31, 1997 are Participants effective January 1, 1998. All other employees become Participants on the January 1 of the year in which the Employee attains age 21 and completes one Year of Service. Effective January 1, 2005, Employees will become Participants on the January 1 following employment.

Participants in the Plan prior to January 1, 1998 are eligible for a minimum accrued benefit determined as of December 31, 1997. Participants who attained age 55 and 10 Years of Credited Service receive continuing Credited Service and Compensation under the terms of the Retirement Income Plan. Participants in prior plans merged into this Plan have their prior plan accrued benefits and certain optional features preserved under this Plan.

Effective as of June 30, 2009, the plan became closed to new entrants.

Credited Service

Plan Years in which 1,000 Hours of Service are earned as an eligible employee. For the purpose of the Grandfathered Benefit, completed calendar months in the year of hire and termination are counted as Credited Service regardless of the number of Hours of Service. Service under the Prior Retirement Income Plan is limited to 25 years. Credited Service is generally limited to service from the date of acquisition if the participant was not a member of a prior plan.

Vesting Service

Plan Years in which 1,000 Hours of Service are earned. Prior to 2005, a year of Vesting Service is also earned for the period from date of hire to the anniversary thereof, with the next vesting period beginning with the January 1 following employment.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Compensation

Compensation for Pay Credits

Compensation is defined as total pay for the calendar year including overtime, bonus, pretax contributions to 401(k) or Section 125 plans and severance. Compensation for a given year is limited to \$200,000 (as adjusted by law).

Final Average Compensation

For Grandfathered Benefits only, Compensation is defined as base pay for the calendar year, excluding overtime, bonuses or other awards. The average of the compensation received during the five consecutive calendar years which produces the highest result.

Covered Compensation

For Grandfathered Benefits only, the average of the Social Security Taxable Wage base for the 35-year period prior to, and including, the year in which the Participant attains Social Security retirement age. The Wage Base is assumed to remain constant from age at determination to Social Security retirement age.

Cash Balance Account

Initial Account

A cash balance account was established for each participant based on the present value of their accrued benefit at December 31, 1997, increased by 5%.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
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Attachment to Schedule SB, Part V – Summary of Plan Provisions

Pay Credits

At the end of each Plan Year, an annual contribution is made to a Participant's Account equal to a percentage of Compensation, provided that the participant worked at a rate of at least 1,000 hours of service during the Plan Year. The contribution is based on each participant's age (full years) plus Credited Service as of the beginning of each plan year, determined as follows:

<u>Participant's Age Plus Service</u>	<u>Contribution Allocation</u>
Less than 30	3%
30 – 39	4%
40 – 49	5%
50 – 59	6%
60 – 69	7%
70 – 79	8%
80 – 89	9%
90 – 99	10%
100 or more	11%

Effective June 30, 2009, participants with fewer than 15 years of credited service and who have not attained age 50 as of December 31, 2009 will no longer accrue pay credits under the plan.

Interest Credits

The Cash Balance Account balance is credited with interest equal to the average one-year Treasury Bill rate in effect at the end of October of the prior year. Effective as of January 1, 2002, the Interest Credit is limited to a minimum of 5% and a maximum of 8%.

Annuity Conversion Factor

The Annuity Conversion Factor is the amount used to convert the Cash Balance Account to an annuity. It is currently determined using the IRS Applicable Table as determined by Revenue Ruling 2007-67 and an interest rate of 7%.

Normal Retirement

Normal Retirement Date is the first day of the month coincident with or next following the attainment of age 65 and 5 Years of Vesting Service. Upon retirement, Participants will receive their Cash Balance Account converted to an annuity using the Annuity Conversion Factor, or if greater, their Grandfathered Benefit.

Early Retirement

A Participant may choose to retire on an Early Retirement Date after attainment of age 55 and 15 Years of Vesting Service. Upon retirement, Participants will receive their Cash Balance Account converted to an annuity using the Annuity Conversion Factor, or if greater, their Grandfathered Benefit. The Grandfathered Benefit is reduced by 4% per year for early commencement.

Disability Retirement Eligibility

A disabled Participant who has attained five Years of Vesting Service and is eligible for Social Security Disability Benefits will continue to earn Pay Credits and Service during the period of disability, based on the rate of Compensation at the time the disability commenced. Participant may elect to retire at Normal or, if eligible, Early Retirement.

Death Benefit

In the event of an active married participant's death on or before the earliest retirement age, the surviving spouse shall receive a benefit based on the participant's vested Accrued Benefit as of the date of death, but payable as if the participant had separated from service on the date of death, survived to the earliest retirement age, elected a Joint and 100% Survivor Annuity, and died on the day after the earliest retirement age.

In the event of an active married participant's death after the attainment of age 55 and the completion of 15 years of Credited Service, but prior to Normal Retirement Date, it will be assumed the participant had retired on the day prior to death and elected a Joint and 100% Survivor Benefit.

In the event of an active non-married participant's death after the attainment of five Years of Vesting Service, a single lump sum payment will be made based on Years of Service at date of death:

<u>Years of Service</u>	<u>Single Sum Payment</u>
Less than vesting service requirement	\$0
Upon vesting, but fewer than 10	\$5,000
10 or more, but fewer than 20	\$10,000
20 or more	\$25,000

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Severance Benefit

Upon the termination of employment after 5 or more Years of Service a participant shall have a vested interest in his Accrued Benefit which will be payable at Normal Retirement Date. The percentage vested shall be:

Years of Service	Vested Percent
Fewer than 5	0%
5 or more	100%

In the event that a participant has met the service requirements for Early Retirement at the date of termination, he may elect to receive his vested interest at age 55. Such benefit will be reduced as described under Early Retirement.

Normal Form of Payment

For single Participants, the Normal Form of Payment is an annuity paid in monthly installments for life. For married Participants, the Normal Form of Payment is a Joint and 50% Survivor Annuity (actuarially equivalent to the life annuity) with spouse as joint annuitant.

Optional Forms of Payment

All Optional Forms of Payment are actuarially equivalent to the Normal Form of Payment. If a married participant does not elect the Normal Form of Payment or does not elect one of the Optional Forms of Payment described below, then the participant's Retirement Benefit shall automatically be paid under option [1] below. The options are:

- (1) A reduced benefit to be paid during the participant's lifetime with 50% of the reduced benefit to be continued to his spouse for her lifetime after his death.
- (2) A reduced benefit to be paid during the participant's lifetime with 75% of the reduced benefit to be continued to his spouse for her lifetime after his death.
- (3) A reduced benefit to be paid during the participant's lifetime with the same reduced benefit to be continued to his spouse for her lifetime after his death.
- (4) A reduced benefit to be paid for 60, 120, 180, or 240 Months Certain and thereafter for life.

All Optional Forms of Payment are actuarially equivalent to the Normal Form of Payment on a unisex basis based on 7% interest and the RP-2000 Mortality Table as prescribed in Revenue Ruling 2007-67.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
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Attachment to Schedule SB, Part V – Summary of Plan Provisions

Plan Changes Since Last Valuation

Effective as of June 30, 2009, the plan was closed to new entrants. Additionally, Participants with fewer than 15 years of credited service and who have not attained age 50 as of December 31, 2009 no longer accrue pay credits under the plan.

Schedule of Credited Service for Predecessor Employers

As described in Appendix IV of the Plan Document, service is credited for benefit accruals from the dates noted below for service with a predecessor employer. All service with a predecessor is included for vesting service under this Plan.

Predecessor Employer	Credited Service Commencement Date
Atlantic Federal Savings Bank	4/1/1995
Central Savings Bank	1/1/1994
Citizen's National Bank of Greencastle	All Service
Citizen's National Bank of Waynesboro	1/1/1989
Community Bank	1/1/2008
Equity National Bank	3/1/1997
Fairfax Savings Bank	2/1/1996
Farmers First Bank	All Service
Farmer's & Merchants Bank of Hagerstown	6/1/1989
Farmers National Bank of Mullica Hill	3/1/1997
Farmers National Bank of Quarryville	10/1/1983
First American National Bank of Pennsylvania	All Service
First Capitol Bank	1/1/1997
First National Bank Trust of Sunbury	All Service
First National Bank Trust of Maryland	7/9/1994
Founders Bank	8/1/1997
Hann Financial Group	4/1/2000
Minotola National Bank	5/1/2006
Patriot Bank	6/10/2004
Reisterstown Federal Savings Bank	5/1/1995
Sovran Bank (Washington County, Md.)	3/27/1992
Spring Grove	All Service
Susque-Bancshares Leasing Co.	10/1/1986
Valley Forge Asset Management Corp.	3/3/2000
West End National Bank	8/6/1983
Williamsport National Bank	All Service

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Attachment to Schedule SB, line 26 – Schedule of Active Participant Data

Age - Service Distribution for Average Compensation (Alternative A, Scatter 1)

[illegible]

Attachment to Schedule SB, line 26 – Schedule of Active Participant Data

[illegible]

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2010 This Form is Open to Public Inspection
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For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan Susquehanna Bancshares, Inc. Cash Balance Pension Plan	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF Susquehanna Bancshares, Inc.	D Employer Identification Number (EIN) 23-2201716
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I Basic Information			
1 Enter the valuation date: Month <u>1</u> Day <u>1</u> Year <u>2010</u>			
2 Assets:			
a Market value.....	2a	116,783,043	
b Actuarial value.....	2b	116,783,043	
3 Funding target/participant count breakdown		(1) Number of participants	(2) Funding Target
a For retired participants and beneficiaries receiving payment.....	3a	684	34,350,073
b For terminated vested participants.....	3b	984	19,925,712
c For active participants:			
(1) Non-vested benefits.....	3c(1)		2,552,375
(2) Vested benefits.....	3c(2)		39,797,235
(3) Total active.....	3c(3)	2,812	42,349,610
d Total.....	3d	4,480	96,625,395
4 If the plan is at-risk, check the box and complete items (a) and (b) ☐			
a Funding target disregarding prescribed at-risk assumptions.....	4a		
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor.....	4b		
5 Effective interest rate.....	5	6.64 %	
6 Target normal cost.....	6	3,876,269	

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	Matthew G. Daskivich <i>MBD</i>	09/21/2011
Signature of actuary		Date
Matthew G. Daskivich		11-07639
Type or print name of actuary		Most recent enrollment number
Aon Consulting, Inc.		(610) 834-2100
Firm name		Telephone number (including area code)
555 East Lancaster Ave, Suite 300		
Radnor PA 19087-5159		
Address of the firm		

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

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

Schedule SB (Form 5500) 2010
v.092308.1

Part II Beginning of year carryover and prefunding balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	14,441,993	8,769,756
8 Portion used to offset prior year's funding requirement (Item 35 from prior year)	3,270,851	0
9 Amount remaining (Item 7 minus item 8)	11,171,142	8,769,756
10 Interest on item 9 using prior year's actual return of <u>11.05</u> %	1,234,411	969,058
11 Prior year's excess contributions to be added to prefunding balance:		
a Excess contributions (Item 38 from prior year)		17,025,103
b Interest on (a) using prior year's effective rate of <u>6.54</u> %		1,260,957
c Total available at beginning of current plan year to add to prefunding balance		18,286,060
d Portion of (c) to be added to prefunding balance		0
12 Reduction in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (item 9 + item 10 + item 11d - item 12)	12,405,553	9,738,814

Part III Funding percentages

14 Funding target attainment percentage	14	97.94 %
15 Adjusted funding target attainment percentage	15	120.86 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	90.98 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and liquidity shortfalls

18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
Totals ▶			18(b)	0	18(c) 0

19 Discounted employer contributions - see instructions for small plan with a valuation date after the beginning of the year:	
a Contributions allocated toward unpaid minimum required contribution from prior years	19a 0
b Contributions made to avoid restrictions adjusted to valuation date	19b 0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c 0
20 Quarterly contributions and liquidity shortfalls:	
a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
c If 20a is "Yes," see instructions and complete the following table as applicable:	

Liquidity shortfall as of end of Quarter of this plan year

(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 4.60 %	2nd segment: 6.65 %	3rd segment: 6.76 %	☐ N/A, full yield curve used
b Applicable month (enter code)				21b 0
22 Weighted average retirement age				22 65
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions)	31	3,876,269
32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	0	0
b Waiver amortization installment	0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b - item 33)	34	3,876,269
	Carryover balance	Prefunding balance
35 Balances used to offset funding requirement	3,876,269	0
36 Additional cash requirement (item 34 minus item 35)	36	0
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c)	37	0
38 Interest-adjusted excess contributions for current year (see instructions)	38	0
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37)	39	0
40 Unpaid minimum required contribution for all years	40	0

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN

PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.

EIN: 23-2201716

PN: 001

Attachment to Schedule SB, line 22 – Description of Weighted Average Retirement Age

100% of active participants are assumed to retire at age 65.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Cost Method

The method of valuation used for pension benefits is called the Unit Credit Cost Method. Under this method, Target Liability is determined as the present value of all benefits earned to date by all current plan participants and beneficiaries. The Target Liability Normal Cost is the present value of benefits projected to accrue during the current plan year, including the effect of projected pay increases during the current plan year (for plans with a pay-related benefit formula).

The interest rate and mortality assumptions used to calculate the Target Liability and Target Liability Normal Cost are mandated by the IRS each year. Additionally, in any year that the plan is deemed to be “at-risk”, additional mandated assumptions may apply regarding timing of retirement and election of form of payment at retirement.

The plan’s Funding Shortfall for a plan year is the excess, if any, of the Target Liability over the adjusted Actuarial Value of Assets. The initial Funding Shortfall, as well as subsequent increases or decreases is the unfunded Target Liability, are amortized over a period of seven years from the time the base is established. Once the Funding Shortfall reaches zero, all Funding Shortfall Amortization Bases are eliminated.

Asset Method

The Actuarial Value of Assets is set equal to the Market Value of Assets.

Valuation Date

January 1, 2010.

Employees Included in the Calculations

All active employees who have met the Plan’s eligibility requirements as of the valuation date are included in the calculations. Former employees or their survivors who are receiving or entitled to receive an immediate or deferred benefit under the provisions of the Plan are also included.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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EIN: 23-2201716
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Source of Data

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Past salaries are based on actual salary history. Financial information was supplied to us by the Trustee. The financial information has not been audited by us, but was reconciled and reviewed for consistency and reasonableness.

Interest and Other Rate Assumptions

Below is a summary of interest and inflation rates used for the January 1, 2010 valuation.

Interest Rates		Assumption
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(a)	Cash Bal. Interest Credit for ASC 960	5.00%
(b)	Cash Bal. Interest Credit for Target Liability	5.00%
Other Rates		Assumption
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(2)	CPI for Social Security	4.00%
(3)	Future Salaries	
(a)	Funding	4.50%
(b)	FAS 35	None
(4)	Cost of Living Adjustment	0.00%

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
 PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
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 Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Decrement Assumptions

Below is a summary of decrements used in this valuation.

Mortality Decrements		Description
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(a)	Actives	RP-2000 Combined Healthy Male and Female
(b)	Non-Disabled Inactives	RP-2000 Combined Healthy Male and Female
(c)	Disabled Inactives	RP-2000 Disabled Retiree Male and Female
(2)	Target Liability	RP-2000 IRS PPA projected at 2010 Annuitant and Non-Annuitant Male and Female

—Retirement—		—Disability—			—Termination—		
Decrement		Decrement	Male	Female	Decrement	Male	Female
Age	Rates	Age	Rates	Rates	Age	Rates	Rates
65	1.000000	25	0.001000	0.001000	25	0.172242	0.172242
		40	0.001600	0.001600	40	0.112500	0.112500
		55	0.007100	0.007100	55	0.017264	0.017264
		65	0.000000	0.000000	65	0.000000	0.000000

The weighted average retirement age is 65.00. Sample Retirement, Disability, and Termination rates are illustrated in the tables above.

Expenses

An expense load of \$24,303 was added to the Target Normal Cost. This is the actual amount of expenses paid from the trust in the prior plan year.

Form of Benefit Payment

100% of participants are assumed to elect the Normal Form of Payment.

- (1) Cash balances are converted to annuities based on the RP-2000 PPA at 2010 Unisex 50/50 Mortality Table and an interest rate of 7%.
- (2) For the purpose of valuing death benefits, 80% of the employees are assumed to be married. Wives are assumed to be 3 years younger than their husbands.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
PN: 001
Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Changes in Valuation Assumptions

The following changes in actuarial assumptions or methods have been made since the prior valuation:

- (1) The Segment Rates used to value the Target Liability changed as shown below:

	01/01/2010	01/01/2009
Target Liability Interest Rates (by Segment)		
Liabilities Due within 5 years	4.60%	5.32%
Liabilities Due in 5 to 20 years	6.65%	6.45%
Liabilities Due in More than 20 years	6.76%	6.69%

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
PN: 001
Attachment to Schedule SB, Part V – Summary of Plan Provisions

General Information

Original Effective Date:	January 1, 1989
Effective Date of Last Amendment:	June 30, 2009
Plan Year:	January 1st to December 31st
Employer Fiscal Year	January 1st to December 31st
Employer ID Number:	23-2201716
Plan Administrator's ID Number:	23-2201716
Plan Number:	001
Plan Administrator:	Susquehanna Bancshares, Inc.

Eligibility

Employees who were Participants on December 31, 1997 are Participants effective January 1, 1998. All other employees become Participants on the January 1 of the year in which the Employee attains age 21 and completes one Year of Service. Effective January 1, 2005, Employees will become Participants on the January 1 following employment.

Participants in the Plan prior to January 1, 1998 are eligible for a minimum accrued benefit determined as of December 31, 1997. Participants who attained age 55 and 10 Years of Credited Service receive continuing Credited Service and Compensation under the terms of the Retirement Income Plan. Participants in prior plans merged into this Plan have their prior plan accrued benefits and certain optional features preserved under this Plan.

Effective as of June 30, 2009, the plan became closed to new entrants.

Credited Service

Plan Years in which 1,000 Hours of Service are earned as an eligible employee. For the purpose of the Grandfathered Benefit, completed calendar months in the year of hire and termination are counted as Credited Service regardless of the number of Hours of Service. Service under the Prior Retirement Income Plan is limited to 25 years. Credited Service is generally limited to service from the date of acquisition if the participant was not a member of a prior plan.

Vesting Service

Plan Years in which 1,000 Hours of Service are earned. Prior to 2005, a year of Vesting Service is also earned for the period from date of hire to the anniversary thereof, with the next vesting period beginning with the January 1 following employment.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Compensation

Compensation for Pay Credits

Compensation is defined as total pay for the calendar year including overtime, bonus, pretax contributions to 401(k) or Section 125 plans and severance. Compensation for a given year is limited to \$200,000 (as adjusted by law).

Final Average Compensation

For Grandfathered Benefits only, Compensation is defined as base pay for the calendar year, excluding overtime, bonuses or other awards. The average of the compensation received during the five consecutive calendar years which produces the highest result.

Covered Compensation

For Grandfathered Benefits only, the average of the Social Security Taxable Wage base for the 35-year period prior to, and including, the year in which the Participant attains Social Security retirement age. The Wage Base is assumed to remain constant from age at determination to Social Security retirement age.

Cash Balance Account

Initial Account

A cash balance account was established for each participant based on the present value of their accrued benefit at December 31, 1997, increased by 5%.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Pay Credits

At the end of each Plan Year, an annual contribution is made to a Participant's Account equal to a percentage of Compensation, provided that the participant worked at a rate of at least 1,000 hours of service during the Plan Year. The contribution is based on each participant's age (full years) plus Credited Service as of the beginning of each plan year, determined as follows:

<u>Participant's Age Plus Service</u>	<u>Contribution Allocation</u>
Less than 30	3%
30 – 39	4%
40 – 49	5%
50 – 59	6%
60 – 69	7%
70 – 79	8%
80 – 89	9%
90 – 99	10%
100 or more	11%

Effective June 30, 2009, participants with fewer than 15 years of credited service and who have not attained age 50 as of December 31, 2009 will no longer accrue pay credits under the plan.

Interest Credits

The Cash Balance Account balance is credited with interest equal to the average one-year Treasury Bill rate in effect at the end of October of the prior year. Effective as of January 1, 2002, the Interest Credit is limited to a minimum of 5% and a maximum of 8%.

Annuity Conversion Factor

The Annuity Conversion Factor is the amount used to convert the Cash Balance Account to an annuity. It is currently determined using the IRS Applicable Table as determined by Revenue Ruling 2007-67 and an interest rate of 7%.

Normal Retirement

Normal Retirement Date is the first day of the month coincident with or next following the attainment of age 65 and 5 Years of Vesting Service. Upon retirement, Participants will receive their Cash Balance Account converted to an annuity using the Annuity Conversion Factor, or if greater, their Grandfathered Benefit.

Early Retirement

A Participant may choose to retire on an Early Retirement Date after attainment of age 55 and 15 Years of Vesting Service. Upon retirement, Participants will receive their Cash Balance Account converted to an annuity using the Annuity Conversion Factor, or if greater, their Grandfathered Benefit. The Grandfathered Benefit is reduced by 4% per year for early commencement.

Disability Retirement Eligibility

A disabled Participant who has attained five Years of Vesting Service and is eligible for Social Security Disability Benefits will continue to earn Pay Credits and Service during the period of disability, based on the rate of Compensation at the time the disability commenced. Participant may elect to retire at Normal or, if eligible, Early Retirement.

Death Benefit

In the event of an active married participant's death on or before the earliest retirement age, the surviving spouse shall receive a benefit based on the participant's vested Accrued Benefit as of the date of death, but payable as if the participant had separated from service on the date of death, survived to the earliest retirement age, elected a Joint and 100% Survivor Annuity, and died on the day after the earliest retirement age.

In the event of an active married participant's death after the attainment of age 55 and the completion of 15 years of Credited Service, but prior to Normal Retirement Date, it will be assumed the participant had retired on the day prior to death and elected a Joint and 100% Survivor Benefit.

In the event of an active non-married participant's death after the attainment of five Years of Vesting Service, a single lump sum payment will be made based on Years of Service at date of death:

<u>Years of Service</u>	<u>Single Sum Payment</u>
Less than vesting service requirement	\$0
Upon vesting, but fewer than 10	\$5,000
10 or more, but fewer than 20	\$10,000
20 or more	\$25,000

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Severance Benefit

Upon the termination of employment after 5 or more Years of Service a participant shall have a vested interest in his Accrued Benefit which will be payable at Normal Retirement Date. The percentage vested shall be:

Years of Service	Vested Percent
Fewer than 5	0%
5 or more	100%

In the event that a participant has met the service requirements for Early Retirement at the date of termination, he may elect to receive his vested interest at age 55. Such benefit will be reduced as described under Early Retirement.

Normal Form of Payment

For single Participants, the Normal Form of Payment is an annuity paid in monthly installments for life. For married Participants, the Normal Form of Payment is a Joint and 50% Survivor Annuity (actuarially equivalent to the life annuity) with spouse as joint annuitant.

Optional Forms of Payment

All Optional Forms of Payment are actuarially equivalent to the Normal Form of Payment. If a married participant does not elect the Normal Form of Payment or does not elect one of the Optional Forms of Payment described below, then the participant's Retirement Benefit shall automatically be paid under option [1] below. The options are:

- (1) A reduced benefit to be paid during the participant's lifetime with 50% of the reduced benefit to be continued to his spouse for her lifetime after his death.
- (2) A reduced benefit to be paid during the participant's lifetime with 75% of the reduced benefit to be continued to his spouse for her lifetime after his death.
- (3) A reduced benefit to be paid during the participant's lifetime with the same reduced benefit to be continued to his spouse for her lifetime after his death.
- (4) A reduced benefit to be paid for 60, 120, 180, or 240 Months Certain and thereafter for life.

All Optional Forms of Payment are actuarially equivalent to the Normal Form of Payment on a unisex basis based on 7% interest and the RP-2000 Mortality Table as prescribed in Revenue Ruling 2007-67.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Attachment to Schedule SB, Part V – Summary of Plan Provisions

Plan Changes Since Last Valuation

Effective as of June 30, 2009, the plan was closed to new entrants. Additionally, Participants with fewer than 15 years of credited service and who have not attained age 50 as of December 31, 2009 no longer accrue pay credits under the plan.

Schedule of Credited Service for Predecessor Employers

As described in Appendix IV of the Plan Document, service is credited for benefit accruals from the dates noted below for service with a predecessor employer. All service with a predecessor is included for vesting service under this Plan.

Predecessor Employer	Credited Service Commencement Date
Atlantic Federal Savings Bank	4/1/1995
Central Savings Bank	1/1/1994
Citizen's National Bank of Greencastle	All Service
Citizen's National Bank of Waynesboro	1/1/1989
Community Bank	1/1/2008
Equity National Bank	3/1/1997
Fairfax Savings Bank	2/1/1996
Farmers First Bank	All Service
Farmer's & Merchants Bank of Hagerstown	6/1/1989
Farmers National Bank of Mullica Hill	3/1/1997
Farmers National Bank of Quarryville	10/1/1983
First American National Bank of Pennsylvania	All Service
First Capitol Bank	1/1/1997
First National Bank Trust of Sunbury	All Service
First National Bank Trust of Maryland	7/9/1994
Founders Bank	8/1/1997
Hann Financial Group	4/1/2000
Minotola National Bank	5/1/2006
Patriot Bank	6/10/2004
Reisterstown Federal Savings Bank	5/1/1995
Sovran Bank (Washington County, Md.)	3/27/1992
Spring Grove	All Service
Susque-Bancshares Leasing Co.	10/1/1986
Valley Forge Asset Management Corp.	3/3/2000
West End National Bank	8/6/1983
Williamsport National Bank	All Service

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
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Attachment to Schedule SB, line 26 – Schedule of Active Participant Data

Age - Service Distribution for Average Compensation (Alternative A, Scatter 1)

[illegible]

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
PN: 001
Attachment to Schedule SB, line 26 – Schedule of Active Participant Data

**Age - Service Distribution for Average Cash Balance Account Value
(Alternative A, Scatter 2)**

[illegible]

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2010 This Form is Open to Public Inspection
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For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan Susquehanna Bancshares, Inc. Cash Balance Pension Plan	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF Susquehanna Bancshares, Inc.	D Employer Identification Number (EIN) 23-2201716
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I Basic Information			
1 Enter the valuation date: Month <u>1</u> Day <u>1</u> Year <u>2010</u>			
2 Assets:			
a Market value.....	2a	116,783,043	
b Actuarial value.....	2b	116,783,043	
3 Funding target/participant count breakdown		(1) Number of participants	(2) Funding Target
a For retired participants and beneficiaries receiving payment.....	3a	684	34,350,073
b For terminated vested participants.....	3b	984	19,925,712
c For active participants:			
(1) Non-vested benefits.....	3c(1)		2,552,375
(2) Vested benefits.....	3c(2)		39,797,235
(3) Total active.....	3c(3)	2,812	42,349,610
d Total.....	3d	4,480	96,625,395
4 If the plan is at-risk, check the box and complete items (a) and (b) ☐			
a Funding target disregarding prescribed at-risk assumptions.....	4a		
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor.....	4b		
5 Effective interest rate.....	5	6.64 %	
6 Target normal cost.....	6	3,876,269	

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	Matthew G. Daskivich <i>MBD</i>	09/21/2011
Signature of actuary		Date
Matthew G. Daskivich		11-07639
Type or print name of actuary		Most recent enrollment number
Aon Consulting, Inc.		(610) 834-2100
Firm name		Telephone number (including area code)
555 East Lancaster Ave, Suite 300		
Radnor PA 19087-5159		
Address of the firm		

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

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

Schedule SB (Form 5500) 2010
v.092308.1

Part II Beginning of year carryover and prefunding balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	14,441,993	8,769,756
8 Portion used to offset prior year's funding requirement (Item 35 from prior year)	3,270,851	0
9 Amount remaining (Item 7 minus item 8)	11,171,142	8,769,756
10 Interest on item 9 using prior year's actual return of <u>11.05</u> %	1,234,411	969,058
11 Prior year's excess contributions to be added to prefunding balance:		
a Excess contributions (Item 38 from prior year)		17,025,103
b Interest on (a) using prior year's effective rate of <u>6.54</u> %		1,260,957
c Total available at beginning of current plan year to add to prefunding balance		18,286,060
d Portion of (c) to be added to prefunding balance		0
12 Reduction in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (item 9 + item 10 + item 11d - item 12)	12,405,553	9,738,814

Part III Funding percentages

14 Funding target attainment percentage	14	97.94 %
15 Adjusted funding target attainment percentage	15	120.86 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	90.98 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and liquidity shortfalls

18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
Totals ▶			18(b)	0	18(c) 0

19 Discounted employer contributions - see instructions for small plan with a valuation date after the beginning of the year:	
a Contributions allocated toward unpaid minimum required contribution from prior years	19a 0
b Contributions made to avoid restrictions adjusted to valuation date	19b 0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c 0
20 Quarterly contributions and liquidity shortfalls:	
a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
c If 20a is "Yes," see instructions and complete the following table as applicable:	

Liquidity shortfall as of end of Quarter of this plan year

(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 4.60 %	2nd segment: 6.65 %	3rd segment: 6.76 %	☐ N/A, full yield curve used
b Applicable month (enter code)				21b 0
22 Weighted average retirement age				22 65
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions)	31	3,876,269
32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	0	0
b Waiver amortization installment	0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b - item 33)	34	3,876,269
	Carryover balance	Prefunding balance
35 Balances used to offset funding requirement	3,876,269	0
36 Additional cash requirement (item 34 minus item 35)	36	0
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c)	37	0
38 Interest-adjusted excess contributions for current year (see instructions)	38	0
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37)	39	0
40 Unpaid minimum required contribution for all years	40	0

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN

PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.

EIN: 23-2201716

PN: 001

Attachment to Schedule SB, line 22 – Description of Weighted Average Retirement Age

100% of active participants are assumed to retire at age 65.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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EIN: 23-2201716
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Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Cost Method

The method of valuation used for pension benefits is called the Unit Credit Cost Method. Under this method, Target Liability is determined as the present value of all benefits earned to date by all current plan participants and beneficiaries. The Target Liability Normal Cost is the present value of benefits projected to accrue during the current plan year, including the effect of projected pay increases during the current plan year (for plans with a pay-related benefit formula).

The interest rate and mortality assumptions used to calculate the Target Liability and Target Liability Normal Cost are mandated by the IRS each year. Additionally, in any year that the plan is deemed to be “at-risk”, additional mandated assumptions may apply regarding timing of retirement and election of form of payment at retirement.

The plan’s Funding Shortfall for a plan year is the excess, if any, of the Target Liability over the adjusted Actuarial Value of Assets. The initial Funding Shortfall, as well as subsequent increases or decreases is the unfunded Target Liability, are amortized over a period of seven years from the time the base is established. Once the Funding Shortfall reaches zero, all Funding Shortfall Amortization Bases are eliminated.

Asset Method

The Actuarial Value of Assets is set equal to the Market Value of Assets.

Valuation Date

January 1, 2010.

Employees Included in the Calculations

All active employees who have met the Plan’s eligibility requirements as of the valuation date are included in the calculations. Former employees or their survivors who are receiving or entitled to receive an immediate or deferred benefit under the provisions of the Plan are also included.

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Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Source of Data

Data were obtained as of the valuation date and were supplied to us by the Employer. Employees who worked 1,000 hours are assumed to work on the same basis in all future years after the valuation date. We rely on the Employer to inform us of any former participants who have been rehired and lost prior service because of the length of their break in service. These employees may have participation requirements different from other new employees. The Employee data have not been audited by us, but were reconciled and reviewed for consistency and reasonableness.

Past salaries are based on actual salary history. Financial information was supplied to us by the Trustee. The financial information has not been audited by us, but was reconciled and reviewed for consistency and reasonableness.

Interest and Other Rate Assumptions

Below is a summary of interest and inflation rates used for the January 1, 2010 valuation.

Interest Rates		Assumption
(1)	Target Liability	
(a)	Liabilities Due within 5 Years	4.60%
(b)	Liabilities Due in 5 to 20 Years	6.65%
(c)	Liabilities Due in More than 20 Years	6.76%
(2)	ASC 960	7.50%
(3)	Other:	
(a)	Cash Bal. Interest Credit for ASC 960	5.00%
(b)	Cash Bal. Interest Credit for Target Liability	5.00%
Other Rates		Assumption
(1)	Social Security Wage Bases	4.50%
(2)	CPI for Social Security	4.00%
(3)	Future Salaries	
(a)	Funding	4.50%
(b)	FAS 35	None
(4)	Cost of Living Adjustment	0.00%

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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 EIN: 23-2201716
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 Attachment to Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

Decrement Assumptions

Below is a summary of decrements used in this valuation.

Mortality Decrements		Description
(1)	ASC 960	
(a)	Actives	RP-2000 Combined Healthy Male and Female
(b)	Non-Disabled Inactives	RP-2000 Combined Healthy Male and Female
(c)	Disabled Inactives	RP-2000 Disabled Retiree Male and Female
(2)	Target Liability	RP-2000 IRS PPA projected at 2010 Annuitant and Non-Annuitant Male and Female

—Retirement—		—Disability—			—Termination—		
Decrement		Decrement	Male	Female	Decrement	Male	Female
Age	Rates	Age	Rates	Rates	Age	Rates	Rates
65	1.000000	25	0.001000	0.001000	25	0.172242	0.172242
		40	0.001600	0.001600	40	0.112500	0.112500
		55	0.007100	0.007100	55	0.017264	0.017264
		65	0.000000	0.000000	65	0.000000	0.000000

The weighted average retirement age is 65.00. Sample Retirement, Disability, and Termination rates are illustrated in the tables above.

Expenses

An expense load of \$24,303 was added to the Target Normal Cost. This is the actual amount of expenses paid from the trust in the prior plan year.

Form of Benefit Payment

100% of participants are assumed to elect the Normal Form of Payment.

- (1) Cash balances are converted to annuities based on the RP-2000 PPA at 2010 Unisex 50/50 Mortality Table and an interest rate of 7%.
- (2) For the purpose of valuing death benefits, 80% of the employees are assumed to be married. Wives are assumed to be 3 years younger than their husbands.

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PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
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Attachment to Schedule SB, Part V – Summary of Plan Provisions

General Information

Original Effective Date:	January 1, 1989
Effective Date of Last Amendment:	June 30, 2009
Plan Year:	January 1st to December 31st
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Employer ID Number:	23-2201716
Plan Administrator's ID Number:	23-2201716
Plan Number:	001
Plan Administrator:	Susquehanna Bancshares, Inc.

Eligibility

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Vesting Service

Plan Years in which 1,000 Hours of Service are earned. Prior to 2005, a year of Vesting Service is also earned for the period from date of hire to the anniversary thereof, with the next vesting period beginning with the January 1 following employment.

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Compensation

Compensation for Pay Credits

Compensation is defined as total pay for the calendar year including overtime, bonus, pretax contributions to 401(k) or Section 125 plans and severance. Compensation for a given year is limited to \$200,000 (as adjusted by law).

Final Average Compensation

For Grandfathered Benefits only, Compensation is defined as base pay for the calendar year, excluding overtime, bonuses or other awards. The average of the compensation received during the five consecutive calendar years which produces the highest result.

Covered Compensation

For Grandfathered Benefits only, the average of the Social Security Taxable Wage base for the 35-year period prior to, and including, the year in which the Participant attains Social Security retirement age. The Wage Base is assumed to remain constant from age at determination to Social Security retirement age.

Cash Balance Account

Initial Account

A cash balance account was established for each participant based on the present value of their accrued benefit at December 31, 1997, increased by 5%.

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Pay Credits

At the end of each Plan Year, an annual contribution is made to a Participant's Account equal to a percentage of Compensation, provided that the participant worked at a rate of at least 1,000 hours of service during the Plan Year. The contribution is based on each participant's age (full years) plus Credited Service as of the beginning of each plan year, determined as follows:

<u>Participant's Age Plus Service</u>	<u>Contribution Allocation</u>
Less than 30	3%
30 – 39	4%
40 – 49	5%
50 – 59	6%
60 – 69	7%
70 – 79	8%
80 – 89	9%
90 – 99	10%
100 or more	11%

Effective June 30, 2009, participants with fewer than 15 years of credited service and who have not attained age 50 as of December 31, 2009 will no longer accrue pay credits under the plan.

Interest Credits

The Cash Balance Account balance is credited with interest equal to the average one-year Treasury Bill rate in effect at the end of October of the prior year. Effective as of January 1, 2002, the Interest Credit is limited to a minimum of 5% and a maximum of 8%.

Annuity Conversion Factor

The Annuity Conversion Factor is the amount used to convert the Cash Balance Account to an annuity. It is currently determined using the IRS Applicable Table as determined by Revenue Ruling 2007-67 and an interest rate of 7%.

Normal Retirement

Normal Retirement Date is the first day of the month coincident with or next following the attainment of age 65 and 5 Years of Vesting Service. Upon retirement, Participants will receive their Cash Balance Account converted to an annuity using the Annuity Conversion Factor, or if greater, their Grandfathered Benefit.

Early Retirement

A Participant may choose to retire on an Early Retirement Date after attainment of age 55 and 15 Years of Vesting Service. Upon retirement, Participants will receive their Cash Balance Account converted to an annuity using the Annuity Conversion Factor, or if greater, their Grandfathered Benefit. The Grandfathered Benefit is reduced by 4% per year for early commencement.

Disability Retirement Eligibility

A disabled Participant who has attained five Years of Vesting Service and is eligible for Social Security Disability Benefits will continue to earn Pay Credits and Service during the period of disability, based on the rate of Compensation at the time the disability commenced. Participant may elect to retire at Normal or, if eligible, Early Retirement.

Death Benefit

In the event of an active married participant's death on or before the earliest retirement age, the surviving spouse shall receive a benefit based on the participant's vested Accrued Benefit as of the date of death, but payable as if the participant had separated from service on the date of death, survived to the earliest retirement age, elected a Joint and 100% Survivor Annuity, and died on the day after the earliest retirement age.

In the event of an active married participant's death after the attainment of age 55 and the completion of 15 years of Credited Service, but prior to Normal Retirement Date, it will be assumed the participant had retired on the day prior to death and elected a Joint and 100% Survivor Benefit.

In the event of an active non-married participant's death after the attainment of five Years of Vesting Service, a single lump sum payment will be made based on Years of Service at date of death:

<u>Years of Service</u>	<u>Single Sum Payment</u>
Less than vesting service requirement	\$0
Upon vesting, but fewer than 10	\$5,000
10 or more, but fewer than 20	\$10,000
20 or more	\$25,000

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Severance Benefit

Upon the termination of employment after 5 or more Years of Service a participant shall have a vested interest in his Accrued Benefit which will be payable at Normal Retirement Date. The percentage vested shall be:

Years of Service	Vested Percent
Fewer than 5	0%
5 or more	100%

In the event that a participant has met the service requirements for Early Retirement at the date of termination, he may elect to receive his vested interest at age 55. Such benefit will be reduced as described under Early Retirement.

Normal Form of Payment

For single Participants, the Normal Form of Payment is an annuity paid in monthly installments for life. For married Participants, the Normal Form of Payment is a Joint and 50% Survivor Annuity (actuarially equivalent to the life annuity) with spouse as joint annuitant.

Optional Forms of Payment

All Optional Forms of Payment are actuarially equivalent to the Normal Form of Payment. If a married participant does not elect the Normal Form of Payment or does not elect one of the Optional Forms of Payment described below, then the participant's Retirement Benefit shall automatically be paid under option [1] below. The options are:

- (1) A reduced benefit to be paid during the participant's lifetime with 50% of the reduced benefit to be continued to his spouse for her lifetime after his death.
- (2) A reduced benefit to be paid during the participant's lifetime with 75% of the reduced benefit to be continued to his spouse for her lifetime after his death.
- (3) A reduced benefit to be paid during the participant's lifetime with the same reduced benefit to be continued to his spouse for her lifetime after his death.
- (4) A reduced benefit to be paid for 60, 120, 180, or 240 Months Certain and thereafter for life.

All Optional Forms of Payment are actuarially equivalent to the Normal Form of Payment on a unisex basis based on 7% interest and the RP-2000 Mortality Table as prescribed in Revenue Ruling 2007-67.

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Plan Changes Since Last Valuation

Effective as of June 30, 2009, the plan was closed to new entrants. Additionally, Participants with fewer than 15 years of credited service and who have not attained age 50 as of December 31, 2009 no longer accrue pay credits under the plan.

Schedule of Credited Service for Predecessor Employers

As described in Appendix IV of the Plan Document, service is credited for benefit accruals from the dates noted below for service with a predecessor employer. All service with a predecessor is included for vesting service under this Plan.

Predecessor Employer	Credited Service Commencement Date
Atlantic Federal Savings Bank	4/1/1995
Central Savings Bank	1/1/1994
Citizen's National Bank of Greencastle	All Service
Citizen's National Bank of Waynesboro	1/1/1989
Community Bank	1/1/2008
Equity National Bank	3/1/1997
Fairfax Savings Bank	2/1/1996
Farmers First Bank	All Service
Farmer's & Merchants Bank of Hagerstown	6/1/1989
Farmers National Bank of Mullica Hill	3/1/1997
Farmers National Bank of Quarryville	10/1/1983
First American National Bank of Pennsylvania	All Service
First Capitol Bank	1/1/1997
First National Bank Trust of Sunbury	All Service
First National Bank Trust of Maryland	7/9/1994
Founders Bank	8/1/1997
Hann Financial Group	4/1/2000
Minotola National Bank	5/1/2006
Patriot Bank	6/10/2004
Reisterstown Federal Savings Bank	5/1/1995
Sovran Bank (Washington County, Md.)	3/27/1992
Spring Grove	All Service
Susque-Bancshares Leasing Co.	10/1/1986
Valley Forge Asset Management Corp.	3/3/2000
West End National Bank	8/6/1983
Williamsport National Bank	All Service

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Attachment to Schedule SB, line 26 – Schedule of Active Participant Data

Age - Service Distribution for Average Compensation (Alternative A, Scatter 1)

[illegible]

Attachment to Schedule SB, line 26 – Schedule of Active Participant Data

[illegible]