

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), 6057(b), 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
		2011
		This Form is Open to Public Inspection

Part I	Annual Report Identification Information
For calendar plan year 2011 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</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>ABINGTON BANK EMPLOYEE STOCK OWNERSHIP PLAN</u>	1b Three-digit plan number (PN) ► <u>003</u> 1c Effective date of plan <u>01/01/2004</u>
2a Plan sponsor's name and address, including room or suite number (Employer, if for single-employer plan) <u>SUSQUEHANNA BANCSHARES, INC.</u> <u>SBI TAX DEPT.</u> <u>26 N. CEDAR ST.</u> <u>LITITZ, PA 17543-7000</u>	2b Employer Identification Number (EIN) <u>23-2201716</u> 2c Sponsor's telephone number <u>717-625-6615</u> 2d Business code (see instructions) <u>522120</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>10/12/2012</u>	<u>JAMES H. STEELEY</u>
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	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 (2011)
v.012611

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") ABINGTON BANK 180 OLD YORK RD JENKINTOWN, PA 19046	3b Administrator's EIN 23-0326980 3c Administrator's telephone number 215-886-8280
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
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5 Total number of participants at the beginning of the plan year	5	180
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6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	209
b Retired or separated participants receiving benefits.....	6b	0
c Other retired or separated participants entitled to future benefits.....	6c	11
d Subtotal. Add lines 6a , 6b , and 6c	6d	220
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	0
f Total. Add lines 6d and 6e	6f	220
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	160
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	0

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

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

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

a Pension Schedules

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

b General Schedules

- (1) ☒ **H** (Financial Information)
- (2) ☐ **I** (Financial Information – Small Plan)
- (3) ☐ 0 **A** (Insurance Information)
- (4) ☒ **C** (Service Provider Information)
- (5) ☐ **D** (DFE/Participating Plan Information)
- (6) ☐ **G** (Financial Transaction Schedules)

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2011
		This Form is Open to Public Inspection.

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011		
A Name of plan ABINGTON BANK EMPLOYEE STOCK OWNERSHIP PLAN	B Three-digit plan number (PN) ▶	003
C Plan sponsor's name as shown on line 2a of Form 5500 SUSQUEHANNA BANCSHARES, INC.	D Employer Identification Number (EIN) 23-2201716	

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

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☐ Yes ☒ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

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

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

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

(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 ☐

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)

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

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

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

Explanation:

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

Explanation:

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

Explanation:

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

Explanation:

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

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2011
		This Form is Open to Public Inspection

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011		
A Name of plan ABINGTON BANK EMPLOYEE STOCK OWNERSHIP PLAN	B Three-digit plan number (PN) ►	003
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
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	208784	285920
(2) U.S. Government securities.....	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	23072131	4831078
(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	23280915	5116998

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j	14728503	0
k Total liabilities (add all amounts in lines 1g through 1j)	1k	14728503	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	8552412	5116998
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Part II Income and Expense Statement

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

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	1244542	
(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)		1244542

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

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	421150	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		421150

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

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)	-3752457	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B).....	2b(5)(C)		-3752457
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(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)		
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		-2086765

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	574418	
(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)		574418
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		773121
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)	1110	
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		1110
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		1348649

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d.....	2k		-3435414
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: PARENTEBEARD LLC

(2) EIN: 23-2932984

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		500000
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.			
4n			

- 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: 0

- 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 2011 This Form is Open to Public Inspection.
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For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

A Name of plan <u>ABINGTON BANK EMPLOYEE STOCK OWNERSHIP PLAN</u>	B Three-digit plan number (PN) ▶ <u>003</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>SUSQUEHANNA BANCSHARES, INC.</u>	D Employer Identification Number (EIN) <u>23-2201716</u>

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

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

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>94-3149038</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	

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

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	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 or other authority 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. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
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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

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

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

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

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

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

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

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

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

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

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

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

Abington Bank Employee Stock Ownership Plan

Financial Statements and
Supplemental Schedule

December 31, 2011 and 2010



Abington Bank Employee Stock Ownership Plan

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December 31, 2011 and 2010

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Independent Auditors' Report

Plan Administrator and Participants
Abington Bank Employee Stock Ownership Plan

We have audited the accompanying statement of net assets available for benefits of the Abington Bank Employee Stock Ownership Plan (the "Plan") as of December 31, 2010, and the statement of changes in net assets available for benefits for the period from January 1, 2011 to September 23, 2011. In addition, we have audited the statement of net assets in liquidation available for benefits as of December 31, 2011, and the related statement of changes in net assets in liquidation available for benefits for the period from September 24, 2011 to December 31, 2011. 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.

As further discussed in Note 1 to the financial statements, the Plan's sponsor applied to terminate the Plan on September 23, 2011. In accordance with accounting principles generally accepted in the United States of America, the Plan has changed its basis of accounting used to determine the amounts at which investments are stated from the ongoing basis to the liquidation basis as of December 31, 2011 and for the period from September 24, 2011 to December 31, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Plan's net assets available for benefits as of December 31, 2010, and the changes in net assets available for benefits for the period from January 1, 2011 to September 23, 2011, its net assets in liquidation available for benefits as of December 31, 2011, and the changes in net assets in liquidation available for benefits for the period from September 24, 2011 to December 31, 2011 in conformity with accounting principles generally accepted in the United States of America applied on the basis described in the preceding paragraph.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year) as of December 31, 2011 is presented for the purpose of additional analysis and is not a required part of financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

ParenteBeard LLC

York, Pennsylvania
October 12, 2012

Abington Bank Employee Stock Ownership Plan

Statement of Net Assets in Liquidation Available for Benefits

December 31, 2011

	2011		
	Allocated	Unallocated	Total
Assets			
Cash	\$ 285,920	\$ -	\$ 285,920
Susquehanna Bancshares, Inc. Common stock, at fair value	4,831,078	-	4,831,078
Total assets	5,116,998	-	5,116,998
Liabilities			
Loans payable	-	-	-
Total liabilities	-	-	-
Net assets in liquidation available for benefits	\$ 5,116,998	\$ -	\$ 5,116,998

See notes to financial statements

Abington Bank Employee Stock Ownership Plan

Statement of Net Assets Available for Benefits

December 31, 2010

	2010		
	Allocated	Unallocated	Total
Assets			
Cash	\$ 208,769	\$ 15	\$ 208,784
Abington Bancorp, Inc. Common stock, at fair value	5,747,373	17,324,758	23,072,131
Total assets	5,956,142	17,324,773	23,280,915
Liabilities			
Loans payable	-	14,728,503	14,728,503
Total liabilities	-	14,728,503	14,728,503
Net assets available for benefits	\$ 5,956,142	\$ 2,596,270	\$ 8,552,412

See notes to financial statements

Abington Bank Employee Stock Ownership Plan

Statement of Changes in Net Assets in Liquidation Available for Benefits
Period from September 24, 2011 to December 31, 2011

	2011		
	Allocated	Unallocated	Total
Additions to Net Assets in Liquidation Attributed to			
Investment income:			
Net appreciation in fair value of investments	\$ 1,085,493	\$ -	\$ 1,085,493
Interest and dividends	75,860	-	75,860
Total investment income	1,161,353	-	1,161,353
Contributions:			
Employer	-	-	-
Total additions	1,161,353	-	1,161,353
Deductions from Net Assets in Liquidation Attributed to			
Interest Expense	-	-	-
Benefits paid to participants	332,884	-	332,884
Administrative expenses	130	-	130
Total deductions	333,014	-	333,014
Allocation of Shares of Common Stock, at Fair Value	-	-	-
Net increase in net assets in liquidation available for benefits	828,339	-	828,339
Net Assets in Liquidation Available for Benefits			
Beginning of period	4,288,659	-	4,288,659
End of period	<u>\$ 5,116,998</u>	<u>\$ -</u>	<u>\$ 5,116,998</u>

Abington Bank Employee Stock Ownership Plan

Statement of Changes in Net Assets Available for Benefits

Period from January 1, 2011 to September 23, 2011

	2011		
	Allocated	Unallocated	Total
Changes to Net Assets Attributed to			
Investment loss:			
Net depreciation in fair value of investments	\$ (2,191,163)	\$ (2,646,787)	\$ (4,837,950)
Interest and dividends	83,894	261,396	345,290
Net investment loss	(2,107,269)	(2,385,391)	(4,492,660)
Contributions:			
Employer	-	1,244,542	1,244,542
Total changes	(2,107,269)	(1,140,849)	(3,248,118)
Deductions from Net Assets Attributed to			
Interest expense	-	773,121	773,121
Benefits paid to participants	241,534	-	241,534
Administrative expenses	830	150	980
Total deductions	242,364	773,271	1,015,635
Allocation of Shares of Common Stock, at Fair Value	682,150	(682,150)	-
Net decrease in net assets available for benefit	(1,667,483)	(2,596,270)	(4,263,753)
Net Assets Available for Benefits			
Beginning of period	5,956,142	2,596,270	8,552,412
End of period	<u>\$ 4,288,659</u>	<u>\$ -</u>	<u>\$ 4,288,659</u>

See notes to financial statements

Abington Bank Employee Stock Ownership Plan

Notes to Financial Statements
December 31, 2011 and 2010

1. Description of the Plan

The Abington Bank (the “Bank”) Employee Stock Ownership Plan (the “Plan” or “ESOP”) is a defined contribution plan that was adopted in June 2004 with an effective date of January 1, 2004. The following description of the Plan provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan authorized to purchase up to 1,956,883 shares of the common stock of Abington Bancorp, Inc. (the “Company”). Shares have been adjusted for the exchange ratio as part of the Company’s June 2007 second-step conversion. Of the total authorized shares, 914,112 shares (as adjusted) were authorized in conjunction with the Bank’s initial conversion to the mutual holding company structure in December 2004. The remaining 1,042,771 shares were authorized in conjunction with the Company’s second-step conversion in June 2007. The Plan covers all employees of the Bank, other than supplemental part-time employees, who have been credited with at least 500 hours of service during a six-month period and who have attained age 21. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974.

On October 1, 2011, Abington Bancorp, Inc. was merged into Susquehanna Bancshares, Inc., which became the Plan sponsor. Hereinafter, Abington Bancorp, Inc. and Susquehanna Bancshares are referred to as the “Company.”

The Plan evaluated subsequent events for recognition or disclosure through October 12, 2012, the date the financial statements were available to be issued.

Plan Termination

On September 23, 2011, the Plan’s former sponsor applied to terminate the Plan with the Internal Revenue Service. All participants will be considered to be fully vested in their participant accounts as of the merger date. Following the Plan’s termination, employees will have the option of receiving either a lump-sum payment from the Plan or rolling their balance over into the Susquehanna Bancshares, Inc. 401(k) Plan, IRA, or other qualified plan. If an employee retires during 2011, he or she may elect to have his/her lump-sum payment rolled over into an IRA account.

Contributions and Loan Proceeds

The ESOP borrowed funds from the Company beginning in December 2004 through May 2005 to purchase the first 914,112 shares (as adjusted) of the common stock acquired by the Plan. The ESOP borrowed additional funds from the Company in June 2007 to purchase the additional 1,042,771 shares of common stock acquired by the Plan. Such loans equaled 100% of the aggregate purchase price of the common stock acquired by the Plan. The loans to the ESOP will be repaid principally from the Bank’s contributions to the Plan and the collateral for the loans is the unallocated portion of the common stock purchased by the Plan. The Company has no rights against shares once they are allocated under the ESOP. The interest rates for the first and second ESOP loans are fixed at 5.25% and 8.00%, respectively. During 2011, the ESOP loans were paid off in full.

Abington Bank Employee Stock Ownership Plan

Notes to Financial Statements
December 31, 2011 and 2010

Allocation

Shares purchased by the Plan with the loan proceeds are held in a suspense account and released for allocation to participants on a pro rata basis as debt service payments are made. Shares released from the Plan are allocated to each eligible participant's ESOP account based on the ratio of each participant's base compensation to the total base compensation of all eligible ESOP participants. Only participants who have completed 1,000 hours of service during the Plan year and are actively employed on the last day of the Plan year are eligible to share in the allocation for the year. Allocations are made as of the last day of the Plan year, which runs from January 1 to December 31. In 2011, the remaining shares were allocated to participants at the time the loan was paid off as a result of the merger.

Participant Accounts

Each participant's account is credited with the participant's proportionate allocation of released shares as of the last day of the Plan year, commencing with the Plan year ended December 31, 2005 for the initial 914,112 shares and the Plan year ended December 31, 2007 for the additional 1,042,771 shares.

Vesting

Vesting is based on years of credited service. A participant is 100 percent vested after five years of credited service. Credit is given for years of service with the Bank prior to adoption of the ESOP. In the case of a "change in control," as defined in the Plan, however, participants will become fully vested immediately in their account balances. Participants will also become fully vested in their account balances upon death, disability or retirement. As of the merger date, all participants were fully vested in their participant accounts.

Fees

Administration expenses are paid directly by the Bank outside of the Plan's assets.

Voting Rights

Each participant or beneficiary shall be entitled to direct the trustee as to the manner in which the Company stock that is allocated to the Company stock account of such participant or beneficiary is to be voted. The trustee shall vote all unallocated shares of Company stock held by the Plan for or against proposals to shareholders in the same manner that the majority of the shares of Company stock that have been allocated to individual Company stock accounts of participants and beneficiaries are actually voted, provided that such votes do not conflict with the Act, trustee's fiduciary duties or the Bank's ESOP Voting Policy.

Abington Bank Employee Stock Ownership Plan

Notes to Financial Statements
December 31, 2011 and 2010

Diversification

A participant or former participant who has completed five years of service as a participant and has attained age 50 may elect to transfer cash and/or Company stock to their account under the Abington Bank's 401(k) Plan. Such qualified participant may transfer in cash and/or Company stock a maximum of 25 percent of the total number of shares of Company stock acquired by or contributed to the Plan that has been allocated to such qualified participant's Company stock account (reduced by the number of shares of Company stock previously distributed in cash and/or Company stock). The percentage may be increased to 50 percent in the last year in which the participant can make such an election. Such election must be made in writing within ninety days after the close of each Plan year during the first eleven plan years of the Qualified Election Period as defined by the Plan agreement.

Payment of Benefits

On termination of service due to death, disability, retirement, or other reasons, a participant or their beneficiary will receive an amount equal to the value of the participant's vested interest in his or her account. Distributions may be made in cash or Company stock or both, provided however, that if a participant or beneficiary so demands, such benefit shall be distributed only in the form of Company stock.

Forfeited Accounts

Forfeitures may be used for several purposes such as the payment of expenses or reallocated among participants at the election of the trustees.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Liquidation Basis

On September 23, 2011, the Plan applied to terminate the Plan and, accordingly, the Plan revalued its net assets as of September 24, 2011 to their liquidation value. The accompanying Statement of Changes in Net Assets in Liquidation Available for Benefits for the period from September 24, 2011 to December 31, 2011 and the Statement of Net Assets in Liquidation Available for Benefits as of December 31, 2011 are presented on that basis.

This revaluation had no effect on changes in net assets during 2011.

Ongoing Basis

The Plan prepared its financial statements on the accrual basis of accounting prior to September 24, 2011. The accompanying Statement of Net Assets Available for Benefits as of December 31, 2010, and the Statement of Changes in Net Assets Available for Benefits for the period from January 1, 2011 through September 23, 2011 are represented on that basis.

Abington Bank Employee Stock Ownership Plan

Notes to Financial Statements
December 31, 2011 and 2010

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Actual results may differ from those estimates and assumptions.

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 3 for a discussion of fair value measurements.

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. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Administration of Plan Assets

The Bank is the administrator of the Plan. The Plan's assets, which consist primarily of Company common stock, are held in safekeeping Charles Schwab & Co., Inc. Certain senior officers of the Bank have been designated as trustees of the Plan.

Contributions are held and managed by the trustees, who invest cash received and interest and dividend income and make distributions to participants. The trustees also administer the payment of interest and principal on the loan with the Company.

Certain administrative functions are performed by officers and employees of the Bank. No such officers or employees receive compensation from the Plan. Additionally, certain recordkeeping functions are performed by BPA, a BPAS Company, a third party service provider. Administration expenses are paid directly by the Bank outside of the Plan's assets.

Payment of Benefits

Benefits are recorded when paid.

Loans Payable

The balance of funds borrowed from Abington Bancorp, Inc. under the ESOP Loan Agreements is recorded as a loan payable. The ESOP Loan Agreements are more fully described in Note 5.

Abington Bank Employee Stock Ownership Plan

Notes to Financial Statements
December 31, 2011 and 2010

New Accounting Standard

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-04 "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," ("ASU 2011-04"). ASU 2011-04 will expand disclosures about fair value measurement and result in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"). ASU 2011-04 is effective for fiscal years and interim reporting periods beginning after December 15, 2011. Plan management is evaluating the impact of adopting ASU 2011-04 and believes it will not be material to the financial statements but will provide additional disclosures.

3. Fair Value Measurements

The Plan measures on a recurring basis its investments at fair value in accordance with FASB codification "Fair Value Measurement," which provides the 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. The three levels of fair value hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible to the Plan for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Inputs to the valuation methodology include significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, quoted market prices in inactive markets for identical or similar assets or liabilities, and other observable inputs.

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

The asset 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 methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2011 and 2010.

Fair value of the common stock of the Company held by the Plan is based on the quoted market price of the stock as of the close of the trading day.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation method is 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.

Abington Bank Employee Stock Ownership Plan

Notes to Financial Statements
December 31, 2011 and 2010

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2011 and 2010:

Assets at Fair Value as of December 31, 2011				
	Level 1	Level 2	Level 3	Total
Susquehanna Bancshares, Inc., common stock	\$ 4,831,078	\$ -	\$ -	\$ 4,831,078
Assets at Fair Value as of December 31, 2010				
Abington Bancorp, Inc., common stock	\$ 23,072,131	\$ -	\$ -	\$ 23,072,131

4. Investments

The Plan's investments at December 31, 2011 and 2010 are presented in the following table:

	2011		2010	
	Allocated	Unallocated	Allocated	Unallocated
Company common stock:				
Number of shares	576,501	-	481,758	1,452,201
Cost basis	\$ 4,974,930	\$ -	\$ 4,146,039	\$ 13,460,350
Market value	\$ 4,831,078	\$ -	\$ 5,747,373	\$ 17,324,758

The net depreciation in fair value of the common stock (including gains and losses on investments bought, sold, as well as held during the year) amounted to approximately \$3.8 million for the year ended December 31, 2011 of which approximately \$1.1 million was on allocated shares and approximately \$2.7 million was on unallocated shares.

5. Loans Payable

In connection with the Company's mutual holding organization and initial stock offering in 2004, the Plan Trust entered into a loan agreement with the Company. The Company provided a non-revolving line of credit that converted into a term loan once all shares had been purchased under the Plan. Such loan was made in an amount equal to 100% of the aggregate purchase price of the common stock initially acquired by the Plan at that time. The loan to the ESOP will be repaid principally from the Bank's contributions to the Plan and the collateral for the loan is the unallocated portion of the common stock purchased by the Plan. The Company has no rights against shares once they are allocated under the ESOP. The agreement provides for the loan to be repaid in quarterly payments over fifteen years, allowing for prepayments at the option of the trustees. The interest rate for the first ESOP loan is fixed at 5.25% when the line of credit converted to a term loan in May 2005. During 2011, the loan was paid off by the Plan due to the Plan Termination discussed in Note 1.

Abington Bank Employee Stock Ownership Plan

Notes to Financial Statements
December 31, 2011 and 2010

In connection with the Company's mutual-to-stock conversion in 2007, the Plan Trust entered into a second loan agreement with the Company. Such loan was also made in an amount equal to 100% of the aggregate purchase price of the common stock acquired by the Plan. As with the first loan to the ESOP, the second loan to the ESOP will be repaid principally from the Bank's contributions to the Plan and the collateral for the loan is the unallocated portion of the common stock purchased by the Plan. The Company has no rights against shares once they are allocated under the ESOP. The second agreement provides for the loan to be repaid in quarterly payments over thirty years, allowing for prepayments at the option of the trustees. The interest rate for the second ESOP loan is fixed at 8.00% and the balance of the term loan at the settlement date was approximately \$10.4 million. During 2011, the loan was paid off by the Plan due to the Plan Termination discussed in Note 1.

6. Related Party Transactions

Transactions with parties-in-interest were limited to those related to the investment in common stock as described in Note 4 and the loans as described in Note 5.

7. Tax Status

The Internal Revenue Service has determined and informed the Bank by letter dated August 12, 2005, that the Plan and related trust are designed in accordance with the applicable sections of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan Administrator has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2011, there are no uncertain positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Administrator believes it is no longer subject to income tax examinations for years prior to 2008.

8. Risks and Uncertainties

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

Abington Bank Employee Stock Ownership Plan

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

EIN: 23-0326980 Plan Number: 003

December 31, 2011

<u>(a)</u>	<u>Identity of Issue (b)</u>	<u>Description of Investment (c)</u>	<u>Cost (d)</u>	<u>Current Value (e)</u>
*	Susquehanna Bancshares, Inc.	Common Stock	<u>\$ 4,974,930</u>	<u>\$ 4,831,078</u>

* A party-in-interest as defined by ERISA

Abington Bank Employee Stock Ownership Plan

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

EIN: 23-0326980 Plan Number: 003

December 31, 2011

<u>(a)</u>	<u>Identity of Issue (b)</u>	<u>Description of Investment (c)</u>	<u>Cost (d)</u>	<u>Current Value (e)</u>
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* A party-in-interest as defined by ERISA