

## Susquehanna Bancshares, Inc.

### Corporate Governance Guidelines

#### A. Composition of the Board of Directors

1. Size. The size of the Board of Directors (the “Board”) is set in the Bylaws of Susquehanna Bancshares, Inc. (the “Corporation”). In recent years, the Board has had between 14 and 20 members. A size in this range makes the Board large enough to allow for a diversity of perspectives and backgrounds without being so large as to impede effective discussion. The quality of the individuals serving and the overall balance of the Board are more important than the precise number of members. The Nominating and Corporate Governance Committee periodically reviews the size of the Board, and these considerations could lead the Nominating and Corporate Governance Committee to recommend to the Board, from time to time, a Board outside this range.

2. Independence. A majority of the Board shall be “independent directors” as that term is defined under Nasdaq listing standards. The Corporation recognizes that independent directors and directors who are deemed not to be independent all make valuable contributions to the Board and to the Corporation by reason of their experience and judgment.

The Corporation will disclose, in its annual proxy statement, the names of those directors that the Board has determined to be independent under Nasdaq listing standards.

3. Retirement. The Board believes that a retirement age of 72 is generally appropriate for the Corporation’s directors. Therefore, no person will be nominated by the Board to serve as a director in the year next following his or her attainment of 72 years of age.

4. Change of Responsibility. Independent directors who change the primary position they held when they were elected to the Board will promptly advise the Nominating and Corporate Governance Committee of the change for review and recommendation to the Board. It is not the position of the Board that in every instance directors who retire or change the primary position they held when they came on the Board should necessarily leave the Board. The Board should, however, have an opportunity through the Nominating and Corporate Governance Committee to review the appropriateness of Board membership under the circumstances.

5. Term Limits. Although the Nominating and Corporate Governance Committee will consider length of service in recommending candidates for re-election, the

Board does not believe that adopting a set term limit for directors serves the interests of the Corporation.

6. Service on Other Boards. No director may serve on the board of directors of more than two public companies, in addition to the Board. The Nominating and Corporate Governance Committee takes into account the competing demands on a person's time in deciding whether or not to recommend to the Board such person's nomination or re-nomination as a director.

7. Director Resignation Policy.

(a) In an uncontested election of directors at which a quorum is present, any director nominee who fails to receive more votes in favor of such director's election than withheld with respect to such director's election shall tender promptly to the Board via the Chairperson of the Nominating and Corporate Governance Committee, his or her resignation. A director whose resignation is under consideration shall abstain from participating in any recommendation or decision regarding that resignation. The Nominating and Corporate Governance Committee shall make a recommendation to the Board whether to accept, reject or otherwise act with respect to the tendered resignation. In considering the resignation, the Nominating and Corporate Governance Committee and the Board may evaluate any factor or other information that any of the directors deem relevant. The Board shall act on the tendered resignation, taking into account the Nominating and Corporate Governance Committee's recommendation, and shall publicly disclose its decision regarding the resignation within one hundred thirty (130) days after the results of the election are certified. If the resignation is not accepted, the director shall continue to serve until the next annual meeting of shareholders and until the director's successor is elected and qualified, or until his or her earlier resignation or removal.

(b) If a director (i) files for personal bankruptcy or business bankruptcy in connection with any of his or her related party business entities, or (ii) has a loan from the Corporation or any of its subsidiaries made to or guaranteed by the director or an entity controlled by the director placed on nonaccrual status, the director shall tender to the Board via the Chairperson of the Nominating and Corporate Governance Committee, his or her resignation. The Nominating and Corporate Governance Committee shall make a recommendation to the Board whether to accept, reject or otherwise act with respect to the tendered resignation. In considering the resignation, the Nominating and Corporate Governance Committee and the Board may evaluate any factor or other information that any of the directors deem relevant. The Board shall act on the tendered resignation, taking into account the Nominating and Corporate Governance Committee's recommendation. A director whose resignation is under consideration shall abstain from participating in any recommendation or decision regarding that resignation. For purposes of clause (b)(ii), a director is deemed to control an entity if he or she directly or indirectly owns, controls or has the power to direct the vote of more than 50% of the voting securities of such entity.

8. Leadership. The Board should remain free to configure leadership of the Board of the Corporation in the way that best serves the Corporation's interests at the time and, accordingly, has no fixed policy with respect to combining or separating the offices of Chairman and Chief Executive Officer. Whenever the Chairman of the Board is not an independent director, the independent directors shall annually appoint an independent director as a Lead Director. In order to promote diversity in this role, it is the sense of the Board that a director generally should not serve as the Lead Director for more than five (5) consecutive years; however, the Board does not believe that such limitation should be mandated as policy. The Lead Director shall provide general leadership to the affairs of the independent directors, including the following duties and responsibilities: (a) preside at any Board meeting at which the Chairman is not present, including executive sessions of the independent directors; (b) serve as the non-exclusive liaison between the Chairman and the independent directors; (c) provide advice and consultation to the Chairman; (d) monitor information delivered to the Board and provide input as to the quantity, quality and timeliness of such information; (e) consult with the Chairman regarding meeting agendas and meeting schedules of the Board; (f) provide leadership of the independent directors in anticipating and responding to crises; (g) assist the Chair of the Nominating and Corporate Governance Committee with the identification and recommendation of Board candidates; (h) oversee Board and director evaluations with the Chair of the Nominating and Corporate Governance Committee; and (i) fulfill such other duties as the Board may provide from time to time.

9. Compensation. Director compensation shall be set by the Board. The Compensation Committee, with the assistance of the Corporation's staff and, if desired by the Compensation Committee, outside consultants, reviews the amount and composition of directors compensation from time to time and shall make recommendations to the Board when it concludes changes are needed. The Committee and the full Board should be guided by the following principles: compensation should fairly pay directors for the work required and legal risks assumed; compensation should align directors' interests with the long-term interests of shareholders; and the structure of compensation should be simple, transparent and easy for shareholders to understand.

## **B. Responsibilities of Directors; Meeting Attendance and Preparation**

1. General Responsibilities of Directors. Directors are expected to exercise their business judgment in good faith and in what they reasonably believe to be in the best interests of the Corporation and its shareholders. In discharging those obligations, directors should be entitled to rely on the honesty and integrity of the Corporation's senior management and outside advisors, counsel and auditors.

2. Stock Ownership. The Board believes that it is important for each director to have a financial stake in the Corporation to help align the director's interests with those of the Corporation's shareholders. Accordingly, non-employee directors are required to comply with the Corporation's stock ownership guidelines. Additionally, as a general matter, in most circumstances, the Board discourages sales of the Corporation's common

stock by directors except pursuant to a pre-arranged trading plan. All directors are required to comply with the Corporation's insider trading policy, where, among other items, a director is restricted from entering into any hedging or pledging transactions unless the director obtains pre-clearance in advance of the entry into such arrangements.

3. Overdrafts. Directors and any entities which they control may not incur any overdraft in any of their accounts at any of the Corporation's insured depository institutions.

4. Conduct. Directors shall comply with all applicable provisions of the Corporation's Code of Ethics and any policies relating to stock transactions or insider trading.

5. Indemnification. Directors shall be entitled to indemnification as set forth in the Corporation's Bylaws.

6. Agendas. The Chairman of the Board is responsible for setting and circulating in advance an agenda for each meeting. Any director may suggest items for inclusion on the agenda or may raise, at any Board meeting, subjects that are not on the agenda for that meeting. The Board expects that meeting agendas will include on a regular basis a review of the financial performance of the Corporation.

7. Meeting Attendance and Preparation. Directors are expected to attend all Board meetings (but in no event less than 75% of such meetings). Excused absences may be granted by the Chairman of the Board for extenuating circumstances. A director's attendance record will be considered by the Nominating and Corporate Governance Committee when the director is being considered for re-nomination to the Board or to the appointment of any committee.

Directors are expected to spend the time needed to discharge their responsibilities as directors. Materials with respect to matters on which action is expected to be taken are circulated to the Board at least several days in advance of the meeting whenever possible, and directors are expected to review those materials in advance of the meeting.

8. Attendance at Annual Meeting of Shareholders. Directors are expected to attend the annual meeting of the Corporation's shareholders. Excused absences may be granted by the Chairman of the Board for extenuating circumstances.

9. Executive Sessions of Independent Directors. The independent members of the Board shall meet, without management, at least twice a year, in executive sessions, which may take place after a regularly scheduled meeting of the full Board. The Lead Director, or in the absence of a Lead Director, the Chairman of the Nominating and Corporate Governance Committee, shall preside at the executive sessions.

10. Communications with Directors. The Corporation discloses, in its annual proxy statement, one or more methods by which shareholders and other interested parties may communicate directly with the Board of Directors.

11. Access to Employees. The Board expects that senior officers of the Corporation will regularly attend Board and committee meetings, present proposals and otherwise assist in the work of the Board.

12. Authority to Engage Advisors. The Board has the power to hire independent legal, financial or other advisors as it deems necessary, without consulting or obtaining the approval of any officer of the Corporation in advance, and the Corporation will pay any fees and expenses incurred in connection with the engagement.

### **C. Committees of the Board**

1. Numbers and Composition of Committees. The Corporation's Bylaws grant the Board discretion to create committees that it deems necessary or convenient to the conduct of its responsibilities. In accordance with the Corporation's Bylaws, the Board shall appoint any committees required by any applicable law or Nasdaq listing standards, and may appoint any other committee that it deems necessary or convenient to the conduct of its responsibilities. Members of committees shall meet any applicable Nasdaq listing standards and regulatory requirements. The Nominating and Corporate Governance Committee reviews the committee structure of the Board and the membership of the various committees at least annually and makes recommendations for any changes to the Board. The Nominating and Corporate Governance Committee also reviews the board composition and structure of the Corporation's subsidiaries and makes recommendations on appointments or elections by the Board to such subsidiaries' boards.

2. Committee Chairperson. The members of a committee shall decide, in accordance with the charter of the committee, which member of the committee shall be its chairperson.

3. Committee Meeting Procedures. The committee chairperson, in consultation with the committee members, determines the frequency of committee meetings. Directors are expected to attend meetings of the committees on which they sit and to spend the time needed to discharge their responsibilities as members of those committees. The agenda and any background materials for committee meetings may be developed in consultation with committee members, management, or any executive officer responsible for supporting the committee and are circulated in advance of a meeting whenever practical. Committee members are expected to review these materials in advance of the meeting. The committee chairpersons report to the Board after each meeting, and minutes of the committees are circulated to the Board.

**D. Director Orientation and Continuing Professional Development**

All new directors are required to participate in an orientation program, which is generally conducted within four months of each annual meeting at which new directors are elected. The orientation program includes the introduction of the new directors to the Corporation’s principal officers and presentations by senior management to familiarize new directors with the Corporation’s business units, strategic plans, applicable policies and procedures, and generally includes a visit to the Corporation’s headquarters. Continuing professional development opportunities for all directors will be conducted through the Corporation’s regular Board meetings and Board meeting materials; periodic Board or Board committee presentations by the Corporation’s officers concerning the Corporation’s strategies, initiatives, business plans, management structure, compliance programs, and significant financial, accounting and risk management issues; Board or Board committee presentations by outside parties concerning industry issues and other business, legal and regulatory matters, copies of periodic filings and significant presentations made to investors, attendance at the orientation program for new directors, if desired; and other professional development opportunities, if appropriate and relevant to the duties of a director of the Corporation, including presentations and programs offered by various outside organizations, with appropriate expenses paid by the Corporation if such expenses have been pre-approved by the Corporation’s Chief Executive Officer.

**E. Periodic Evaluation of Guidelines**

The Nominating and Corporate Governance Committee of the Board reviews and assesses these Guidelines periodically and submits any recommended changes to the Board for approval.

*Copies of these Guidelines are available on the Corporation’s website at [www.susquehanna.net](http://www.susquehanna.net). Copies will also be mailed to shareholders of the Corporation or other interested persons upon written request to:*

*Susquehanna Bancshares, Inc.  
Attention: Corporate Secretary  
26 North Cedar Street  
Lititz, PA 17543*

Adopted by the Nom. & Corp. Governance Committee January 16, 2008  
Adopted by the Board of Directors January 16, 2008  
Amended by the Nom. & Corp. Governance Committee January 19, 2011  
Amendment Adopted by the Board of Directors January 19, 2011  
Amended by the Nom. & Corp. Governance Committee January 17, 2012  
Amendment Adopted by the Board of Directors January 18, 2012  
Amended by the Nom. & Corp. Governance Committee January 15, 2013  
Amendment Adopted by the Board of Directors January 16, 2013  
Amended by the Nominating & Corporate Governance Committee December 5, 2013  
Amendment Adopted by the Board of Directors December 10, 2013