

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). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 2012 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2012 or fiscal plan year beginning <u>01/01/2012</u> and ending <u>12/31/2012</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>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>001</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>01/01/1989</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>001</u>	1c Effective date of plan <u>01/01/1989</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; include room or suite number (employer, if for a single-employer plan) <u>SUSQUEHANNA BANCSHARES, INC.</u> <u>SBI FINANCE TAX DEPT.</u> <u>26 N. CEDAR STREET</u> <u>LITITZ, PA 17543</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>23-2201716</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>717-626-4721</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>522110</u></td> </tr> </table>	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>	
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	Filed with authorized/valid electronic signature. Signature of plan administrator	10/09/2013 Date	JAMES STEELEY 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
Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional)			Preparer's telephone number (optional)

3a Plan administrator's name and address ☐ Same as Plan Sponsor Name ☐ Same as Plan Sponsor Address SUSQUEHANNA BANCSHARES, INC. 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 4130
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	1991
b Retired or separated participants receiving benefits.....	6b	811
c Other retired or separated participants entitled to future benefits.....	6c	1133
d Subtotal. Add lines 6a , 6b , and 6c	6d	3935
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	64
f Total. Add lines 6d and 6e	6f	3999
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	0
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 Characteristics Codes in the instructions: 1C		
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics 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 2012 This Form is Open to Public Inspection
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

▶ **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>2012</u>
2	Assets:
a	Market value 2a <u>137360845</u>
b	Actuarial value 2b <u>137360845</u>
3	Funding target/participant count breakdown:
a	For retired participants and beneficiaries receiving payment..... 3a <u>823</u> <u>39358890</u>
b	For terminated vested participants..... 3b <u>1046</u> <u>18834011</u>
c	For active participants:
(1)	Non-vested benefits..... 3c(1) <u>1521337</u>
(2)	Vested benefits..... 3c(2) <u>44624440</u>
(3)	Total active 3c(3) <u>2261</u> <u>46145777</u>
d	Total 3d <u>4130</u> <u>104338678</u>
4	If the plan is in at-risk status, check the box and complete lines (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 in at-risk status for fewer than five consecutive years and disregarding loading factor 4b
5	Effective interest rate 5 <u>7.11</u> %
6	Target normal cost..... 6 <u>3479775</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>09/25/2013</u> Date
<u>JOSEPH C. SNELL</u> Signature of actuary	<u>11-05878</u> Most recent enrollment number
<u>AON CONSULTING, INC.</u> Type or print name of actuary	<u>610-834-2100</u> Telephone number (including area code)
<u>555 EAST LANCASTER AVENUE, STE 300</u> RADNOR, PA 19087-5159 Firm name	
<u>Address of the firm</u>	

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) 2012
v. 120126

Part II		Beginning of Year Carryover Prefunding Balances	
		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	9506740	10854882
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	4077559	0
9	Amount remaining (line 7 minus line 8)	5429181	10854882
10	Interest on line 9 using prior year's actual return of <u>12.97</u> %	704165	1407878
11	Prior year's excess contributions to be added to prefunding balance:		
	a Present value of excess contributions (line 38a from prior year)		
	b Interest on (a) using prior year's effective interest rate of <u>6.08</u> % except as otherwise provided (see instructions)		0
	c Total available at beginning of current plan year to add to prefunding balance		0
	d Portion of (c) to be added to prefunding balance		
12	Other reductions in balances due to elections or deemed elections		
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	6133346	12262760

Part III		Funding Percentages	
14	Funding target attainment percentage	14	114.01 %
15	Adjusted funding target attainment percentage	15	114.01 %
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	93.29 %
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)
		Totals ▶	18(b)
			18(c)

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 contributions 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 line 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
	c If line 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
0	0	0
(4) 4th	0	

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

21 Discount rate:				
a Segment rates:	1st segment: 5.54%	2nd segment: 6.85%	3rd segment: 7.52 %	☐ N/A, full yield curve used
b Applicable month (enter code).....				21b 0
22 Weighted average retirement age				22 64
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 subject to 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 contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)	31a	3479775	
b Excess assets, if applicable, but not greater than line 31a	31b	3479775	
32 Amortization installments:			
a Net shortfall amortization installment	Outstanding Balance	Installment	
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 (lines 31a - 31b + 32a + 32b - 33)...	34	0	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....			0
36 Additional cash requirement (line 34 minus line 35)	36	0	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	0	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	0	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b		
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years.....	40	0	

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		

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
		2012
		This Form is Open to Public Inspection.

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

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 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

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

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

DIVERSIFIED RETIREMENT CORPORATION

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	5363	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☐ No ☒

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

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

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

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

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
(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: MATTHEW G. DASKIVICH	b EIN: 22-2945469
c Position: ACTUARY	
d Address: 555 E LANCASTER AVENUE SUITE 300 RADNOR, PA 19087	e Telephone: 610-834-2100

Explanation: THE TERMINATED ACTUARY IS NO LONGER EMPLOYED BY THE FIRM PROVIDING ACTUARIAL SERVICES TO THE PLAN.

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:

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

DFE/Participating Plan 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

2012

This Form is Open to Public Inspection.

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan
SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN

B Three-digit plan number (PN)	001
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C Plan or DFE sponsor's name as shown on line 2a of Form 5500
SUSQUEHANNA BANCSHARES, INC.

D	Employer Identification Number (EIN)
	23-2201716

Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
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a Name of MTIA, CCT, PSA, or 103-12 IE: **COMMON COLLECTIVE TRUST FUNDS**

b Name of sponsor of entity listed in (a):

c EIN-PN 13-3689044-001	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 1047428
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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)
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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)**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
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
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
		2012
		This Form is Open to Public Inspection

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012		
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	20	0
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)	185389	99336
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities.....	1c(2)	618921	10135
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)	3259073	600948
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)	43840788	43482867
(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)	1343869	1047428
(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)	87488771	100802689
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)	624014	355284

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	137360845	146398687

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		

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	137360845	146398687
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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) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)		
(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)		
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	245	
(B) U.S. Government securities	2b(1)(B)	13207	
(C) Corporate debt instruments	2b(1)(C)	127534	
(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)		140986
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	1486312	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	4318713	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		5805025
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	24902450	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	24133985	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		768465
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)	901071	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		901071

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		3116
(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)		5925709
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		13544372

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	4481194	
(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)		4481194
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)	5364	
(4) Other	2i(4)	19972	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		25336
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		4506530

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d.....	2k		9037842
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 LESHER 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 lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

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.).....

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.).....

	Yes	No	Amount
4a		X	
4b		X	

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

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

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

5b(1) Name of plan(s)

5b(2) EIN(s)	5b(3) PN(s)

Part V Trust Information (optional)

6a Name of trust

6b Trust's EIN

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 2012 This Form is Open to Public Inspection.
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

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
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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>118</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)
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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
--	-----------------------------------	-----------------------------------	-------------------------------	--

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.
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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 lines 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 lines 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 lines 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 lines 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 lines 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 lines 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 line 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 lines (a) through (c)

- a** Enter the percentage of plan assets held as:

Stock: 30.0% Investment-Grade Debt: 66.0% High-Yield Debt: 3.0% Real Estate: 0.0% Other: 1.0%

- 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 line 19(b)?

☒ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

**Susquehanna Bancshares, Inc. Cash Balance
Pension Plan**

**Financial Statements and
Supplemental Schedules**

December 31, 2012 and 2011

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Table of Contents

December 31, 2012 and 2011

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statement of Net Assets Available for Benefits	3
Statement of Changes in Net Assets Available for Benefits	4
Statement of Accumulated Plan Benefits	5
Statement of Changes in Accumulated Plan Benefits	6
Notes to Financial Statements	7 to 18
SUPPLEMENTAL SCHEDULES	
Schedule H, Line 4i - Schedule of Assets (Held at End of Year)	19 to 22
Schedule H, Line 4j - Schedule of Reportable Transactions	23



Independent Auditor's Report

To the Benefits Committee and Participants
Susquehanna Bancshares, Inc.
Cash Balance Pension Plan
Lititz, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Susquehanna Bancshares, Inc. Cash Balance Pension Plan (the Plan), which comprise the statement of net assets available for benefits as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the years then ended and the statement of accumulated plan benefits as of December 31, 2011, and the statement of changes in accumulated plan benefits for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

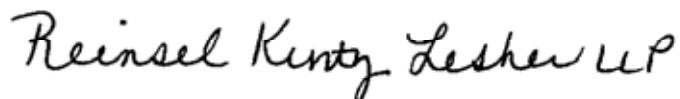
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and changes therein for the years then ended and its financial status as of December 31, 2011, and changes therein for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2012 and Schedule H, Line 4j - Schedule of Reportable Transactions for the year ended December 31, 2012 are presented for the purpose of additional analysis and are not a required part of the 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. 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.



October 2, 2013
Lancaster, Pennsylvania

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statement of Net Assets Available for Benefits

	December 31,	
	2012	2011
Assets		
Cash	\$ -	\$ 20
Investments, at Fair Value	146,299,351	137,175,436
Receivable		
Accrued interest income	99,336	185,389
Net Assets Available for Benefits	\$ 146,398,687	\$ 137,360,845

Susquehanna Bancshares, Inc. Cash Balance Pension Plan**Statement of Changes in Net Assets Available for Benefits**

	Years Ended December 31,	
	2012	2011
Additions		
Investment income		
Net appreciation in fair value of investments	\$ 7,598,361	\$ 9,305,229
Interest and dividends	5,946,011	6,678,741
Total Additions	13,544,372	15,983,970
Deductions		
Benefits paid to participants	4,481,194	4,267,871
Administrative expenses	25,336	26,333
Total Deductions	4,506,530	4,294,204
Net Increase	9,037,842	11,689,766
Net Assets Available for Benefits at Beginning of Year	137,360,845	125,671,079
Net Assets Available for Benefits at End of Year	\$ 146,398,687	\$ 137,360,845

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Statement of Accumulated Plan Benefits

	December 31, 2011
<hr/>	
Actuarial Present Value of Accumulated Plan Benefits	
Vested benefits	
Retired participants	\$ 37,434,305
Active and terminated participants	<u>60,529,325</u>
	97,963,630
Nonvested benefits	<u>1,410,260</u>
Total Actuarial Present Value of Accumulated Plan Benefits	<u><u>\$ 99,373,890</u></u>

Susquehanna Bancshares, Inc. Cash Balance Pension Plan**Statement of Changes in Accumulated Plan Benefits**

	Year Ended December 31, 2011
	<hr/>
Actuarial Present Value of Accumulated Plan Benefits at Beginning of Year	\$ 93,030,152
	<hr/>
Increase (Decrease) During the Year Attributable to	
Interest for interest due to the decrease in the discount period	6,820,110
Change in actuarial assumptions	165,984
Benefits accumulated	3,625,515
Benefits paid	<u>(4,267,871)</u>
Net Increase	<u>6,343,738</u>
Actuarial Present Value of Accumulated Plan Benefits at End of Year	<u>\$ 99,373,890</u>

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Notes to Financial Statements

December 31, 2012 and 2011

Note 1 - Description of Plan

The following description of the Susquehanna Bancshares, Inc. Cash Balance Pension Plan (the Plan) provides only general information. Participants should refer to the plan agreement for more complete information.

General

The Plan is a noncontributory defined benefit plan covering substantially all full-time employees of Susquehanna Bancshares, Inc. and its Subsidiaries (the Company) who have attained age twenty-one and were hired before January 1, 2009. The Plan 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.

Employers participating in the Plan are as follows:

- 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

The Company acquired Abington Bancorp, Inc. on October 1, 2011. Abington Bancorp, Inc. was merged into Susquehanna Bancshares, Inc. The employees of Abington Bancorp, Inc. are not eligible to participate in this Plan.

The Company acquired Tower Bancorp, Inc. on February 17, 2012. Tower Bancorp, Inc. was merged into Susquehanna Bancshares, Inc. The employees of Tower Bancorp, Inc. are not eligible to participate in this Plan.

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 2012 and 2011 met or exceeded the minimum funding requirements of ERISA.

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Notes to Financial Statements

December 31, 2012 and 2011

Note 1 - Description of Plan (continued)

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 is credited with an annual allocation of interest.

An annual contribution, equal to a percentage of pensionable earnings, is credited to the account of each eligible participant who worked 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, 2012 and 2011.

Pension Benefits and Vesting

A participant is 100% vested after three years of credited service, based on the following vesting schedule:

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than 3	0 %
3	100 %

Participants are also 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.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Notes to Financial Statements

December 31, 2012 and 2011

Note 1 - Description of Plan (continued)

Pension Benefits and Vesting (continued)

Notwithstanding any other provision of this Plan, for any participant whose benefit in the prior 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

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

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 and liabilities and changes therein, and 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.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Notes to Financial Statements

December 31, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (continued)

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 4 for 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 includes the Plan's gains and losses on investments bought and sold as well as held during the year.

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, 2012 are as follows:

Asset valuation	- Plan assets are valued at market value
Investment return	- 7.5% compounded annually
Mortality	- RP-2000 IRS PPA Projected to 2012 Annuitant and Non-Annuitant Male and Female Table
Retirement age	- Normal retirement age: Retirement rates beginning at age 55 and ending at age 70 (100% retirement) for active participants and at age 65 for terminated vested participants
Salary scale	- None
Cash balance interest credits	- 5.0% compounded annually

Note 2 - 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 1.

Payment of Benefits

Benefits are recorded when paid.

Administrative Expenses

Administrative expenses are paid by the Company and the Plan.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*, (ASU 2011-04). ASU 2011-04 amended ASC 820, *Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. See Note 4 for impact of adoption.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements*. The amendments in this update cover a wide range of topics in the Accounting Standards Codification, including plan accounting. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will generally be effective for fiscal periods beginning after December 15, 2013, except for amendments in this update where there was no transition guidance which were immediately effective upon issuance. The adoption of immediately effective amendments was not significant to the Plan's financial statements. The adoption of ASU 2012-04 is not expected to have a material impact on the Plan's financial statements in future periods.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Notes to Financial Statements

December 31, 2012 and 2011

Note 3 - Investments

Except for common collective trust funds, the Plan's investments are held by a bank-administered trust fund. Investments that represent 5% or more of the Plan's net assets at December 31, 2012 and 2011 are separately identified:

	<u>2012</u>	<u>2011</u>
Investments, at Fair Value		
Registered investment companies (mutual funds)		
Vanguard Long-Term Investment Grade Fund	\$ 87,124,168	\$ 77,952,740
Other	<u>13,678,521</u>	<u>9,536,031</u>
	100,802,689	87,488,771
 Common collective trust funds	 1,047,428	 1,343,869
U.S. government agencies	10,135	618,921
Municipal bonds	355,284	365,379
Foreign bond	-	258,635
Corporate bonds	600,948	3,259,073
Common stocks	<u>43,482,867</u>	<u>43,840,788</u>
	<u>\$ 146,299,351</u>	<u>\$ 137,175,436</u>

During the years ended December 31, 2012 and 2011, the Plan's investments (including investments bought and sold, as well as held during the year) appreciated in value by \$7,598,361 and \$9,305,229, respectively, as follows:

	<u>2012</u>	<u>2011</u>
Registered investment companies (mutual funds)	\$ 5,925,709	\$ 7,447,698
Common collective trust funds	3,116	2,172
Municipal bonds	(10,095)	1,274
Foreign bonds	(8,635)	(10,953)
Common stocks	1,779,764	2,008,549
Corporate bonds	(79,084)	(91,696)
U.S. government agencies	<u>(12,414)</u>	<u>(51,815)</u>
	<u>\$ 7,598,361</u>	<u>\$ 9,305,229</u>

Note 4 - Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, 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 (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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; and
- 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, 2012 and 2011.

Registered investment companies (mutual funds) are valued at the net asset value of shares held by the Plan at year-end.

The Plan's interests in common collective trust funds are based on the fair value of the common collective trust funds' underlying investments as based on information reported by the investment advisor using the audited financial statements of the common collective trust funds at year-end.

Common stocks, corporate bonds, municipal bonds, foreign bond, and U.S. government agencies are valued at the closing price reported on the active market on which the individual securities are traded.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Notes to Financial Statements

December 31, 2012 and 2011

Note 4 - Fair Value Measurements (continued)

The methods described above 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 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, 2012 and 2011.

Fair Value Measurements at December 31, 2012				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Registered Investment Companies (Mutual Funds)				
Commodities broad basket fund	\$ 2,100,283	\$ -	\$ -	\$ 2,100,283
Fixed income funds	93,870,173	-	-	93,870,173
Money market fund	4,832,233	-	-	4,832,233
Total Registered Investment Companies (Mutual Funds)	100,802,689	-	-	100,802,689
Common Collective Trust Funds				
Money market fund	-	1,007,017	-	1,007,017
Other	-	40,411	-	40,411
Total Common Collective Trust Funds	-	1,047,428	-	1,047,428
Common Stocks				
Consumer nondurables	16,651,068	-	-	16,651,068
Utilities	9,758,346	-	-	9,758,346
Capital goods	2,054,542	-	-	2,054,542
Energy	3,174,414	-	-	3,174,414
Financial	3,946,803	-	-	3,946,803
Raw materials, goods, and services	7,053,079	-	-	7,053,079
Other	844,615	-	-	844,615
Total Common Stocks	43,482,867	-	-	43,482,867
U.S. Government Agencies	-	10,135	-	10,135
Municipal Bonds	-	355,284	-	355,284
Corporate Bonds	-	600,948	-	600,948
	\$ 144,285,556	\$ 2,013,795	\$ -	\$ 146,299,351

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Notes to Financial Statements

December 31, 2012 and 2011

Note 4 - Fair Value Measurements (continued)

	Fair Value Measurements at December 31, 2011			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Registered Investment Companies (Mutual Funds)				
Commodities broad basket funds	\$ 1,994,294	\$ -	\$ -	\$ 1,994,294
Fixed income funds	83,731,740	-	-	83,731,740
Money market fund	1,762,737	-	-	1,762,737
Total Registered Investment Companies (Mutual Funds)	87,488,771	-	-	87,488,771
Common Collective Trust Funds				
Money market fund	-	1,306,361	-	1,306,361
Other	-	37,508	-	37,508
Total Common Collective Trust Funds	-	1,343,869	-	1,343,869
Common Stocks				
Consumer nondurables	19,691,588	-	-	19,691,588
Utilities	10,549,720	-	-	10,549,720
Capital goods	3,421,100	-	-	3,421,100
Raw materials, goods, and services	7,630,250	-	-	7,630,250
Other	2,548,130	-	-	2,548,130
Total Common Stocks	43,840,788	-	-	43,840,788
U.S. Government Agencies	-	618,921	-	618,921
Municipal Bonds	-	365,379	-	365,379
Foreign Bond	-	258,635	-	258,635
*Corporate Bonds				
A credit rating	-	973,422	-	973,422
A+ credit rating	-	678,903	-	678,903
A- credit rating and above	-	1,185,758	-	1,185,758
BBB+ and BBB credit rating	-	420,990	-	420,990
Total Corporate Bonds	-	3,259,073	-	3,259,073
	\$ 131,329,559	\$ 5,845,877	\$ -	\$ 137,175,436

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Notes to Financial Statements

December 31, 2012 and 2011

Note 4 - Fair Value Measurements (continued)

*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 years ended December 31, 2012 and 2011, there were no significant transfers in or out of Level 3.

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

The following table summarizes investments measured at fair value based on net asset value (NAV) per unit as of December 31, 2012 and 2011.

	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	December 31, 2012	December 31, 2011			
Common Collective Trust Funds					
Core Bond Portfolio (a)	\$ 40,411	\$ 37,508	\$ -	Daily	None
Money Market Portfolio (b)	1,007,017	1,306,361	-	Daily	None

- (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 investments as reported by the respective fund manager.
- (b) This 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, short-term U.S. government obligations, and U.S. government agency 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 5 - Tax Status

The Internal Revenue Service has determined and informed the Company by a letter dated July 6, 2012, 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 opinion letter. The plan administrator believes that the Plan is designed, and is currently being operated, in compliance with applicable requirements of the IRC.

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 2009.

Note 6 - 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
- 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.

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.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

Notes to Financial Statements

December 31, 2012 and 2011

Note 7 - 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 reasonably possible that such changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement 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 8 - Related Party Transactions

Certain plan investments are units of common collective trust funds managed by Transamerica Retirement Solutions Corporation (Transamerica). Transamerica was formerly Diversified Retirement Corporation. Transamerica is the custodian and the recordkeeper, as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for investment management and administrative services amounted to \$5,363 and \$4,004 for the years ended December 31, 2012 and 2011, respectively.

Note 9 - Subsequent Events

Plan management has evaluated subsequent events through October 2, 2013. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2012 were noted.

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, 2012

(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				
	Delaware Extended Duration Bond Fund	994,986 shs.	\$ 6,148,373	\$ 6,746,005
	Federated Government Obligations Money Market Fund	4,832,233 shs.	4,832,233	4,832,233
	PIMCO Commodity Real Return Strategy Fund	316,308 shs.	2,484,098	2,100,283
	Vanguard Long-Term Investment Grade Fund	8,029,877 shs.	71,543,575	87,124,168
			85,008,279	100,802,689
Common Collective Trust Funds				
*	Diversified Money Market Portfolio	55,503 units	1,007,017	1,007,017
*	Diversified Core Bond Portfolio	1,337 units	30,221	40,411
			1,037,238	1,047,428
U.S. Government Agencies				
	Federal National Mortgage Association	\$ 9,263 par, 6.000%, due 07/01/16	9,270	9,844
	GNMA Pool 146675X	\$ 290 par, 9.000%, due 07/15/16	283	291
			9,553	10,135
Municipal Bonds				
	Ambridge Boro PA	\$ 120,000 par, 5.300%, due 10/15/14	119,383	129,193
	Frederick MD	\$ 100,000 par, 4.170%, due 03/01/13	100,000	100,360
	Frederick MD	\$ 125,000 par, 4.520%, due 03/01/13	125,000	125,731
			344,383	355,284
Corporate Bonds				
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	Florida Power & Light Co.	\$ 235,000 par, 4.850%, due 02/01/13	229,508	235,820
	Hewlett Packard Co.	\$ 150,000 par, 4.500%, due 03/01/13	153,599	150,800
	Target Corp.	\$ 114,000 par, 5.125%, due 01/15/13	116,682	114,181
			599,729	600,948

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, 2012

(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				
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	Aaron's, Inc.	1,200 shs.	32,120	33,936
	Abbott Laboratories	3,700 shs.	176,324	242,350
	Actuant Corp.	1,300 shs.	33,761	36,283
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	Arbitron, Inc.	1,052 shs.	36,554	49,107
	AT&T, Inc.	34,000 shs.	941,104	1,146,140
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	Avista Corp.	1,200 shs.	31,437	28,932
	Barrick Gold Corp.	35,000 shs.	1,355,066	1,225,350
	Beacon Roofing Supply, Inc.	1,070 shs.	31,806	35,610
	Becton Dickinson	7,200 shs.	552,188	562,968
	Belden, Inc.	1,200 shs.	38,303	53,988
	Brinker International, Inc.	1,060 shs.	32,041	32,849
	Bristol-Myers Squibb Co.	41,000 shs.	992,024	1,336,190
	CA Technologies, Inc.	25,000 shs.	559,275	549,500
	Cabela's, Inc.	858 shs.	29,862	35,822
	Cabot Oil & Gas Corp.	900 shs.	37,105	44,766
	CACI International, Inc.	515 shs.	27,929	28,340
	Cardtronics, Inc.	915 shs.	26,284	21,722
	Carrizo Oil & Gas, Inc.	1,090 shs.	23,182	22,803
	Cascade Corp.	174 shs.	7,737	11,188
	Casey's General Stores, Inc.	800 shs.	45,327	42,480
	Central Fund Canada	45,000 shs.	482,352	946,350
	Chevron Corp.	5,600 shs.	559,729	605,584
	Chicago Bridge & Iron Company N.V.	1,200 shs.	42,969	55,620
	Cisco Systems, Inc.	56,000 shs.	906,307	1,100,366
	The Clorox Company	13,200 shs.	888,713	966,504
	Coca Cola Company	31,500 shs.	883,191	1,141,875
	Colgate-Palmolive Company	6,200 shs.	486,441	648,148
	Community Bank System, Inc.	800 shs.	20,897	21,888
	Compass Minerals International, Inc.	300 shs.	21,851	22,413
	Crane Co.	900 shs.	32,013	41,652
	Deere & Co.	6,000 shs.	522,823	518,520
	E.I. du Pont de Nemours and Company	13,000 shs.	612,630	584,721
	El Paso Electric Company	1,000 shs.	32,968	31,910
	EMC Corporation	19,000 shs.	486,961	480,700
	Emerson Electric Company	12,000 shs.	588,844	635,520
	EnerSys	1,300 shs.	42,273	48,919
	Exxon Mobil Corporation	6,500 shs.	467,163	562,575
	First Midwest Bancorp, Inc.	1,300 shs.	13,616	16,276
	First Niagara Financial Group, Inc.	1,500 shs.	11,552	11,895
	General Electric Company	45,000 shs.	913,050	944,550
	Glacier Bancorp, Inc.	1,000 shs.	14,836	14,710
	GlaxoSmithKline PLC Sponsored ADR	9,000 shs.	420,676	391,230
	Goldcorp, Inc.	40,000 shs.	1,282,358	1,468,000
	Harris Teeter Supermarkets, Inc.	1,000 shs.	39,347	38,560

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, 2012

(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 (continued)				
	Highwoods Properties, Inc.	1,000 shs.	32,622	33,450
	Home Products, Inc.	500 shs.	29,563	30,655
	IberiaBank Corp.	400 shs.	19,488	19,648
	Intel Corp.	48,000 shs.	1,062,166	989,760
	Jarden Corp.	885 shs.	35,935	45,755
	Johnson & Johnson	16,500 shs.	1,023,824	1,156,650
	Jones Group, Inc.	1,550 shs.	14,993	17,143
	Jos. A. Bank Clothiers, Inc.	700 shs.	28,442	29,806
	JPMorgan Chase & Co.	11,000 shs.	395,964	483,660
	Kimberly Clark Corp.	7,000 shs.	446,793	591,010
	Kinder Morgan, Inc.	24,000 shs.	807,306	847,920
	Kodiak Oil & Gas Corp.	2,650 shs.	20,413	23,453
	Mastec, Inc.	2,500 shs.	34,741	62,325
	MB Financial, Inc.	1,100 shs.	23,139	21,725
	McCormick & Company, Inc.	10,000 shs.	390,319	635,300
	Medical Properties Trust, Inc.	3,100 shs.	28,203	37,076
	Merck & Co., Inc.	19,000 shs.	624,646	777,860
	Microsoft Corp.	27,000 shs.	697,188	721,162
	Moog, Inc.	900 shs.	34,549	36,927
	Newmont Mining	33,000 shs.	1,467,896	1,532,520
	Northern Oil & Gas, Inc.	1,360 shs.	21,527	22,875
	Northwest Bancshares, Inc.	2,400 shs.	27,300	29,136
	ON Semiconductor Corp.	4,000 shs.	27,061	28,200
	OshKosh Truck Corp.	1,000 shs.	27,091	29,650
	Parametric Technology Corp.	1,800 shs.	36,047	40,518
	Parexel International Corp.	1,500 shs.	40,835	44,385
	Paychex, Inc.	35,000 shs.	955,702	1,088,500
	People's United Financial, Inc.	37,000 shs.	490,568	447,330
	Pepsico, Inc.	15,500 shs.	1,015,033	1,060,665
	Pfizer, Inc.	77,000 shs.	1,658,610	1,931,106
	Philip Morris International, Inc.	10,000 shs.	571,053	836,400
	PolyOne Corp.	2,250 shs.	29,167	45,945
	Portland General Electric Co.	900 shs.	23,509	24,624
	Procter & Gamble	17,000 shs.	1,003,498	1,154,130
	Ralcorp Holdings, Inc.	400 shs.	26,477	35,860
	RF Micro Devices, Inc.	5,200 shs.	21,279	23,296
	Selective Insurance Group, Inc.	1,300 shs.	21,708	25,051
	Signature Bank	600 shs.	34,700	42,804
	Silgan Holdings, Inc.	1,100 shs.	46,199	45,694
	SL Green Realty Corp.	500 shs.	37,779	38,325
	Solera Holdings, Inc.	700 shs.	28,358	37,429
	Southwest Gas Corp.	700 shs.	30,585	29,687
	Superior Energy Services, Inc.	1,015 shs.	19,415	21,031
	SVB Financial Group	600 shs.	33,602	33,582
	Sysco Corp.	23,000 shs.	636,309	728,180
	Thomson Reuters Corp.	18,000 shs.	535,758	523,080
	Titan International, Inc.	1,320 shs.	27,010	28,670
	TransCanada Corp.	21,000 shs.	801,647	993,720
	Travelers Companies, Inc.	8,000 shs.	414,235	574,560
	Umpqua Holdings Corp.	1,800 shs.	22,807	21,222

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, 2012

(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 (continued)				
	United Bankshares, Inc.	900 shs.	23,485	21,906
	United Rentals, Inc.	1,200 shs.	38,263	54,624
	UNS Energy Corp.	600 shs.	22,810	25,452
	Ventas, Inc.	700 shs.	42,431	45,304
	Verizon Communications	27,000 shs.	852,769	1,168,290
	Vodafone Group PLC Sponsored ADR	33,000 shs.	787,492	831,270
	Wal-Mart Stores, Inc.	7,000 shs.	362,688	477,610
	Walgreen Company	16,500 shs.	543,653	610,665
	Walt Disney Company	6,500 shs.	211,119	323,635
	Waste Management, Inc.	43,000 shs.	1,279,952	1,450,820
	Webster Financial Corp.	900 shs.	18,726	18,495
	Wells Fargo & Co.	28,500 shs.	973,089	974,130
	West Pharmaceutical Services, Inc.	800 shs.	39,030	43,800
	Wintrust Financial Corp.	700 shs.	24,593	25,690
	Yamana Gold, Inc.	37,000 shs.	532,924	636,770
			<u>38,030,849</u>	<u>43,482,867</u>
	Total Assets (Held at End of Year)		<u><u>\$ 125,030,031</u></u>	<u><u>\$ 146,299,351</u></u>

* Represent 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, 2012

(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)
*Transamerica Retirement Solutions Corporation								
	Diversified Money Market Portfolio	32	<u>\$ 4,200,710</u>			<u>\$ 4,200,710</u>	<u>\$ 4,200,710</u>	<u>\$ -</u>
	Diversified Money Market Portfolio	69		<u>\$ 4,500,074</u>		<u>\$ 4,500,074</u>	<u>\$ 4,500,074</u>	<u>\$ -</u>
Federated Investors, Inc.								
	Federated Government Obligations Money Market Fund	242	<u>\$ 24,133,935</u>			<u>\$ 24,133,935</u>	<u>\$ 24,133,935</u>	<u>\$ -</u>
	Federated Government Obligations Money Market Fund	66		<u>\$ 21,064,439</u>		<u>\$ 21,064,439</u>	<u>\$ 21,064,439</u>	<u>\$ -</u>

* Represents a party-in-interest.

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 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.

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

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 – Statement of Plan Provisions

Cash Balance Account (Cont.)

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.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
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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, 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 – Statement of Plan Provisions

Severance Benefit

Upon the termination of employment after 3 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 3	0%
3 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 Changes Since the Prior Year

The funding and plan reporting valuations do not reflect any plan changes.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

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	Frederick MD	\$ 125,000 par, 4.520%, due 03/01/13	125,000	125,731
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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, 2012

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	Ann, Inc.	1,000 shs.	24,361	33,840
	Arbitron, Inc.	1,052 shs.	36,554	49,107
	AT&T, Inc.	34,000 shs.	941,104	1,146,140
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	Barrick Gold Corp.	35,000 shs.	1,355,066	1,225,350
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	Becton Dickinson	7,200 shs.	552,188	562,968
	Belden, Inc.	1,200 shs.	38,303	53,988
	Brinker International, Inc.	1,060 shs.	32,041	32,849
	Bristol-Myers Squibb Co.	41,000 shs.	992,024	1,336,190
	CA Technologies, Inc.	25,000 shs.	559,275	549,500
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	CACI International, Inc.	515 shs.	27,929	28,340
	Cardtronics, Inc.	915 shs.	26,284	21,722
	Carrizo Oil & Gas, Inc.	1,090 shs.	23,182	22,803
	Cascade Corp.	174 shs.	7,737	11,188
	Casey's General Stores, Inc.	800 shs.	45,327	42,480
	Central Fund Canada	45,000 shs.	482,352	946,350
	Chevron Corp.	5,600 shs.	559,729	605,584
	Chicago Bridge & Iron Company N.V.	1,200 shs.	42,969	55,620
	Cisco Systems, Inc.	56,000 shs.	906,307	1,100,366
	The Clorox Company	13,200 shs.	888,713	966,504
	Coca Cola Company	31,500 shs.	883,191	1,141,875
	Colgate-Palmolive Company	6,200 shs.	486,441	648,148
	Community Bank System, Inc.	800 shs.	20,897	21,888
	Compass Minerals International, Inc.	300 shs.	21,851	22,413
	Crane Co.	900 shs.	32,013	41,652
	Deere & Co.	6,000 shs.	522,823	518,520
	E.I. du Pont de Nemours and Company	13,000 shs.	612,630	584,721
	El Paso Electric Company	1,000 shs.	32,968	31,910
	EMC Corporation	19,000 shs.	486,961	480,700
	Emerson Electric Company	12,000 shs.	588,844	635,520
	EnerSys	1,300 shs.	42,273	48,919
	Exxon Mobil Corporation	6,500 shs.	467,163	562,575
	First Midwest Bancorp, Inc.	1,300 shs.	13,616	16,276
	First Niagara Financial Group, Inc.	1,500 shs.	11,552	11,895
	General Electric Company	45,000 shs.	913,050	944,550
	Glacier Bancorp, Inc.	1,000 shs.	14,836	14,710
	GlaxoSmithKline PLC Sponsored ADR	9,000 shs.	420,676	391,230
	Goldcorp, Inc.	40,000 shs.	1,282,358	1,468,000
	Harris Teeter Supermarkets, Inc.	1,000 shs.	39,347	38,560

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, 2012

(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 (continued)				
	Highwoods Properties, Inc.	1,000 shs.	32,622	33,450
	Home Products, Inc.	500 shs.	29,563	30,655
	IberiaBank Corp.	400 shs.	19,488	19,648
	Intel Corp.	48,000 shs.	1,062,166	989,760
	Jarden Corp.	885 shs.	35,935	45,755
	Johnson & Johnson	16,500 shs.	1,023,824	1,156,650
	Jones Group, Inc.	1,550 shs.	14,993	17,143
	Jos. A. Bank Clothiers, Inc.	700 shs.	28,442	29,806
	JPMorgan Chase & Co.	11,000 shs.	395,964	483,660
	Kimberly Clark Corp.	7,000 shs.	446,793	591,010
	Kinder Morgan, Inc.	24,000 shs.	807,306	847,920
	Kodiak Oil & Gas Corp.	2,650 shs.	20,413	23,453
	Mastec, Inc.	2,500 shs.	34,741	62,325
	MB Financial, Inc.	1,100 shs.	23,139	21,725
	McCormick & Company, Inc.	10,000 shs.	390,319	635,300
	Medical Properties Trust, Inc.	3,100 shs.	28,203	37,076
	Merck & Co., Inc.	19,000 shs.	624,646	777,860
	Microsoft Corp.	27,000 shs.	697,188	721,162
	Moog, Inc.	900 shs.	34,549	36,927
	Newmont Mining	33,000 shs.	1,467,896	1,532,520
	Northern Oil & Gas, Inc.	1,360 shs.	21,527	22,875
	Northwest Bancshares, Inc.	2,400 shs.	27,300	29,136
	ON Semiconductor Corp.	4,000 shs.	27,061	28,200
	OshKosh Truck Corp.	1,000 shs.	27,091	29,650
	Parametric Technology Corp.	1,800 shs.	36,047	40,518
	Parexel International Corp.	1,500 shs.	40,835	44,385
	Paychex, Inc.	35,000 shs.	955,702	1,088,500
	People's United Financial, Inc.	37,000 shs.	490,568	447,330
	Pepsico, Inc.	15,500 shs.	1,015,033	1,060,665
	Pfizer, Inc.	77,000 shs.	1,658,610	1,931,106
	Philip Morris International, Inc.	10,000 shs.	571,053	836,400
	PolyOne Corp.	2,250 shs.	29,167	45,945
	Portland General Electric Co.	900 shs.	23,509	24,624
	Procter & Gamble	17,000 shs.	1,003,498	1,154,130
	Ralcorp Holdings, Inc.	400 shs.	26,477	35,860
	RF Micro Devices, Inc.	5,200 shs.	21,279	23,296
	Selective Insurance Group, Inc.	1,300 shs.	21,708	25,051
	Signature Bank	600 shs.	34,700	42,804
	Silgan Holdings, Inc.	1,100 shs.	46,199	45,694
	SL Green Realty Corp.	500 shs.	37,779	38,325
	Solera Holdings, Inc.	700 shs.	28,358	37,429
	Southwest Gas Corp.	700 shs.	30,585	29,687
	Superior Energy Services, Inc.	1,015 shs.	19,415	21,031
	SVB Financial Group	600 shs.	33,602	33,582
	Sysco Corp.	23,000 shs.	636,309	728,180
	Thomson Reuters Corp.	18,000 shs.	535,758	523,080
	Titan International, Inc.	1,320 shs.	27,010	28,670
	TransCanada Corp.	21,000 shs.	801,647	993,720
	Travelers Companies, Inc.	8,000 shs.	414,235	574,560
	Umpqua Holdings Corp.	1,800 shs.	22,807	21,222

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, 2012

(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 (continued)				
	United Bankshares, Inc.	900 shs.	23,485	21,906
	United Rentals, Inc.	1,200 shs.	38,263	54,624
	UNS Energy Corp.	600 shs.	22,810	25,452
	Ventas, Inc.	700 shs.	42,431	45,304
	Verizon Communications	27,000 shs.	852,769	1,168,290
	Vodafone Group PLC Sponsored ADR	33,000 shs.	787,492	831,270
	Wal-Mart Stores, Inc.	7,000 shs.	362,688	477,610
	Walgreen Company	16,500 shs.	543,653	610,665
	Walt Disney Company	6,500 shs.	211,119	323,635
	Waste Management, Inc.	43,000 shs.	1,279,952	1,450,820
	Webster Financial Corp.	900 shs.	18,726	18,495
	Wells Fargo & Co.	28,500 shs.	973,089	974,130
	West Pharmaceutical Services, Inc.	800 shs.	39,030	43,800
	Wintrust Financial Corp.	700 shs.	24,593	25,690
	Yamana Gold, Inc.	37,000 shs.	532,924	636,770
			38,030,849	43,482,867
	Total Assets (Held at End of Year)		\$ 125,030,031	\$ 146,299,351

* Represent 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, 2012

(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)
*Transamerica Retirement Solutions Corporation								
	Diversified Money Market Portfolio	32	<u>\$ 4,200,710</u>			<u>\$ 4,200,710</u>	<u>\$ 4,200,710</u>	<u>\$ -</u>
	Diversified Money Market Portfolio	69		<u>\$ 4,500,074</u>		<u>\$ 4,500,074</u>	<u>\$ 4,500,074</u>	<u>\$ -</u>
Federated Investors, Inc.								
	Federated Government Obligations Money Market Fund	242	<u>\$ 24,133,935</u>			<u>\$ 24,133,935</u>	<u>\$ 24,133,935</u>	<u>\$ -</u>
	Federated Government Obligations Money Market Fund	66		<u>\$ 21,064,439</u>		<u>\$ 21,064,439</u>	<u>\$ 21,064,439</u>	<u>\$ -</u>

* Represents a party-in-interest.

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

Number of Participants, Average Compensation and Average Cash Balance Account

Attained Age	Years of Credited Service									
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
<25	2	60 \$25,336 \$705								
25-29	2	189 \$32,523 \$1,603	30 \$39,146 \$5,721							
30-34		160 \$45,266 \$2,732	71 \$53,475 \$9,811	12						
35-39	1	119 \$47,649 \$4,364	53 \$50,508 \$11,909	15	5	1				
40-44		135 \$49,420 \$4,352	58 \$72,987 \$21,764	26 \$65,771 \$30,464	12	11	1			
45-49	1	145 \$53,736 \$6,313	54 \$68,091 \$22,767	41 \$75,088 \$40,432	21 \$52,446 \$41,327	19	4	3		
50-54	2	114 \$59,093 \$9,507	86 \$63,342 \$23,305	61 \$65,085 \$46,131	35 \$66,175 \$54,983	11	13	18	1	
55-59	2	101 \$56,766 \$13,331	70 \$64,112 \$27,194	67 \$75,333 \$54,954	35 \$56,599 \$61,178	23 \$51,863 \$64,398	15	13	17	4
60-64		62 \$49,480 \$12,986	53 \$53,791 \$25,247	55 \$68,599 \$58,171	30 \$54,640 \$72,430	12	7	11	8	6
65-69		18	14	12	6	4	1	3		2
70+	2	8	2	4			2			

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

Interest Rates for Minimum Funding Purposes	Based on segment rates without lookback (as of January 2012), each adjusted as needed to fall within the 25-year average interest rate corridor under MAP-21
1st Segment Rate	5.54%
2nd Segment Rate	6.85%
3rd Segment Rate	7.52%
Interest Rates for Maximum Tax Purposes	Based on segment rates with no lookback (as of January 2012), without regard to the MAP-21 interest rate corridor
1st Segment Rate	1.98%
2nd Segment Rate	5.07%
3rd Segment Rate	6.19%
Salary Increases	
Minimum Funding Target Normal Cost	3.00%
Maximum Tax Expected Benefit Increase	3.00%
Cash Balance Interest Crediting Rate	5.00%
Cash Balance Annuity Conversion Rate	7.00%
Social Security Wage Base Increases	Future wage indices are based on a national wage increase of 4.50% per year.
Retirement Age	See Table 1
Mortality Rates	
Healthy and Disabled	2012 static mortality table for annuitants and non-annuitants per §1.430(h)(3)-1(e)
Withdrawal Rates	See Table 2
Disability Rates	See Table 3

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 Timing	Beginning of year decrements
Surviving Spouse Benefit	It is assumed that 80% of males and 80% of females have an eligible spouse, and that males are three years older than their spouses.
Valuation Compensation	2011 Pensionable earnings rolled forward one year with the salary increase assumption
Benefit and Compensation Limits	Projected benefits and compensation are limited by the current IRC section 415 maximum benefit of \$200,000 and the IRC section 401(a)(17) compensation limit of \$250,000.
Valuation of Plan Assets	Fair market value
Trust Expenses Included in Target Normal Cost	\$26,333
Actuarial Method	Standard unit credit cost method
Valuation Date	January 1, 2012

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

Table 1
 Retirement Rates

Age	Rate for Actives	Rate for Terminated Vesteds
55	2.00%	10.00%
56	2.00%	5.00%
57	2.00%	8.00%
58	2.00%	8.00%
59	5.00%	5.00%
60	5.00%	20.00%
61	5.00%	2.00%
62	15.00%	40.00%
63	15.00%	30.00%
64	10.00%	25.00%
65	25.00%	100.00%
66	30.00%	0.00%
67	30.00%	0.00%
68	30.00%	0.00%
69	30.00%	0.00%
70+	100.00%	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

Table 2—Page 1 of 2
 Withdrawal Rates

Age	Years of Service			
	0-1	2-4	5-9	10+
18	39.64%	0.00%	0.00%	0.00%
19	20.23%	0.00%	0.00%	0.00%
20	17.99%	14.19%	0.00%	0.00%
21	22.38%	18.19%	0.00%	0.00%
22	24.07%	19.60%	15.00%	0.00%
23	23.85%	19.58%	15.09%	0.00%
24	22.70%	18.32%	14.25%	0.00%
25	21.74%	17.14%	12.96%	0.00%
26	20.95%	16.27%	11.29%	0.00%
27	20.41%	15.29%	9.97%	0.00%
28	19.42%	14.52%	9.15%	8.75%
29	18.73%	13.93%	8.69%	5.21%
30	18.61%	13.58%	8.39%	4.84%
31	18.83%	13.09%	8.02%	5.39%
32	18.32%	12.60%	7.76%	5.47%
33	17.39%	11.97%	7.56%	5.30%
34	16.94%	11.33%	7.37%	5.15%
35	16.78%	11.02%	7.15%	5.02%
36	16.69%	10.98%	6.85%	4.87%
37	16.29%	10.99%	6.68%	4.68%
38	16.00%	10.77%	6.44%	4.43%
39	15.36%	10.59%	6.27%	4.32%
40	15.91%	10.35%	6.01%	4.15%
41	15.94%	10.01%	5.89%	3.93%
42	16.05%	9.72%	5.84%	3.86%
43	15.98%	9.71%	5.75%	3.81%
44	15.88%	9.62%	5.77%	3.79%
45	15.48%	9.47%	5.82%	3.73%
46	15.61%	9.54%	5.81%	3.64%
47	15.30%	9.47%	5.61%	3.66%

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

Table 2—Page 2 of 2
 Withdrawal Rates

Age	Years of Service			
	0-1	2-4	5-9	10+
48	15.15%	9.37%	5.52%	3.70%
49	15.53%	9.02%	5.60%	3.65%
50	15.60%	8.90%	5.32%	3.49%
51	15.35%	9.32%	5.13%	3.38%
52	14.35%	9.52%	4.99%	3.35%
53	14.34%	9.24%	4.70%	3.22%
54	14.17%	8.80%	4.12%	2.37%
55	13.52%	7.82%	2.59%	0.88%
56	12.84%	7.49%	1.84%	0.23%
57	12.66%	7.67%	1.54%	0.11%
58	12.74%	7.68%	1.58%	0.22%
59	13.50%	7.94%	1.92%	0.31%
60+	13.63%	7.84%	2.12%	0.20%

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

Table 3
 Disability Rates

Age	Rate	Age	Rate
15	0.00%	45	0.22%
16	0.00%	46	0.25%
17	0.00%	47	0.27%
18	0.00%	48	0.30%
19	0.00%	49	0.32%
20	0.09%	50	0.35%
21	0.09%	51	0.42%
22	0.09%	52	0.49%
23	0.10%	53	0.57%
24	0.10%	54	0.64%
25	0.10%	55	0.71%
26	0.10%	56	0.82%
27	0.10%	57	0.93%
28	0.11%	58	1.04%
29	0.11%	59	1.15%
30	0.11%	60	1.26%
31	0.11%	61	0.00%
32	0.12%	62	0.00%
33	0.12%	63	0.00%
34	0.13%	64	0.00%
35	0.13%	65	0.00%
36	0.14%	66	0.00%
37	0.14%	67	0.00%
38	0.15%	68	0.00%
39	0.15%	69	0.00%
40	0.16%	70	0.00%
41	0.17%	71	0.00%
42	0.18%	72	0.00%
43	0.20%	73	0.00%
44	0.21%	74	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

Discussion of Actuarial Assumptions and Methods

For the funding valuation, the allowable interest rates and mortality tables available to measure plan liabilities are prescribed by IRC section 412. Aon Hewitt provided guidance with respect to the alternative interest rate and mortality table options, and it is our belief that the options prescribed by Susquehanna Bancshares, Inc. Cash Balance Pension Plan are appropriate for funding purposes. It is our belief that all other actuarial assumptions used for the funding valuation represent reasonable expectations of anticipated plan experience. The actuarial cost and amortization methods used are prescribed by IRC section 412. While the method used to value assets is prescribed by Susquehanna Bancshares, Inc. Cash Balance Pension Plan, Aon Hewitt provided guidance with respect to the use of this method, and it is our belief that the method is appropriate for funding purposes.

For the plan accounting valuation, Susquehanna Bancshares, Inc. Cash Balance Pension Plan selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with ASC 960. Aon Hewitt provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience. The asset and actuarial cost methods used are prescribed by ASC 960.

Calculation of Normal Costs and Liabilities

The method used to calculate the ERISA target normal cost and funding target, and ASC 960 liabilities, is the unit credit cost method. The funding target under IRC section 430 is calculated as the present value of all benefits that have been accrued or earned under the plan as of the first day of the plan year, based on current service and current pay. The target normal cost is the present value of all benefits expected to accrue or be earned under the plan during the plan year, including any increase in benefits earned in prior plan years attributable to compensation increases in the current plan year, plus certain trust expenses.

Under this method, benefits are estimated at each decrement age using service and earnings as of the valuation date. The present value of these estimated benefits using the applicable ERISA or ASC 960 assumptions is the ERISA funding target or ASC 960 actuarial present value of accumulated plan benefits. The target normal cost is the present value of the benefits earned during the year.

For calculating the actuarial present value of vested benefits, benefits at each decrement age are determined in the same manner, but are then multiplied by each participant's vesting percentage as of the valuation date. The present value of these estimated vested benefits is determined without recognition of any benefit for which a participant will become entitled only through the advancement in service or age while actively employed. In addition, certain ancillary benefits have been treated as vested consistent with PBGC premium regulations.

The ERISA funding target for lump sum benefits is determined by valuing the annuity that corresponds to the distribution using special actuarial assumptions, as described under Treasury regulations section 1.430(d). Under these special assumptions, for the period beginning with the annuity starting date, the current IRC section 417(e) applicable mortality table is substituted for the mortality table otherwise used.

PLAN NAME: SUSQUEHANNA BANCSHARES, INC. CASH BALANCE PENSION PLAN
PLAN SPONSOR: SUSQUEHANNA BANCSHARES, INC.
EIN: 23-2201716
PN: 001
Attachment to Schedule SB, Line 24 – Change in Actuarial Assumptions

The valuation reflects a change in the assumed expenses payable from the trust from \$12,837 as of January 1, 2011 to \$26,333 as of January 1, 2012.

Susquehanna Bancshares, Inc. Cash Balance Pension Plan

EIN #23-2201716 Plan #001

Schedule H, Line 4j - Schedule of Reportable Transactions

Year Ended December 31, 2012

(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)
*Transamerica Retirement Solutions Corporation								
	Diversified Money Market Portfolio	32	<u>\$ 4,200,710</u>			<u>\$ 4,200,710</u>	<u>\$ 4,200,710</u>	<u>\$ -</u>
	Diversified Money Market Portfolio	69		<u>\$ 4,500,074</u>		<u>\$ 4,500,074</u>	<u>\$ 4,500,074</u>	<u>\$ -</u>
Federated Investors, Inc.								
	Federated Government Obligations Money Market Fund	242	<u>\$ 24,133,935</u>			<u>\$ 24,133,935</u>	<u>\$ 24,133,935</u>	<u>\$ -</u>
	Federated Government Obligations Money Market Fund	66		<u>\$ 21,064,439</u>		<u>\$ 21,064,439</u>	<u>\$ 21,064,439</u>	<u>\$ -</u>

* Represents a party-in-interest.

SCHEDULE SB (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	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 2012 This Form is Open to Public Inspection
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

► **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) ► <u>001</u>
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>2012</u>			
2 Assets:			
a Market value	2a	137,360,845	
b Actuarial value	2b	137,360,845	
3 Funding target/participant count breakdown:		(1) Number of participants	(2) Funding Target
a For retired participants and beneficiaries receiving payment	3a	823	39,358,890
b For terminated vested participants	3b	1,046	18,834,011
c For active participants:			
(1) Non-vested benefits	3c(1)		1,521,337
(2) Vested benefits	3c(2)		44,624,440
(3) Total active	3c(3)	2,261	46,145,777
d Total	3d	4,130	104,338,678
4 If the plan is in at-risk status, check the box and complete lines (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 in at-risk status for fewer than five consecutive years and disregarding loading factor	4b		
5 Effective interest rate	5	7.11 %	
6 Target normal cost	6	3,479,775	

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	 Signature of actuary	<u>09/25/2013</u> Date
	<u>Joseph C. Snell</u> Type or print name of actuary	<u>11-05878</u> Most recent enrollment number
	<u>Aon Consulting, Inc.</u> Firm name	<u>(610) 834-2100</u> Telephone number (including area code)
	<u>555 East Lancaster Ave, Suite 300</u> Address of the firm	
	<u>Radnor PA 19087-5159</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 ☐

Part II Beginning of Year Carryover Prefunding Balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	9,506,740	10,854,882
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	4,077,559	0
9 Amount remaining (line 7 minus line 8)	5,429,181	10,854,882
10 Interest on line 9 using prior year's actual return of <u>12.97</u> %	704,165	1,407,878
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year)		0
b Interest on (a) using prior year's effective interest rate of <u>6.08</u> % except as otherwise provided (see instructions)		0
c Total available at beginning of current plan year to add to prefunding balance		0
d Portion of (c) to be added to prefunding balance		
12 Other reductions in balances due to elections or deemed elections		
13 Balance at beginning of current year (line 9 + line 10 + line 11d - line 12)	6,133,346	12,262,760

Part III Funding Percentages

14 Funding target attainment percentage	14	114.01 %
15 Adjusted funding target attainment percentage	15	114.01 %
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	93.29 %
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 contributions 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 line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☒ Yes ☐ No
- c** If line 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:
5.54 %2nd segment:
6.85 %3rd segment:
7.52 %☐ N/A, full yield curve used

b Applicable month (enter code).....

21b

0

22 Weighted average retirement age**22**

64

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 subject to 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 contributions for all prior years**28**

0

29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....**29**

0

30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)**30**

0

Part VIII Minimum Required Contribution For Current Year**31** Target normal cost and excess assets (see instructions):

a Target normal cost (line 6).....

31a

3,479,775

b Excess assets, if applicable, but not greater than line 31a

31b

3,479,775

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 (lines 31a - 31b + 32a + 32b - 33) ..**34**

0

35 Balances elected for use to offset funding requirement.....

Carryover balance

Prefunding balance

Total balance

0

36 Additional cash requirement (line 34 minus line 35).....**36**

0

37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....**37**

0

38 Present value of excess contributions for current year (see instructions)

a Total (excess, if any, of line 37 over line 36)

38a

0

b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances

38b**39** Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)**39**

0

40 Unpaid minimum required contributions for all years**40**

0

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)**41** If an election was made to use PRA 2010 funding relief for this plan:a Schedule elected ☐ 2 plus 7 years ☐ 15 yearsb Eligible plan year(s) for which the election in line 41a was made ☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011**42** Amount of acceleration adjustment**42****43** Excess installment acceleration amount to be carried over to future plan years**43**