PENNS WOODS BANCORP INC
Form S-4/A
April 23, 2013
Table of Contents

As Filed with the Securities and Exchange Commission on April 23, 2013

Registration No. 333-186385

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

PENNS WOODS BANCORP, INC.

(Exact name of Registrant as specified in its charter)

Pennsylvania	**6022**	**23-2226454**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(IRS Employer Identification No.)**

300 Market Street

Williamsport, PA 17703-0967

(570) 320-2021

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Richard A. Grafmyre

President and Chief Executive Officer

Penns Woods Bancorp, Inc.

300 Market Street

Williamsport, PA 17703-0967

(570) 322-1111

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

David W. Swartz, Esq. **Stevens & Lee, P.C.** **111 N. Sixth Street** **Reading, PA 19603** **(610) 478-2000**	**Justin P. Klein, Esq.** **Ballard Spahr LLP** **1735 Market Street** **Philadelphia, PA 19103** **(215) 665-8500**

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effective date of this Registration Statement becomes effective and upon completion of the merger described in the enclosed document.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the Securities Act), check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

If applicable, place an X in the box to designate the appropriate rule provision relied upon on conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ¨

Exchange Act Rule 14d-1(d) (Cross Border Third-Party Tender Offer ¨

The Registrant hereby amends this Registration Statement on such date or dates as nay be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this joint proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this joint proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

PRELIMINARY SUBJECT TO COMPLETION DATED APRIL 23, 2013

[LOGO PWOD]

Proxy Statement/Prospectus

Penns Woods Bancorp, Inc.

[LOGO LUZERNE]

Proxy Statement

Luzerne National Bank Corporation

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

On October 18, 2012, Penns Woods Bancorp, Inc., or Penns Woods, and Luzerne National Bank Corporation, or Luzerne, entered into a merger agreement that provides for the combination of the two companies. Under the merger agreement, Luzerne will merge with and into Penns Woods, with Penns Woods remaining as the surviving entity, and the separate corporate existence of Luzerne will cease. Before we complete the merger, the shareholders of Penns Woods and Luzerne must adopt the merger agreement. Penns Woods shareholders will vote to adopt the merger agreement and on the other matters described below at its annual meeting of shareholders to be held on May 29, 2013. Luzerne shareholders will vote to adopt the merger agreement and on the other matters described below at a special meeting of shareholders to be held on May 29, 2013.

If the merger is completed, Luzerne shareholders will be entitled to elect to receive, for each share of Luzerne common stock, subject to the election and adjustment procedures described in this joint proxy statement/prospectus, 1.5534 shares of Penns Woods common stock, $61.86 in cash or a combination of both. The federal income tax consequences of the merger to Luzerne shareholders will depend on whether cash, including cash for fractional Penns Woods shares, Penns Woods common stock, or a combination of cash and Penns Woods common stock is received in exchange for shares of Luzerne common stock.

Pursuant to the terms of the merger agreement, at least 90% of the total number of shares of Luzerne common stock to be converted in the merger will be converted into Penns Woods common stock, and the remaining outstanding shares of Luzerne common stock (excluding the shares of Luzerne common stock to be cancelled) will be converted into cash consideration. As a result, if more Luzerne shareholders make valid elections to receive either Penns Woods common stock or cash than is available as merger consideration under the merger agreement, those Luzerne shareholders electing the over-subscribed form of consideration may have the over-subscribed consideration proportionately reduced and substituted with consideration in the other form, despite their election.

The Penns Woods board of directors has determined that the combination of Penns Woods and Luzerne is advisable and in the best interests of Penns Woods based upon its analysis, investigation and deliberation, and the Penns Woods board of directors unanimously recommends that the Penns Woods shareholders vote FOR the adoption of the merger agreement and FOR the approval of the other proposals described in this joint proxy statement/prospectus.

The Luzerne board of directors has determined that the combination of Luzerne and Penns Woods is advisable and in the best interests of Luzerne based upon its analysis, investigation and deliberation, and the Luzerne board of directors unanimously recommends that the Luzerne shareholders vote FOR the adoption of the merger agreement and FOR the approval of the other proposals described in this joint proxy statement/prospectus.

Penns Woods common stock is listed on The Nasdaq Global Select Market under the symbol PWOD. Luzerne s common stock is traded on the OTCQB market under the symbol LUZR.

You should read this entire joint proxy statement/prospectus, including the annexes hereto and the documents incorporated by reference herein, carefully because it contains important information about the merger and the related transactions**. In particular, you should read carefully the information under the section entitled *Risk Factors* beginning on page 35.** You can also obtain information about Penns Woods from documents that it has filed with the Securities and Exchange Commission.

The shares of Penns Woods common stock to be issued to Luzerne shareholders in the merger are not deposits or savings accounts or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger described in this joint proxy statement/prospectus or the Penns Woods common stock to be issued in the merger, or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

The date of this joint proxy statement/prospectus is April , 2013, and it is first being mailed or otherwise delivered to shareholders on or about April , 2013.

Table of Contents

PENNS WOODS BANCORP, INC.

300 MARKET STREET

WILLIAMSPORT, PENNSYLVANIA 17703-0967

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 29, 2013

TO THE SHAREHOLDERS OF PENNS WOODS BANCORP, INC.:

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of Penns Woods Bancorp, Inc., or Penns Woods, will be held at 1:00 p.m., local time, on Wednesday, May 29, 2013, at The Robert Wheeland Community Center, 1201 Locust Street, Jersey Shore, Pennsylvania 17740, to consider and vote upon the following proposals:

1. adoption of the Agreement and Plan of Merger, dated October 18, 2012, by and between Penns Woods and Luzerne National Bank Corporation, or Luzerne, which provides for, among other things, the merger of Luzerne with and into Penns Woods;

2. election of four (4) Class 1 directors to serve for a three-year term that will expire in 2016, and until their successors are elected and qualified;

3. approval, in a non-binding (advisory) vote, of compensation paid to our named executive officers;

4. ratification of the appointment of S.R. Snodgrass, A.C., Certified Public Accountants, as Penns Woods independent registered public accounting firm for the Corporation for the year ending December 31, 2013; and

5. approval of a proposal to authorize the board of directors to adjourn the annual meeting, if necessary, to solicit additional proxies, in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement; and

6. transaction of any such other business as may properly be presented at the meeting or any adjournment or postponement of the meeting.

All of these items, including the proposal to approve the merger agreement and the merger, are described in more detail in the accompanying joint proxy statement/prospectus and its appendices. You should read these documents in their entirety before voting. We have fixed March 1, 2013 as the record date for determining those Penns Woods shareholders entitled to vote at the annual meeting. Accordingly, only shareholders of record at the close of business on that date are entitled to notice of and to vote at the annual meeting or any adjournment or postponement of the meeting. A list of such shareholders will be available for inspection at the annual meeting and for ten days prior to the meeting at Penns Woods headquarters located at 300 Market Street, Williamsport, Pennsylvania 17703-0967, during normal business hours.

Your board of directors has unanimously determined that the proposed merger is advisable and in the best interests of Penns Woods and unanimously recommends that you vote FOR the proposal to adopt the merger agreement. Your board of directors also recommends that you vote FOR the election of the Class 1 directors and FOR all of the other proposals listed above. In accordance with the terms of the merger agreement, each director and executive officer of Penns Woods has executed a letter agreement in favor of Luzerne pursuant to which he or she has agreed to vote all shares of Penns Woods common stock owned by him or her in favor of adoption of the merger agreement and the transactions contemplated by the merger agreement.

Table of Contents

We urge you to vote as soon as possible so that your shares will be represented.

BY ORDER OF THE BOARD OF DIRECTORS,

Brian L. Knepp

Corporate Secretary
Williamsport, Pennsylvania

April , 2013

Your vote is important. Whether or not you plan to attend the annual meeting, please complete, sign, date and return your proxy card or voting instruction card in the enclosed envelope promptly. For many shareholders, you may vote your shares by following the instructions included with your proxy card or voting instruction card. If you later decide to attend the meeting, you can, if you wish, revoke the proxy and vote in person.

Important Notice Regarding Availability of Proxy Materials for the

Annual Meeting of Shareholders to be held on Wednesday, May 29, 2013

The Proxy Statement and Annual Report to Shareholders for the year ended

December 31, 2012 are available at http://www.rtcoproxy.com/pwod.

Table of Contents

LUZERNE NATIONAL BANK CORPORATION

118 MAIN STREET

LUZERNE, PENNSYLVANIA 18709

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 29, 2013

TO THE SHAREHOLDERS OF LUZERNE NATIONAL BANK CORPORATION:

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Luzerne National Bank Corporation, or Luzerne, will be held at 9:00 a.m., local time, on Wednesday, May 29, 2013, at Luzerne s headquarters at 118 Main Street, Luzerne, Pennsylvania 18709, to consider and vote upon the following proposals:

1. adoption of the Agreement and Plan of Merger, dated October 18, 2012, by and between Penns Woods Bancorp, Inc., or Penns Woods, and Luzerne, which provides for, among other things, the merger of Luzerne with and into Penns Woods;

2. approval of a proposal to authorize the board of directors to adjourn the special meeting, if necessary, to solicit additional proxies, in the event there are not sufficient votes at the time of the special meeting to approve the proposal to approve the merger agreement;

3. approval of a non-binding advisory resolution approving the compensation payable to the named executive officers of Luzerne in connection with the merger; and

4. transaction of any such other business as may properly be presented at the meeting or any adjournment or postponement of the meeting.

All of these items, including the proposal to approve the merger agreement and the merger, are described in more detail in the accompanying joint proxy statement/prospectus and its appendices. You should read these documents in their entirety before voting. We have fixed April 1, 2013 as the record date for determining those Luzerne shareholders entitled to vote at the special meeting. Accordingly, only shareholders of record at the close of business on that date are entitled to notice of and to vote at the special meeting or any adjournment or postponement of the meeting. A list of such shareholders will be available for inspection at the special meeting and for ten days prior to the meeting at Luzerne s headquarters located at 118 Main Street, Luzerne, PA 18709, during normal business hours.

Your board of directors has unanimously determined that the proposed merger is advisable and in the best interests of Luzerne and unanimously recommends that you vote FOR the proposal to adopt the merger agreement. Your board of directors also recommends that you vote FOR proposal 2 and proposal 3 listed above. In accordance with the terms of the merger agreement, each director, the Chairman, Vice Chairman and President of Luzerne has executed a letter agreement in favor of Penns Woods pursuant to which he or she has agreed to vote all shares of Luzerne common stock owned by him or her in favor of adoption of the merger agreement and the transactions contemplated thereby.

We urge you to vote as soon as possible so that your shares will be represented.

BY ORDER OF THE BOARD OF DIRECTORS,

Thomas Guido

Corporate Secretary
Luzerne, Pennsylvania

April , 2013

Your vote is important. Whether or not you plan to attend the special meeting, please complete, sign, date and return your proxy card or voting instruction card in the enclosed envelope promptly. For many shareholders, you may vote your shares by following the instructions included with your proxy card or voting instruction card. If you later decide to attend the meeting, you can, if you wish, revoke the proxy and vote in person.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

Penns Woods files annual, quarterly and special reports, proxy statements and other business and financial information with the Securities and Exchange Commission (the SEC). You may read and copy any materials that Penns Woods files with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at (800) SEC-0330 ((800) 732-0330) for further information on the public reference room. In addition, Penns Woods files reports and other business and financial information with the SEC electronically, and the SEC maintains a website located at http://www.sec.gov containing this information. You will also be able to obtain these documents, free of charge, from Penns Woods at www.jssb.com under the Investor Relations link and then under the heading SEC Filings.

Penns Woods has filed a registration statement on Form S-4 of which this document forms a part. As permitted by SEC rules, this document does not contain all of the information included in the registration statement or in the exhibits or schedules to the registration statement. You may read and copy the registration statement, including any amendments, schedules and exhibits at the addresses set forth below. Statements contained in this document as to the contents of any contract or other documents referred to in this document are not necessarily complete. In each case, you should refer to the copy of the applicable contract or other document filed as an exhibit to the registration statement. This document incorporates by reference documents that Penns Woods has previously filed with the SEC. They contain important information about the company and its financial condition. See *Incorporation of Certain Documents by Reference* on page 193. These documents are available without charge to you upon written or oral request to Penns Woods principal executive offices. The address and telephone number is listed below.

Penns Woods Bancorp, Inc. 300 Market Street Williamsport, Pennsylvania 17703-0967 Attention: Kimberly R. Yale (570) 320-2021

To obtain timely delivery of these documents, you must request the information no later than May , 2013 in order to receive them before Penns Woods annual meeting of shareholders and no later than May , 2013 in order to receive them before Luzerne s special meeting of shareholders.

Penns Woods common stock is traded on The Nasdaq Global Select Market under the symbol PWOD, and Luzerne common stock is traded on the OTCQB under the symbol LUZR.

TABLE OF CONTENTS

Table of Contents

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE MEETINGS

The following questions and answers briefly address some commonly asked questions about the merger (as defined below) and the shareholder meetings. They may not include all the information that is important to the shareholders of Penns Woods and of Luzerne. Shareholders of Penns Woods and of Luzerne should each read carefully this entire joint proxy statement/prospectus, including the annexes and other documents referred to in this document.

Questions about the Merger

Q: What is the merger?

A: Penns Woods and Luzerne have entered into an Agreement and Plan of Merger, dated October 18, 2012, which is referred to as the merger agreement. A copy of the merger agreement is attached as Annex A to, and is incorporated by reference in, this joint proxy statement/prospectus. The merger agreement contains the terms and conditions of the proposed business combination of Penns Woods and Luzerne. Under the merger agreement, Luzerne will merge with and into Penns Woods, with Penns Woods remaining as the surviving entity, and the separate corporate existence of Luzerne will cease. We refer to this transaction as the merger.

Following the completion of the merger, the merger agreement provides that Penns Woods will continue to operate Luzerne Bank as a separate banking subsidiary of Penns Woods under the name Luzerne Bank, consistent with Penn Woods overall business strategies and operating policies as such strategies and policies may develop from time to time. Penns Woods will have the right to terminate its obligation to operate Luzerne Bank as a separate operating subsidiary of Penns Woods if Luzerne Bank fails to satisfy certain performance metrics for any two consecutive years beginning after January 1, 2015 or as a result of applicable regulatory requirements, safe and sound banking practices as communicated by a banking regulator, or the exercise by Penns Woods directors of their fiduciary duties. For further discussion on the operation of Luzerne Bank as a separate operating subsidiary of Penns Woods following completion of the merger, see *The Merger Agreement Luzerne Bank Post-Closing Operation*.

Q: Why am I receiving these materials?

A: This document constitutes both a joint proxy statement of Penns Woods and Luzerne and a prospectus of Penns Woods. It is a joint proxy statement because the boards of directors of both companies are soliciting proxies from their respective holders of common stock. It is a prospectus because Penns Woods will issue shares of its common stock in exchange for shares of Luzerne common stock in the merger.

Penns Woods is sending these materials to its shareholders to help them decide how to vote their shares of Penns Woods common stock with respect to the proposed merger and the other matters to be considered at the Penns Woods annual meeting.

Luzerne is sending these materials to its shareholders to help them decide how to vote their shares of Luzerne common stock with respect to the proposed merger and the other matters to be considered at the Luzerne special meeting.

The merger cannot be completed unless shareholders of Penns Woods and Luzerne each adopt the merger agreement and approve the merger. Penns Woods is holding its annual meeting of shareholders to vote on the merger as well as the other proposals described in *The Penns Woods Annual Meeting* beginning on page 108. Luzerne is holding its special meeting of shareholders to vote on the merger as well as the other proposals described in *The Luzerne Special Meeting*, beginning on page 138. Information about these meetings, the merger and the other business to be considered at the meetings is contained in this joint proxy statement/prospectus.

Table of Contents

Q: Why is Penns Woods proposing the merger?

A: The Penns Woods board of directors, in unanimously determining that the merger is in the best interests of Penns Woods and its shareholders, considered a number of key factors which are described under the headings *The Merger Background of the Merger* and *The Merger Penns Woods Reasons for the Merger*, beginning on pages 44 and 56, respectively.

Q: Why is Luzerne proposing the merger?

A: The Luzerne board of directors, in unanimously determining that the merger is in the best interests of Luzerne and its shareholders, considered a number of key factors which are described under the headings *The Merger Background of the Merger* and *The Merger Luzerne s Reasons for the Merger*, beginning on pages 44 and 48, respectively.

Q: What will Luzerne shareholders receive in the merger, and how will this affect holders of Penns Woods common stock?

A: Upon completion of the merger, Luzerne shareholders will have the right to receive, at their election (but subject to customary procedures applicable to oversubscription and under subscription for cash consideration), 1.5534 shares of common stock of Penns Woods, $61.86 in cash, or a combination of cash and Penns Woods common stock for their shares of common stock of Luzerne. At the closing of the merger, no more than 10% of the outstanding shares of Luzerne common stock will be converted into the right to receive cash and the remainder of the outstanding shares of Luzerne common stock will be converted into the right to receive Penns Woods common stock.

Penns Woods shareholders will continue to own their existing shares of Penns Woods common stock after the merger. Because of the number of shares of Penns Woods common stock being issued in the merger, the ownership interest in Penns Woods represented by the existing shares of Penns Woods common stock will be diluted. Following completion of the merger, the existing shares of Penns Woods will represent in the aggregate ownership of approximately 80% of the outstanding shares of Penns Woods common stock, assuming 90% of the outstanding shares of Luzerne common stock are exchanged for Penns Woods common stock.

Q: If I am a Luzerne shareholder, when must I elect the type of merger consideration that I prefer to receive?

A: If you are a Luzerne shareholder and wish to elect the type of merger consideration you receive in the merger, you should carefully review and follow the instructions set forth in the form of election, which is being separately mailed to Luzerne shareholders following the mailing of this joint proxy statement/prospectus. You will need to sign, date and complete the election form and transmittal materials and return them to the exchange agent, Registrar and Transfer Company, at the address given in the materials. The election deadline will be May 28, 2013, which is the business day prior to the special meeting. Because of the way the election and proration procedures work, even if you submit a properly completed and signed form of election, it is still possible that you may not receive exactly the type of consideration you have elected. If you do not submit a properly completed and signed form of election to the exchange agent by the Election Deadline, you will have no control over the type of merger consideration you may receive, and consequently, may receive only cash, only Penns Woods common stock or a combination of cash and Penns Woods common stock in the merger. Because of the way the election and proration procedures work, even if you submit a properly completed and signed form of election, it is still possible that you may not receive exactly the type of consideration you have elected. If you hold shares in street name, you will have to follow your broker s instructions to make an election.

Table of Contents

Q: If I am a Luzerne shareholder, am I guaranteed to receive the type of merger consideration that I elect?

A: No. If Luzerne shareholders elect to convert more than 10% of the total outstanding shares of Luzerne common stock into cash or elect to convert more than 90% of the total outstanding shares of Luzerne common stock into shares of Penns Woods stock, then the exchange agent will follow the proration procedures outlined under the heading *The Merger Agreement Consideration to be Received in the Merger Proration Procedures* to ensure that at least 90% of the aggregate merger consideration is paid in shares of Penns Woods common stock and the balance is paid in cash.

Q: Who will be the directors and executive officers of the combined company following the merger?

A: Following completion of the merger, Penns Woods will appoint three individuals designated by the Luzerne board of directors, who are not employees of Luzerne or any of its subsidiaries and who are agreed to by Penns Woods, to serve on the Penns Woods board of directors. Luzerne has designated Joseph E. Kluger, Jill F. Schwartz and John G. Nackley to be appointed to the Penns Woods board. One such individual will be appointed to serve in each of Class 1, Class 2 and Class 3 of the Penns Woods board of directors. Penns Woods has agreed to nominate and recommend for election each such designated person for one additional three-year term following their initial appointment.

In addition, the merger agreement provides that promptly following the effective time of the merger, Penns Woods will take such action as may be necessary to cause the board of directors of Luzerne Bank to consist of the chief executive officer of Penns Woods, the chief executive officer of Luzerne Bank and all other individuals serving as directors of Luzerne Bank immediately prior to the effective time. For a period of three years following the effective time of the merger, future appointments to the Luzerne Bank board of directors will be mutually agreed by the boards of directors of Penns Woods and Luzerne Bank, subject to the right of Penns Woods to remove or replace any Luzerne Bank director if such director breaches or fails to perform the duties of such director s office in the sole discretion of Penns Woods.

Q: When do you expect to complete the merger?

A: We expect to complete the merger after all conditions to the merger in the merger agreement are satisfied or waived, including receipt of shareholder approvals at the respective meetings of Penns Woods and Luzerne, and receipt of regulatory approvals. We currently expect to complete the merger in the second quarter of 2013. It is possible, however, that factors outside of either company s control could result in us completing the merger at a later time or not completing it at all.

Q: What are the federal income tax consequences of the merger?

A: The merger has been structured to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which is referred to as the Internal Revenue Code, and it is a condition to the completion of the merger that each of Penns Woods and Luzerne receive a written opinion from their respective legal counsel to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that holders of Luzerne common stock will not recognize gain or loss for U.S. federal income tax purposes upon the exchange of their Luzerne common stock for Penns Woods common stock pursuant to the merger, except with respect to cash received in exchange for their Luzerne common stock or in lieu of fractional shares of Penns Woods commons stock and except for Luzerne shareholders who exercise their appraisal rights with respect to the merger. For further discussion of the material U.S. federal income tax consequences of the merger, see *Material United States Federal Income Tax Consequences of the Merger*, beginning on page 104.

Table of Contents

Questions about the Penns Woods Annual Meeting

Q: What are the matters on which I am being asked to vote at the Penns Woods annual meeting?

A: You are being asked to consider and vote on the following matters:

1. adoption of the merger agreement, a copy of which is attached as Annex A to this joint proxy statement/prospectus;

2. election of four (4) Class 1 directors to serve for a three-year term that will expire in 2016, and until their successors are elected and qualified;

3. approval, in a non-binding (advisory) vote, of compensation paid to our named executive officers;

4. ratification of the appointment of S.R. Snodgrass, A.C., Certified Public Accountants, as Penns Woods independent registered public accounting firm for the year ending December 31, 2013; and

5. adjournment of the Penns Woods annual meeting, if necessary, to solicit additional proxies.

Q: How does the Penns Woods board of directors recommend that I vote my shares?

A: The Penns Woods board of directors recommends that the Penns Woods shareholders vote their shares as follows:

FOR adoption of the merger agreement;

FOR the election of the four nominees of the board of directors for election as Class 1 directors;

FOR the approval, in a non-binding (advisory) vote, of compensation paid to Penns Woods named executive officers;

FOR the ratification of S.R. Snodgrass, A.C., Certified Public Accountants, as the independent registered public accounting firm for the year ending December 31, 2013; and

FOR an adjournment of the Penns Woods annual meeting, if necessary, to solicit additional proxies.

As of the record date, directors and executive officers of Penns Woods and their affiliates had the right to vote 144,784 shares of Penns Woods common stock, or 3.76% of the outstanding Penns Woods common stock entitled to be voted at the annual meeting. In accordance with the terms of the merger agreement, each of the directors and executive officers of Penns Woods has executed a letter agreement (the Affiliate Letter) in favor of Luzerne pursuant to which he or she has agreed to vote all shares of Penns Woods common stock owned by him or her in favor of adoption of the merger agreement. Additionally, each of the directors and the Chairman, Vice Chairman and President of Luzerne has executed an Affiliate Letter in favor of Penns Woods pursuant to which he or she has agreed to vote all shares of Luzerne common stock owned by him or her in favor of adoption of the merger agreement and the transactions contemplated thereby.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this joint proxy statement/prospectus, please submit your proxy as soon as possible so that your shares will be represented at the Penns Woods annual meeting. Please follow the instructions set forth on the proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker or other nominee.

Q: Who is entitled to vote at the Penns Woods annual meeting?

A: Penns Woods shareholders of record as of the close of business on March 1, 2013, which is referred to as the Penns Woods record date.

Q: How many votes do I have?

A: Each outstanding share of Penns Woods common stock is entitled to one vote.

Q: How do I vote my Penns Woods shares?

A: You may vote your Penns Woods shares by completing and returning the enclosed proxy card, by internet or by voting in person at the Penns Woods annual meeting.

Voting by Proxy. You may vote your Penns Woods shares by completing and returning the enclosed proxy card. Your proxy will be voted in accordance with your instructions. If you do not specify a choice on one of the proposals described in this joint proxy statement/prospectus, your proxy will be voted in favor of that proposal.

ON YOUR PENNS WOODS PROXY CARD:

- mark your selections;
- date and sign your name exactly as it appears on your card; and
- return your completed proxy card in the enclosed postage-paid envelope.

Voting by Internet. If you are a registered shareholder, you may vote electronically through the Internet by following the instructions included in your proxy card. If your shares are registered in the name of a broker or other nominee, your nominee may be participating in a program provided through ADP Investor Communication Services that allows you to vote via the Internet. If so, the voting form your nominee sends you will provide voting instructions.

Voting in person. If you attend the Penns Woods annual meeting, you may deliver your completed proxy card in person or may vote by completing a ballot which will be available at the meeting. If your shares are registered in the name of a broker or other nominee and you wish to vote at the meeting you will need to obtain a legal proxy from your bank or brokerage firm. Please consult the voting form sent to you by your bank or broker to determine how to obtain a legal proxy in order to vote in person at the annual meeting.

Should you have any questions on the procedure for voting your shares, please contact Kimberly R. Yale, Penns Woods Bancorp, Inc., 300 Market Street, Williamsport, Pennsylvania 17701, telephone (570) 320-2021.

Q: **Why is my vote important?**

A: Because the merger cannot be completed without the affirmative vote of the holders of 66-2/3% of the outstanding shares of Penns Woods common stock on the record date, every shareholder s vote is important. In addition, the annual meeting will include proposals to elect four Class 1 directors, approve compensation paid to our named executive officers in an advisory vote, ratify the selection of our registered public accounting firm for 2013, and adjourn the meeting, if necessary to solicit additional proxies.

Q: If my shares of Penns Woods common stock are held in street name by my broker, will my broker automatically vote my shares for me?

A: No. Your broker **CANNOT** vote your shares on any proposal at the Penns Woods annual meeting, except the ratification of auditors, without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker.

Table of Contents

Q: What if I fail to instruct my broker?

A: If you do not provide your broker with instructions, your broker generally will not be permitted to vote your shares on the merger proposal or any other proposal (a so-called broker non-vote) at the Penns Woods annual meeting, except the ratification of auditors. For purposes of determining the number of votes cast with respect to the merger proposal, only those votes cast for or against the proposal are counted. Broker non-votes, if any are submitted by brokers or nominees in connection with the annual meeting, will not be counted as votes for or against for purposes of determining the number of votes cast, but will be treated as present for quorum purposes.

Q: What constitutes a quorum for the Penns Woods annual meeting?

A: As of the Penns Woods record date, 3,838,807 shares of Penns Woods common stock were issued and outstanding, each of which will be entitled to one vote at the meeting. Under Penns Woods bylaws, the presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast constitutes a quorum for the transaction of business at the meeting. If you vote by proxy, your shares will be included for determining the presence of a quorum. Both abstentions and broker non-votes are also included for purposes of determining the presence of a quorum.

Q: Assuming the presence of a quorum, what is the vote required to approve the matters to be considered at the Penns Woods annual meeting?

A: The affirmative vote at the Penns Woods annual meeting, in person or by proxy, of the holders of 66-2/3% of the outstanding shares of Penns Woods common stock is required to approve the merger agreement. Directors are elected by a plurality of votes cast and, accordingly, the four nominees receiving the highest number of votes for director at the annual meeting will be elected. The affirmative vote, in person or by proxy, of a majority of all votes cast at the Penns Woods annual meeting is required to approve the compensation paid to our named executive officers in the advisory vote, the proposal to ratify our independent public accounting firm, and the proposal to adjourn the Penns Woods annual meeting, if necessary, to solicit additional proxies and any other matter that may properly come before the meeting. Because the affirmative vote of the holders of 66-2/3% of outstanding shares of Penns Woods common stock is required to approve the merger agreement, abstentions and broker non-votes with respect to the merger agreement will effectively act as no votes on such proposal. Abstentions and broker non-votes will not affect the outcome of the other matters at the meeting.

Q: Do I have appraisal or dissenters rights?

A: No. Under Pennsylvania law, holders of Penns Woods common stock will not be entitled to exercise any appraisal rights in connection with the merger or any of the other proposals being presented at the Penns Woods annual meeting.

Q: Can I attend the Penns Woods annual meeting and vote my shares in person?

A: Yes. All shareholders, including shareholders of record and those who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the annual meeting. Holders of record of Penns Woods common stock can vote in person at the annual meeting. If you are not a shareholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the annual meeting. If you plan to attend the annual meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership and you must bring a form of personal photo identification with you in order to be admitted. We reserve the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

6

Table of Contents

Q: Can I change my vote?

A: Yes. You may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to the Penns Woods Corporate Secretary, or (3) attending the annual meeting in person, notifying the Corporate Secretary and voting by ballot at the meeting. Penns Woods Corporate Secretary s mailing address is Penns Woods Bancorp, Inc., 300 Market Street, Williamsport, Pennsylvania 17701, Attention: Brian L. Knepp.

Any shareholder entitled to vote in person at the annual meeting may vote in person regardless of whether a proxy has been previously given, and such vote will revoke any previous proxy, but the mere presence (without notifying Penns Woods Corporate Secretary) of a shareholder at the annual meeting will not constitute revocation of a previously given proxy.

Q: Who will bear the cost of soliciting votes for the Penns Woods annual meeting?

A: Penns Woods and Luzerne will bear the cost of preparing, assembling, printing, mailing and distributing these proxy materials equally. In addition to the mailing of these proxy materials, the solicitation of proxies or votes for the Penns Woods annual meeting may be made in person, by telephone, or by electronic communication by Penns Woods directors, officers, and employees, who will not receive any additional compensation for such solicitation activities. In addition, Penns Woods may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners.

Q: What happens if additional proposals are presented at the Penns Woods annual meeting?

A: Other than the proposals described in this joint proxy statement/prospectus, Penns Woods does not expect any matters to be presented for a vote at the annual meeting. If you grant a proxy, the persons named as proxy holders, Richard A. Grafmyre and Brian L. Knepp, will have the discretion to vote your shares on any additional matters properly presented for a vote at the annual meeting.

Q: Are there risks that I should consider in deciding whether to vote to approve the merger agreement?

A: Yes. You should consider the risk factors set out in the section entitled *Risk Factors* beginning on page 35 of this joint proxy statement/prospectus.

Q: What if I hold stock of both Penns Woods and Luzerne?

A: If you hold shares of both Penns Woods and Luzerne, you will receive two separate packages of proxy materials. A vote as a Penns Woods shareholder for the merger proposal or any other proposals to be considered at the Penns Woods annual meeting will not constitute a vote as a Luzerne shareholder for the merger proposal or any other proposals to be considered at the Luzerne special meeting, and vice versa. Therefore, please sign, date and return all proxy cards that you receive, whether from Penns Woods or Luzerne, or submit separate proxies as both a Penns Woods shareholder and a Luzerne shareholder as instructed.

Q: Should I send in my Penns Woods stock certificates?

A: No. Please do not send your stock certificates with your proxy card.

Penns Woods shareholders will not be required to exchange or take any other action regarding their stock certificates in connection with the merger. Penns Woods shareholders holding stock certificates should keep their stock certificates both now and after the merger is completed.

Table of Contents

Q: Whom should I contact if I have additional questions?

A: If you are a Penns Woods shareholder and have any questions about the merger, or if you need additional copies of this document or the enclosed proxy card, you should contact:

Penns Woods Bancorp, Inc.

300 Market Street

Williamsport, Pennsylvania 17701

Attention: Brian L. Knepp, Chief Financial Officer

Telephone: 570-320-2030

Questions about the Luzerne Special Meeting

Q: What are the matters on which I am being asked to vote at the Luzerne special meeting?

A: You are being asked to consider and vote on the following matters:

1. adoption of the merger agreement, a copy of which is attached as Annex A to this joint proxy statement/prospectus;

2. adjournment of the Luzerne special meeting, if necessary, to solicit additional proxies; and

3. approval of a non-binding advisory resolution approving the compensation payable to the named executive officers of Luzerne in connection with the merger.

Q: How does the Luzerne board of directors recommend that I vote my shares?

A: The Luzerne board of directors recommends that the Luzerne shareholders vote their shares as follows:

FOR adoption of the merger agreement;

FOR an adjournment of the Luzerne special meeting, if necessary, to solicit additional proxies; and

FOR approval of a non-binding advisory resolution approving the compensation payable to the named executive officers of Luzerne in connection with the merger.

As of the record date, directors and executive officers of Luzerne and their affiliates had the right to vote 37,216 shares of Luzerne common stock, or 5.5% of the outstanding Luzerne common stock entitled to be voted at the Luzerne special meeting. In accordance with the terms of the merger agreement, each of the directors, the Chairman, Vice Chairman and President of Luzerne has executed an Affiliate Letter in favor of

Penns Woods pursuant to which he or she has agreed to vote all shares of Luzerne common stock owned by him or her in favor of adoption of the merger agreement. Additionally, each of the directors and executive officers of Penns Woods has executed an Affiliate Letter in favor of Luzerne pursuant to which he or she has agreed to vote all shares of Penns Woods common stock owned by him or her in favor of adoption of the merger agreement and the transactions contemplated thereby.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this joint proxy statement/prospectus, please submit your proxy as soon as possible so that your shares will be represented at the Luzerne special meeting. Please follow the instructions set forth on the proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker or other nominee.

Q: Who is entitled to vote at the Luzerne special meeting?

A: Luzerne shareholders of record as of the close of business on April 1, 2013, which is referred to as the Luzerne record date, are entitled to notice of, and to vote at, the Luzerne special meeting.

Table of Contents

Q: How many votes do I have?

A: Each outstanding share of Luzerne common stock is entitled to one vote.

Q: How do I vote my Luzerne shares?

A: You may vote your Luzerne shares by completing and returning the enclosed proxy card or by voting in person at the Luzerne special meeting.

Voting by Proxy. You may vote your Luzerne shares by completing and returning the enclosed proxy card. Your proxy will be voted in accordance with your instructions. If you do not specify a choice on one of the proposals described in this joint proxy statement/prospectus, your proxy will be voted in favor of that proposal.

ON YOUR LUZERNE PROXY CARD:

- mark your selections;
- date and sign your name exactly as it appears on your card; and
- return your completed proxy card in the enclosed postage-paid envelope.

Voting in person. If you attend the Luzerne special meeting, you may deliver your completed proxy card in person or may vote by completing a ballot which will be available at the meeting. If your shares are registered in the name of a broker or other nominee and you wish to vote at the meeting, you will need to obtain a legal proxy from your bank or brokerage firm. Please consult the voting form sent to you by your bank or broker to determine how to obtain a legal proxy in order to vote in person at the special meeting.

Should you have any questions on the procedure for voting your shares, please contact Thomas Guido, Corporate Secretary, Luzerne National Bank Corporation, 118 Main Street, Luzerne, Pennsylvania 18709, telephone (570) 288-4511.

Q: Why is my vote important?

A: Because the merger cannot be completed without the affirmative vote of the holders of a majority of the outstanding shares of Luzerne common stock on the Luzerne record date, and because a majority of the outstanding shares of Luzerne common stock entitled to vote is necessary to constitute a quorum in order to transact business at the special meeting, every shareholder s vote is important.

Q: If my shares of Luzerne common stock are held in street name by my broker, will my broker automatically vote my shares for me?

A: No. Your broker **CANNOT** vote your shares on any proposal at the Luzerne special meeting without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker.

Q: What if I fail to instruct my broker?

A: If you do not provide your broker with instructions, your broker generally will not be permitted to vote your shares on the merger proposal or any other proposal (a so-called broker non-vote) at the Luzerne special meeting. For purposes of determining the number of votes cast with respect to the merger proposal, only those votes cast for or against the proposal are counted. Broker non-votes, if any, submitted by brokers or nominees in connection with the special meeting will not be counted as votes for or against for purposes of determining the number of votes cast, but will be treated as present for quorum purposes.

Q: What constitutes a quorum for the Luzerne special meeting?

A: As of the Luzerne record date, 676,694 shares of Luzerne common stock were issued and outstanding, each of which will be entitled to one vote at the meeting. Under Luzerne s bylaws, the presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast constitutes a quorum for the transaction of business at the special meeting. If you vote by proxy, your shares will be included for determining the presence of a quorum. Both abstentions and broker non-votes are also included for purposes of determining the presence of a quorum.

Q: Assuming the presence of a quorum, what is the vote required to approve the matters to be considered at the Luzerne special meeting?

A: The affirmative vote at the Luzerne special meeting, in person or by proxy, of a majority of the outstanding shares of Luzerne common stock is required to approve the merger agreement. The affirmative vote, in person or by proxy, of a majority of votes cast at the Luzerne special meeting is required to approve the proposal to adjourn the Luzerne special meeting, if necessary, to solicit additional proxies, the proposal to adopt a non-binding advisory resolution approving the compensation payable to Luzerne s named executive officers in connection with the merger and any other matter that may properly come before the special meeting. Because the affirmative vote of the holders of a majority of outstanding shares of Luzerne is required to approve the merger agreement, abstentions and broker non-votes with respect to the merger agreement will effectively act as no votes on such proposal. Abstentions and broker non-votes will not affect the outcome of the adjournment proposal, the proposal to approve a non-binding advisory resolution approving the compensation payable to Luzerne s named executive officers in connection with the merger or any other matters that properly come before the special meeting.

Q: Do I have appraisal or dissenters rights?

A: Yes. Under Pennsylvania law, Luzerne shareholders have the right to dissent from the merger agreement and the merger and to receive a payment in cash for the fair value of their shares of Luzerne common stock as determined by an appraisal process. This value may be more or less than the value you would receive in the merger if you do not dissent. If you dissent, you will receive a cash payment for the value of your shares that will be fully taxable to you. To perfect your dissenters rights, you must follow precisely the required statutory procedures. See *The Merger Luzerne Shareholders Have Dissenters Rights in the Merger*, on page 80 and the information at Annex D.

Q: Can I attend the Luzerne special meeting and vote my shares in person?

A: Yes. All shareholders, including shareholders of record and those who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Holders of record of Luzerne common stock can vote in person at the special meeting. If you are not a shareholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership and you must bring a form of personal photo identification with you in order to be admitted. We reserve the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

Q: Can I change my vote?

A: Yes. You may revoke your proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to Luzerne s Corporate Secretary, or (3) attending the special meeting in person, notifying the Corporate Secretary and voting by ballot at the special meeting. The mailing address for Luzerne s Corporate Secretary is Luzerne National Bank Corporation, 118 Main Street, Luzerne, Pennsylvania 18709, Attention: Thomas Guido.

Table of Contents

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, and such vote will revoke any previous proxy, but the mere presence (without notifying Luzerne s Corporate Secretary) of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Q: Who will bear the cost of soliciting votes for the Luzerne special meeting?

A: Penns Woods and Luzerne will bear the cost of preparing, assembling, printing, mailing and distributing these proxy materials equally. In addition to the mailing of these proxy materials, the solicitation of proxies or votes for the Luzerne special meeting may be made in person, by telephone, or by electronic communication by Luzerne s directors, officers, and employees, who will not receive any additional compensation for such solicitation activities. In addition, Luzerne may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners.

Q: What happens if additional proposals are presented at the Luzerne special meeting?

A: Other than the proposals described in this joint proxy statement/prospectus, Luzerne does not expect any matters to be presented for a vote at the special meeting. If you grant a proxy, the persons named as proxy holders, Thomas Guido and John Moore, Jr., will have the discretion to vote your shares on any additional matters properly presented for a vote at the special meeting.

Q: Are there risks that I should consider in deciding whether to vote to approve the merger agreement?

A: Yes. You should consider the risk factors set out in the section entitled *Risk Factors* beginning on page 35 of this joint proxy statement/prospectus.

Q: What if I hold stock of both Penns Woods and Luzerne?

A: If you hold shares of both Penns Woods and Luzerne, you will receive two separate packages of proxy materials. A vote as a Luzerne shareholder for the merger proposal or any other proposals to be considered at the Luzerne special meeting will not constitute a vote as a Penns Woods shareholder for the merger proposal or any other proposals to be considered at the Penns Woods annual meeting, and vice versa. Therefore, please sign, date and return all proxy cards that you receive, whether from Penns Woods or Luzerne, or submit separate proxies as both a Penns Woods shareholder and a Luzerne shareholder as instructed.

Q: Should I send in my Luzerne stock certificates?

A: No. If Luzerne shareholders approve the merger agreement, after the merger is completed, you will receive written instructions, including a letter of transmittal that will explain how to exchange your Luzerne stock certificates for Penns Woods common stock certificates. **Please do not send in any Luzerne stock certificates until you receive these written instructions and the letter of transmittal.**

Q: Whom should I contact if I have additional questions?

A:

If you are a Luzerne shareholder and have any questions about the merger, or if you need additional copies of this document or the enclosed proxy card, you should contact:

Luzerne National Bank Corporation

118 Main Street

Luzerne, PA 18709

Attention: Thomas Guido

Telephone: 570-288-4511

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this joint proxy statement/prospectus and may not contain all of the information that is important to you. We urge you to carefully read the entire joint proxy statement/prospectus and the other documents to which we refer in order to fully understand the merger and the related transactions. See Incorporation of Certain Documents by Reference on page 193. Each item in this summary refers to the page of this joint proxy statement/prospectus on which that subject is discussed in more detail.

Information about the Parties

Penns Woods Bancorp, Inc. (page 111)

Penns Woods is a Pennsylvania business corporation and bank holding company with its headquarters in Williamsport, Pennsylvania. At December 31, 2012, Penns Woods had total consolidated assets of $857 million. Penns Woods is the parent company of Jersey Shore State Bank, which operates thirteen branch offices providing financial services in Lycoming, Clinton, Centre, and Montour Counties in Pennsylvania. Investment and insurance products are offered through Jersey Shore State Bank s subsidiary, The M Group, Inc. D/B/A The Comprehensive Financial Group. Penns Woods also owns Woods Investment Company, Inc., which maintains and manages an equity investment portfolio, and Woods Real Estate Development Company, Inc., which owns certain properties utilized by Jersey Shore State Bank in connection with its operations. Penns Woods common stock is traded on The Nasdaq Global Select Market under the symbol PWOD.

The principal executive offices of Penns Woods are located at Penns Woods Bancorp, Inc., 300 Market Street, Williamsport, Pennsylvania 17701, and its telephone number is (570) 320-2021.

Luzerne National Bank Corporation (page 144)

Luzerne is a Pennsylvania business corporation and bank holding company with its headquarters in Luzerne, Pennsylvania. At December 31, 2012, Luzerne had total consolidated assets of $319 million. Luzerne is the parent company for Luzerne Bank, which operates eight branch offices in Luzerne and Lackawanna Counties in Pennsylvania. Luzerne common stock is traded in the over-the-counter market under the symbol LUZR.

The principal executive offices of Luzerne are located at 118 Main Street, Luzerne, Pennsylvania 18709, and its telephone number is (570) 288-4511.

The Merger (page 44)

The terms and conditions of the merger are contained in the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus and incorporated by reference herein. Please carefully read the merger agreement as it is the legal document that governs the merger.

Luzerne Will Merge into Penns Woods (page 44)

We are proposing the merger of Luzerne with and into Penns Woods. As a result, Penns Woods will continue as the surviving company.

Following the completion of the merger, the merger agreement provides that Penns Woods will continue to operate Luzerne Bank as a separate banking subsidiary of Penns Woods under the name Luzerne Bank, consistent with Penn Woods overall business strategies and operating policies as such strategies and policies may develop from time to time. Penns Woods will have the right to terminate its obligation to operate Luzerne Bank as a separate operating subsidiary of Penns Woods if Luzerne Bank fails to satisfy certain performance metrics for any two consecutive years beginning after January 1, 2015 or as a result of applicable regulatory requirements, safe and sound banking practices as communicated by a banking regulator, or the exercise by Penns Woods directors of their fiduciary duties. For further discussion on the operation of Luzerne Bank as a separate operating subsidiary of Penns Woods following completion of the merger, see *The Merger Agreement Luzerne Bank Post-Closing Operation*.

Penns Woods Will Hold Its Annual Meeting on May 29, 2013 (page 108)

The Penns Woods annual meeting will be held on May 29, 2013 at 1:00 p.m., local time, at **The Robert Wheeland Community Center, 1201 Locust Street, Jersey Shore, Pennsylvania**, Pennsylvania 17740. At the annual meeting, Penns Woods shareholders will be asked to:

1. adopt the merger agreement;

2. elect four (4) Class 1 directors to serve for a three-year term that will expire in 2016, and until their successors are elected and qualified;

3. approve, in a non-binding (advisory) vote, the compensation paid to Penns Woods named executive officers;

4. ratify the appointment of S.R. Snodgrass, A.C., Certified Public Accountants, as Penns Woods independent registered public accounting firm for the year ending December 31, 2013 ; and

5. approve the adjournment of the annual meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the meeting to adopt the merger agreement.

Record Date. Only holders of record of Penns Woods common stock at the close of business on March 1, 2013 will be entitled to vote at the annual meeting. Each share of Penns Woods common stock is entitled to one vote. As of the Penns Woods record date, there were 3,838,807 shares of Penns Woods common stock issued and outstanding and entitled to vote at the annual meeting.

Required Vote. The affirmative vote at the Penns Woods annual meeting, in person or by proxy, of the holders of 66-2/3% of the outstanding shares of Penns Woods common stock is required to approve the merger agreement. Directors are elected by a plurality of votes cast and, accordingly, the four nominees receiving the highest number of votes for director at the annual meeting will be elected. The affirmative vote, in person or by proxy, of a majority of all votes cast at the Penns Woods annual meeting is required to approve the compensation paid to its named executive officers in the advisory vote, the proposal to ratify Penns Woods independent public accounting firm, the proposal to adjourn the meeting, if necessary, to solicit additional proxies and any other matter that may properly come before the annual meeting. A majority of the outstanding Penns Woods common stock entitled to vote is necessary to constitute a quorum in order to transact business at the meeting.

As of the record date, directors and executive officers of Penns Woods and their affiliates had the right to vote 144,784 shares of Penns Woods common stock, or 3.76% of the outstanding Penns Woods common stock entitled to be voted at the annual meeting. In accordance with the terms of the merger agreement, each of the directors and executive officers of Penns Woods has executed an Affiliate Letter in favor of Luzerne pursuant to which he or she has agreed to vote all shares of Penns Woods common stock owned by him or her in favor of adoption of the merger agreement and the transactions contemplated thereby.

Luzerne Will Hold Its Special Meeting on May 29, 2013 (page 138)

The Luzerne special meeting will be held on May 29, 2013 at 9:00 a.m., local time, at Luzerne s headquarters at 118 Main Street, Luzerne, Pennsylvania 18709. At the special meeting, Luzerne shareholders will be asked to:

1. adopt the merger agreement;

2. approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to adopt the merger agreement; and

3. approve a non-binding advisory resolution approving the compensation of the named executive officers of Luzerne in connection with the merger.

Record Date. Only holders of record of Luzerne common stock at the close of business on April 1, 2013 will be entitled to vote at the special meeting. Each share of Luzerne common stock is entitled to one vote. As of the Luzerne record date, there were 676,694 shares of Luzerne common stock issued and outstanding and entitled to vote at the special meeting.

Required Vote. The affirmative vote at the Luzerne special meeting, in person or by proxy, of a majority of the outstanding shares of Luzerne common stock is required to approve the merger agreement. The affirmative vote, in person or by proxy, of a majority of votes cast at the Luzerne special meeting is required to approve the proposal to adjourn the Luzerne special meeting, if necessary, to solicit additional proxies, the proposal to adopt a non-binding advisory resolution approving the compensation payable to Luzerne s named executive officers in connection with the merger and any other matter that may properly come before the special meeting.

As of the record date, directors and executive officers of Luzerne and their affiliates had the right to vote 37,216 shares of Luzerne common stock, or 5.5% of the outstanding Luzerne common stock entitled to be voted at the special meeting. In accordance with the terms of the merger agreement, each of the directors and the Chairman, Vice Chairman and President of Luzerne has executed an Affiliate Letter in favor of Penns Woods pursuant to which he or she has agreed to vote all shares of Luzerne common stock owned by him or her in favor of adoption of the merger agreement.

Luzerne Shareholders Will Receive Shares of Penns Woods Common Stock and/or Cash in the Merger Depending on Their Election and Any Proration (page 88).

Luzerne shareholders will have the right to elect to receive merger consideration, without interest, for each of their shares of Luzerne common stock. Each Luzerne shareholder will have the opportunity to elect to receive in exchange for each share of Luzerne common stock owned immediately prior to completion of the merger either: (i) a cash payment of $61.86 per share; (ii) 1.5534 shares of Penns Woods common stock; or (iii) a combination of cash and shares of Penns Woods common stock.

Each election will be subject to allocation and proration procedures in the merger agreement, which are intended to ensure that, in the aggregate, at least 90% of the Luzerne shares of common stock outstanding will be exchanged for Penns Woods common stock. Penns Woods has the right to permit greater than 90% of the Luzerne common shares to be exchanged for shares of Penns Woods common stock; however, if the holders of more than 10% of Luzerne shares elect to receive cash for their shares of Luzerne common stock, then shareholders will receive shares of Penns Woods common stock in accordance with the proration procedures and the other requirements set forth in the merger agreement.

Table of Contents

Record holders of Luzerne common stock may specify different elections with respect to different shares that you hold (if, for example, a Luzerne shareholder owns 100 shares of Luzerne common stock, such shareholder could make a cash election with respect to 50 shares and a stock election with respect to the other 50 shares).

As an example, based on the average of the high and low sale prices of Penns Woods common stock on The Nasdaq Global Select Market for the 10 trading days ending on **[ ]**, 2013 (the most recent practicable date prior to the printing of this joint proxy statement/prospectus), for each share of Luzerne common stock held, a Luzerne shareholder would receive either $61.86 in cash or 1.5534 shares of Penns Woods common stock, subject to possible proration. Based on that price, the 1.5534 shares of Penns Woods common stock would have a market value of $**[ ]**. Penns Woods will compute the actual amount of cash and number of shares of Penns Woods common stock that each Luzerne shareholder will receive in the merger using the formula contained in the merger agreement. For a summary of the formula contained in the merger agreement, see *The Merger Agreement Consideration To Be Received in the Merger* beginning on page 88.

Regardless of Whether an Election is Made, a Luzerne Shareholder May Not Receive the Consideration Elected (page 88)

Pursuant to the terms of the merger agreement, a minimum of 90% of the total number of shares of Luzerne common stock outstanding at the effective time of the merger will be converted into stock consideration, and the remaining outstanding shares of Luzerne common stock (excluding the shares of Luzerne common stock to be cancelled) not converted into shares of Penns Woods common stock will be converted into cash consideration. Penns Woods has the right to permit greater than 90% of the total number of shares of Luzerne common stock to be converted in the form of shares of Penns Woods common stock. As a result, if more Luzerne shareholders make valid elections to receive either Penns Woods common stock or cash than is available as merger consideration under the merger agreement, those Luzerne shareholders electing the over-subscribed form of consideration may have the over-subscribed consideration proportionately reduced and substituted with consideration in the other form, despite their election.

In Order to Make a Valid Election, Luzerne Shareholders Must Properly Complete and Deliver the Election Form (page 90)

If a Luzerne shareholder wishes to elect the type of merger consideration such shareholder prefers to receive in the merger, such shareholder should carefully review and follow the instructions set forth in the form of election, which is being mailed to Luzerne shareholders concurrently with this joint proxy statement/prospectus. Luzerne shareholders will need to sign, date and complete the election form and transmittal materials and return them to the exchange agent at the address given in the materials, together with the certificates representing shares of Luzerne common stock prior to the Election Deadline. **Luzerne shareholders should NOT send stock certificates with a proxy card returned to vote on the merger agreement.**

The Election Deadline will be at 5:00 p.m. New York City time on May 28, 2013, which is the business day prior to the Luzerne special meeting of shareholders on May 29, 2013. If a Luzerne shareholder does not submit a properly completed and signed form of election to the exchange agent by the Election Deadline, such shareholder will have no control over the type of merger consideration to be received, and, consequently, at the discretion of Penns Woods, may receive only cash, only Penns Woods common stock or a combination of cash and Penns Woods common stock in the merger.

Once a Luzerne shareholder has tendered stock certificates representing shares of Luzerne common stock to the exchange agent, such shareholder may not transfer shares of Luzerne common stock represented by those stock certificates until the merger is completed, unless such shareholder revokes a previous election by written notice to the exchange agent that is received prior to the Election Deadline. If the merger is not completed and the merger agreement is terminated, stock certificates will be returned by the exchange agent to the shareholder submitting them.

Expected Material United States Federal Income Tax Treatment as a Result of the Merger (page 104)

The merger is structured to be treated as a reorganization for United States federal income tax purposes. Each of Penns Woods and Luzerne has conditioned the consummation of the merger on its receipt of a legal opinion that this will be the case. The federal income tax treatment for Luzerne shareholders will depend primarily on whether Luzerne common stock is exchanged solely for Penns Woods common stock (with cash received instead of a fractional share of Penns Woods common stock), solely for cash, or for a combination of Penns Woods common stock and cash.

Generally, a Luzerne shareholder will not recognize gain or loss on the exchange of Luzerne common stock solely for Penns Woods common stock in the merger, except with respect to the cash received in lieu of a fractional share interest in Penns Woods common stock. If a Luzerne shareholder receives only cash in exchange for Luzerne common stock in the merger, then such shareholder generally will recognize gain or loss equal to the difference between the amount of cash received and the shareholder s adjusted tax basis in the shares of Luzerne common stock surrendered. If a Luzerne shareholder exchanges Luzerne common stock for a combination of Penns Woods common stock and cash, then such shareholder generally will recognize gain equal to the amount of cash received (not counting cash received in lieu of a fractional share interest in Penns Woods common stock) or the amount of gain realized, whichever is lower, but such shareholder will not recognize any loss. If a Luzerne shareholder receives cash instead of a fractional share interest in Penns Woods common stock, such shareholder will recognize gain or loss on receipt of that cash.

Exceptions to these conclusions or other considerations may apply, some of which are discussed beginning on page 104. Determining the actual tax consequences of the merger to a Luzerne shareholder can be complicated. Those consequences will depend on such shareholder s specific situation, on whether the shareholder elects to receive common stock, cash or a mix of common stock and cash, on whether an election is effective or must be changed under the proration provisions of the merger agreement, and on many variables that are not within our control. For further information, please refer to *Material United States Federal Income Tax Consequences of the Merger* on page 104. **Luzerne shareholders should also consult their own tax advisors for a full understanding of the federal income tax and other tax consequences of the merger as they apply specifically to them**.

The United States federal income tax consequences described above may not apply to all holders of Luzerne common stock. The tax consequences for Luzerne shareholders will depend on their individual situations. Accordingly, Luzerne shareholders are strongly urged to consult their tax advisors for a full understanding of the particular tax consequences of the merger to them.

Accounting Treatment of the Merger (page 103)

The merger will be treated as a business combination using the acquisition method of accounting with Penns Woods treated as the acquiror under generally accepted accounting principles, or GAAP.

Market Prices and Share Information (page 191)

Penns Woods common stock is quoted on The Nasdaq Global Select Market under the symbol PWOD. Luzerne common stock is quoted on the OTCQB under the symbol LUZR.

Table of Contents

The following table shows the closing sale prices of Penns Woods common stock as reported on The Nasdaq Global Select Market on October 17, 2012, the last trading day before announcement of the merger, and on [ ], 2013, the last practicable trading day prior to mailing this joint proxy statement/prospectus. The table also presents the equivalent value of the merger consideration per share of Penns Woods common stock on October 17, 2012, and [ ], 2013, calculated by multiplying the closing sale prices of Penns Woods common stock on those dates by 1.5534, which represent the exchange ratio of shares of Penns Woods common stock that Luzerne shareholders electing to receive Penns Woods common stock would receive in the merger for each share of Luzerne common stock.

	Penns Woods Common Stock	Luzerne Common Stock	Equivalent Per Share Value
Prior to execution of the merger agreement	$ 44.26 (1)	$ 38.80 (2)	$ 68.75
At [ ], 2013	$	$	$

(1) Closing price as of October 17, 2012.
(2) Last reported price as of October 17, 2012.

The market price of Penns Woods common stock will fluctuate prior to the merger. You should obtain current stock price quotations for the shares.

Upon completion of the merger, assuming 90% of the outstanding shares of Luzerne common stock are exchanged for Penns Woods common stock, former Luzerne shareholders will own approximately 20% of the outstanding shares of Penns Woods common stock.

Janney Montgomery Scott LLC Has Provided an Opinion to the Luzerne Board of Directors Regarding the Fairness of the Merger Consideration (page 49)

Luzerne s financial advisor, Janney Montgomery Scott LLC, or Janney, has conducted financial analyses and delivered an opinion to Luzerne s board of directors that, as of October 18, 2012, the exchange ratio was fair from a financial point of view to the shareholders of Luzerne.

The full text of Janney s opinion is attached as Annex B to this joint proxy statement/prospectus. Luzerne shareholders should read that opinion and the summary description of Janney s opinion contained in this joint proxy statement/prospectus in their entirety. The opinion of Janney does not reflect any developments that may have occurred or may occur after the date of its opinion and prior to the completion of the merger.

Luzerne paid Janney an upfront engagement fee of $15,000, and an additional $50,000 when Luzerne entered into a definitive agreement pertaining to the merger. Upon the closing of the merger, Janney will receive an additional $135,000, plus expenses.

Monocacy Financial Advisors, LLC Has Provided an Opinion to the Penns Woods Board of Directors Regarding the Fairness of the Merger Consideration (page 58)

Penns Woods financial advisor, Monocacy Financial Advisors, LLC, or Monocacy, has conducted financial analyses and delivered an opinion to Penns Woods board of directors that, as of October 18, 2012, the exchange ratio was fair from a financial point of view to Penns Woods.

The full text of Monocacy s opinion is attached as Annex C to this joint proxy statement/prospectus. Penns Woods shareholders should read that opinion and the summary description of Monocacy s opinion contained in this joint proxy statement/prospectus in their entirety. The opinion of Monocacy does not reflect any developments that may have occurred or may occur after the date of its opinion and prior to the completion of the merger. Penns Woods does not expect that it will request an updated opinion from Monocacy.

Table of Contents

Penns Woods will pay Monocacy an advisory fee, currently estimated to be $421,000 in total, upon successful completion of the merger. As part of its engagement with Monocacy, Penns Woods has agreed to pay Monocacy a success fee equal to 0.14% (14 basis points) on total assets of Luzerne, with 25% of the expected fee to be paid at announcement of the issuance of a fairness opinion and the remainder at closing. The success fee will be net of offsets for any Advisory Fee, Fairness Opinion Fee, or other milestone fee already paid. Penns Woods has previously paid an advisory fee of $15,000 at the inception of the contract with Monocacy, and an initial payment, as described above of approximately $105,000. The remainder due will be paid at closing. Pursuant to the engagement agreement, Penns Woods also agreed to reimburse Monocacy for reasonable out-of-pocket expenses (not to exceed $10,000 without prior approval) and disbursements incurred in connection with its retention and to indemnify against certain liabilities, including liabilities under federal securities laws.

Board of Directors and Executive Officers of Penns Woods after the Merger (page 80)

Following completion of the merger, Penns Woods will appoint three individuals designated by the Luzerne board of directors, who are not employees of Luzerne or any of its subsidiaries and who are agreed to by Penns Woods, to serve on the Penns Woods board of directors. Luzerne has designated Joseph E. Kluger, Jill F. Schwartz and John G. Nackley to be appointed to the Penns Woods board, and Penns Woods has agreed to such appointments. One such individual will be appointed to serve in each of Class 1, Class 2 and Class 3 of the Penns Woods board of directors. Penns Woods has agreed to nominate and recommend for election each such designated person for one additional three-year term following their initial appointment.

In addition, the merger agreement provides that promptly following the effective time of the merger, Penns Woods will take such action as may be necessary to cause the board of directors of Luzerne Bank to consist of the chief executive officer of Penns Woods, the chief executive officer of Luzerne Bank and all other individuals serving as directors of Luzerne Bank immediately prior to the effective time. For a period of three years following the effective time of the merger, future appointments to the Luzerne Bank board of directors will be mutually agreed by the boards of directors of Penns Woods and Luzerne Bank, subject to the right of Penns Woods to remove or replace any Luzerne Bank director if such director breaches or fails to perform the duties of such director s office in the sole discretion of Penns Woods.

The members of the board of directors of Jersey Shore State Bank will not change as a result of the merger. In addition, the officers of Penns Woods, Jersey Shore State Bank and Luzerne Bank will not change as a result of the merger.

The Penns Woods Board of Directors Recommends That Penns Woods Shareholders Vote FOR Adoption of the Agreement and Plan of Merger (page 58)

The Penns Woods board of directors believes that the merger is in the best interests of Penns Woods and its shareholders and has unanimously approved the merger and the merger agreement. The Penns Woods board of directors recommends that Penns Woods shareholders vote FOR adoption of the agreement and plan of merger. The Penns Woods board also recommends that its shareholders vote FOR the election of the four nominees of the board of directors for election as Class 1 directors; FOR the approval, in a non-binding (advisory) vote, of compensation paid to Penns Woods named executive officers; FOR the ratification of S.R. Snodgrass, A.C., Certified Public Accountants, as Penns Woods independent registered public accounting firm for the year ending December 31, 2013; and FOR the proposal to adjourn the Penns Woods annual meeting, if necessary, to solicit additional proxies.

Table of Contents

The Luzerne Board of Directors Recommends That Luzerne Shareholders Vote FOR Adoption of the Agreement and Plan of Merger (page 49)

The Luzerne board of directors believes that the merger is in the best interests of Luzerne and its shareholders and has unanimously approved the merger and the merger agreement. The Luzerne board of directors recommends that Luzerne shareholders vote FOR adoption of the agreement and plan of merger, and FOR the adoption of a non-binding advisory resolution approving the compensation payable to the named executive officers of Luzerne in connection with the merger. The Luzerne board also recommends that its shareholders vote FOR the proposal to adjourn the special meeting, if necessary, to solicit additional proxies.

Luzerne s Directors and Executive Officers Have Financial Interests in the Merger that May Differ from the Interests of Luzerne Shareholders (page 83)

In addition to their interests as Luzerne shareholders, the directors and certain executive officers of Luzerne may have interests in the merger that are different from or in addition to interests of other Luzerne shareholders. These interests include, among others, provisions in the merger agreement regarding board membership, as well as change in control agreements, employment agreements, indemnification, insurance, and eligibility to participate in various employee benefit plans. For purposes of the Luzerne agreements and plans, the completion of the merger will generally constitute a change in control. These additional interests may create potential conflicts of interest and cause some of these persons to view the proposed transaction differently than a Luzerne shareholder may view it. The financial interests of Luzerne s directors and executive officers in the merger include the following:

- the appointment, effective at the closing of the merger, of three current individuals (Joseph E. Kluger, Jill F. Schwartz and John G. Nackley) to the board of directors of Penns Woods and the payment of compensation to such individuals in accordance with the policies of Penns Woods, which currently consists of the following payments to each of its non-employee directors: an annual retainer of $15,000 and between $400 and $500 for each committee meeting attended, depending on the committee;

- the appointment, effective at the closing of the merger, of all current directors of Luzerne Bank to the board of directors of Luzerne Bank and the payment of compensation to such individuals in accordance with the policies of Luzerne Bank, which currently consists of the following payments to each of the banks non-employee directors: an annual retainer of $8,000 ($22,000 for the Chairman), and $800 for each board meeting attended and $400 for each committee meeting attended (provided no committee fees are paid to the Chairman);

- the continued indemnification of current directors and executive officers of Luzerne and its subsidiaries pursuant to the terms of the merger agreement and providing these individuals with continued director s and officer s liability insurance;

- the payment of certain severance or change-in-control benefits to certain of Luzerne s executive officers if their employment terminates for certain specified circumstances following the merger or the retention of certain executive officers of Luzerne, and payment of compensation to such executive officers, pursuant to employment agreements between Luzerne Bank and each of them that will become effective at the closing of the merger, as follows:

  - Robert C. Snyder, President and Chief Executive Officer of Luzerne Bank, is a party to an employment agreement with Luzerne Bank. Mr. Snyder s employment agreement provides that, if his employment is terminated as a result of a change in control of Luzerne or Luzerne Bank or he is forced to relocate his principal office more than 40 miles from his current office following a change in control of Luzerne or Luzerne Bank, he will be entitled to give notice of good reason and if the event of good reason is not cured within 30 days, he will be entitled to terminate his employment and receive continued payments of base salary any health and medical coverage for a period of 24 months. If Mr. Snyder were entitled to terminate his employment under such

provisions, he would receive a payment totaling $993,489 (consisting of cash of $394,000, payments of $573,405 under the Luzerne National Bank Supplemental Executive Retirement Plan, and health and medical benefits of $26,084). **Because Mr. Snyder will continue as President and Chief Executive Officer of Luzerne Bank after the merger and will not be required to move more than 40 miles from his current office location, closing of the merger is not expected to result in the payment of any change in control benefits to Mr. Snyder**;

Michael J. Bibak, Regional President, Lackawanna Market & Chief Lending Officer of Luzerne Bank, is a party to a change in control agreement with Luzerne Bank. This agreement provides that Mr. Bibak would be entitled to receive certain payments totaling $719,785 (consisting of cash of $300,000, payments of $393,945 under the Luzerne National Bank Supplemental Executive Retirement Plan, and health and medical benefits of $25,840) if his employment terminated for specified events of good reason within one year following a change in control or if he voluntarily terminated his employment within one month following a change in control. Mr. Bibak has agreed to forego these payments in lieu of a new employment agreement with Penns Woods and Luzerne Bank, which will become effective upon closing of the merger. Under the new employment agreement, which is for a term of three years with annual renewals thereafter (subject to either party s ability not to renew the agreement at any annual renewal date), Mr. Bibak will be employed as the Regional President Lackawanna Market and Chief Lending Officer of Luzerne Bank. Mr. Bibak s salary under the new employment agreement is initially $147,000 annually and he is entitled to participate in annual or other discretionary bonus programs for other senior officers. In lieu of any benefits payable under his change in control arrangement with Luzerne Bank, Mr. Bibak will receive a sign-on bonus in the amount of $100,000 within thirty days of the merger, a pro rata portion of which he would be required to return if he voluntarily terminates his employment within the first year of employment. In addition, if Mr. Bibak is employed on the first anniversary date of the merger, he will receive an additional bonus in the amount of $47,900. Mr. Bibak, at his election, may provide notice of his intent to voluntarily terminate his employment prior to the first anniversary date of the merger in which case he will be entitled to receive a payment of $195,800 in lieu of the second bonus payment amount of $47,900. In the event that Mr. Bibak s employment terminates for specified events of good reason following a change of control of Penns Woods, Mr. Bibak would be entitled to a lump-sum cash payment equal to two times his then current base salary;

George F. Maculloch, Executive Vice President and Chief Operating Officer of Luzerne Bank, is a participant in the Luzerne National Bank Supplemental Executive Retirement Plan. Under this Plan, Mr. Maculloch would be entitled to a distribution of his benefits under the Plan ($240,000) if his employment is terminated following a change in control of Luzerne Bank; and

Robert G. Edgerton, Jr., a non-executive officer of Luzerne Bank is a party to a change in control agreement with Luzerne Bank. Mr. Edgerton has agreed to forego any payments under this agreement in lieu of a new employment agreement with Penns Woods and Luzerne Bank, which will become effective upon closing of the merger. Under the new employment agreement, which is for a term of three years with annual renewals thereafter (subject to either party s ability not to renew the agreement at any annual renewal date), Mr. Edgerton will be employed as a Senior Vice President and Commercial Lender of Luzerne Bank. Mr. Edgerton s salary under the new employment agreement is initially $150,000 annually and he is entitled to participate in annual or other discretionary bonus programs for other senior officers. In lieu of any benefits payable under his change in control arrangement with Luzerne Bank, Mr. Edgerton will receive a sign-on bonus in the amount of $150,000 payable within thirty days following the closing of the merger, a pro rata portion of which he would be required to return if he voluntarily terminates his employment within the first year of employment. In addition, Mr. Edgerton will receive an additional bonus in

Table of Contents

the amount of $150,000, payable in three installments of $50,000 each over three years commencing on the first anniversary of the merger. The additional bonus amount to Mr. Edgerton is payable regardless of whether he is employed at the time of payment unless his employment was terminated for cause in which case no additional installments are due and payable. In the event that Mr. Edgerton s employment terminates for specified events of good reason following a change of control of Penns Woods, Mr. Edgerton would be entitled to a lump-sum cash payment equal to two times his then current base salary.

Luzerne s board of directors was aware of these interests and took them into account in its decision to approve the agreement and plan of merger. For information concerning these interests, please see the discussion on page 83 under the caption *The Merger Luzerne s Directors and Executive Officers Have Financial Interests in the Merger*.

Holders of Luzerne Common Stock Have Dissenters Rights (page 80)

If you are a Luzerne shareholder, you have the right under the Pennsylvania Business Corporation Law to dissent from the merger agreement and the merger, and to demand and receive cash for the fair value of your shares of Luzerne common stock. For a complete description of the dissenters rights of Luzerne shareholders, please see the discussion under the caption *The Merger Luzerne Shareholders Have Dissenters Rights in the Merger* on page 80. In order to assert dissenters rights, a Luzerne shareholder must:

- file a written notice of intent to dissent with Luzerne prior to the shareholder vote at the special meeting of shareholders;

- make no change in your beneficial ownership of Luzerne common stock after you give notice of your intention to demand fair value of your shares of Luzerne common stock;

- not vote to adopt the merger agreement at the special meeting;

- file a written demand for payment and deposit any certificates representing the Luzerne shares for which dissenters rights are being asserted as requested by the notice that will be sent by Penns Woods or Luzerne after the completion of the merger; and

- comply with certain other statutory procedures set forth in Pennsylvania law.

If you are a Luzerne shareholder and you sign and return your proxy without voting instructions, we will vote your proxy in favor of the transaction and you will lose any dissenters rights that you may have. A copy of the relevant provisions of Pennsylvania law related to dissenters rights are attached to this joint proxy statement/prospectus as Annex D.

The Rights of Luzerne Shareholders Will Be Governed by Pennsylvania Law and the Articles of Incorporation and Bylaws of Penns Woods after the Merger

The rights of Luzerne shareholders will change as a result of the merger due to differences in Penns Woods and Luzerne s governing documents. A description of shareholder rights under each of the Penns Woods and Luzerne governing documents, and the material differences between them, is included in the section entitled *Comparison of Shareholders Rights* found on page 185.

Conditions That Must Be Satisfied or Waived for the Merger to Occur (page 100)

Currently, we expect to complete the merger in the second quarter of 2013. As more fully described in this joint proxy statement/prospectus and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others, approval by the requisite vote of the Penns Woods shareholders and the Luzerne shareholders; the receipt of all required regulatory approvals from the Board of Governors of the Federal Reserve System (the FRB) and

Table of Contents

the Pennsylvania Department of Banking and Securities; the exercise of dissenters rights under the Pennsylvania Business Corporation Law with respect to no more than 5% of the outstanding Luzerne common shares; and the receipt of a legal opinion from counsel to each of Penns Woods and Luzerne regarding the tax treatment of the merger.

The FRB approved the merger on March 8, 2013. We cannot be certain when, or if, the remaining conditions to the merger will be satisfied or waived, or that the merger will be completed.

No Solicitation of Other Offers (page 97)

Luzerne has agreed that it, its subsidiaries, its directors and officers and those of its subsidiaries will not, and Luzerne will cause its and each of its subsidiaries employees and agents not to, between the date of the merger agreement and the closing of the merger, directly or indirectly:

- initiate, solicit, induce or encourage, or take any action to facilitate the making of, any inquiry, offer or proposal which constitutes, relates or could reasonably be expected to lead to an alternative acquisition proposal;
- respond to any inquiry relating to an alternative acquisition proposal or an alternative acquisition transaction;
- recommend or endorse an alternative acquisition transaction;
- participate in any discussions or negotiations regarding, or furnish information or data to any person that may relate to an alternative acquisition proposal;
- release anyone from, waive any provisions of, or fail to enforce any confidentiality agreement or standstill agreement to which Luzerne is a party; or
- enter into any agreement, agreement in principle or letter of intent with respect to any alternative acquisition proposal or approve or resolve to approve any alternative acquisition proposal or any agreement, agreement in principle or letter of intent relating to an alternative acquisition proposal.

The merger agreement does not, however, prohibit Luzerne from furnishing information or access to a third party who has made an alternative acquisition proposal and participating in discussions and negotiating with such person prior to the receipt of shareholder approval if specified conditions are met. Among those conditions is a good faith determination by Luzerne s board of directors that the acquisition proposal constitutes a proposal that is more favorable to Luzerne and its shareholders than the transactions contemplated by the merger agreement and is reasonably capable of being completed on its stated terms, taking into account all financial, regulatory, legal and other aspects of the proposal.

For further discussion of the restrictions on solicitation of acquisition proposals from third parties, see *The Merger Agreement Agreement Not to Solicit Other Offers* beginning on page 97.

Termination of the Merger Agreement (page 100)

We may mutually agree to terminate the merger agreement before completing the merger, even after Luzerne or Penns Woods shareholder approval. In addition, either of us may decide to terminate the merger agreement, if (i) a court or governmental entity issues a final order that is not appealable prohibiting the merger, (ii) a bank regulator which must grant a regulatory approval as a condition to the merger denies such approval of the merger and such denial has become final and is not appealable, (iii) the shareholders of Penns Woods or Luzerne fail to approve the merger at their respective meetings, or (iv) the other party breaches the merger agreement in a way that would entitle the party seeking to terminate the agreement not to consummate the

22

Table of Contents

merger, subject to the right of the breaching party to cure the breach within 30 days following written notice. Either of us may terminate the merger agreement if the merger has not been completed by July 31, 2013, unless the reason the merger has not been completed by that date is a breach of the merger agreement by the company seeking to terminate the merger agreement.

Penns Woods may terminate the merger agreement if the Luzerne board of directors, in connection with the receipt of an alternative acquisition proposal, (1) enters into a letter of intent, agreement in principle or an acquisition agreement with respect to the alternative acquisition proposal, (2) fails to make, withdraws, modifies or qualifies its recommendation of the merger agreement in a manner adverse to Penns Woods, or (3) delivers a written notice to Penns Woods of its determination to accept an alternative acquisition proposal.

Luzerne may terminate the merger agreement if Luzerne receives an alternative acquisition proposal and delivers a written notice to Penns Woods of its determination to accept the alternative acquisition proposal. Luzerne may also terminate the merger agreement within five days of the later of (i) the date on which all regulatory approvals, and waivers, if applicable, necessary for consummation of the merger and the transactions contemplated by the merger agreement have been received or (ii) the date of the meeting of Luzerne shareholders if Luzerne s board determines that each of the following have occurred:

- the average of the daily closing sales prices of a share of Penns Woods common stock as reported on Nasdaq for the 20 consecutive trading days immediately preceding the Determination Date is less than 85% of the closing sale price of Penns Woods common stock on the last trading date before the date of the merger agreement; and

- the average of the daily closing sales prices of a share of Penns Woods common stock as reported on Nasdaq for the 20 consecutive trading days immediately preceding the Determination Date is such that the price performance of Penns Woods common stock is lower than the price performance of the Nasdaq bank Index minus 15%.

Termination Fee (page 102)

Luzerne will pay Penns Woods a termination fee of $1.8 million in the event that the merger agreement is terminated:

- by Penns Woods because Luzerne has received an alternative acquisition proposal, and Luzerne (1) enters into a letter of intent, agreement in principle or an acquisition agreement with respect to the alternative acquisition proposal, (2) fails to make, withdraws, modifies or qualifies its recommendation of the merger agreement in a manner adverse to Penns Woods, or (3) has otherwise made a determination to accept the alternative acquisition proposal; or

- by Luzerne, if Luzerne receives an alternative acquisition proposal and delivers a written notice to Penns Woods of its determination to accept the alternative acquisition proposal in accordance with the terms of the merger agreement.

Regulatory Approvals Required for the Merger (page 82)

The Board of Governors of the Federal Reserve System must approve the merger under the provisions of the Bank Holding Company Act of 1956, as amended (the FRB), relating to the acquisition of a bank holding company by another bank holding company, and the applicable waiting period must expire before it can be completed. In addition, the Pennsylvania Department of Banking and Securities (the PDB) must approve the merger under the Pennsylvania Banking Code of 1965. The applications for approval of the merger were filed with the FRB and the PDB on or about January 25, 2013. The FRB approved the merger on March 8, 2013.

For further discussion of the regulatory requirements in connection with the merger, see *The Merger Regulatory Approvals Required for the Merger*, beginning on page 82.

Table of Contents

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF PENNS WOODS

The following table provides historical consolidated summary financial data for Penns Woods. The data for the years ended December 31, 2012, 2011, 2010, 2009 and 2008 are derived from Penns Woods audited financial statements for the periods then ended.

(In thousands except per share data)	At or For the Years Ended December 31,				
	2012	2011	2010	2009	2008
Balance Sheet Data:					
Assets	$ 856,535	$ 763,953	$ 691,688	$ 676,204	$ 652,803
Loans, net of allowance for loan losses	504,615	428,805	409,522	400,872	377,122
Investment securities	289,316	270,151	215,648	208,875	208,386
Deposits	642,026	581,664	517,508	497,287	421,368
Borrowings	109,482	90,876	99,077	105,132	160,724
Shareholders equity	93,726	80,460	66,620	66,916	61,027
Income Statement Data:					
Net interest income	$ 30,896	$ 28,720	$ 26,494	$ 23,793	$ 21,276
Provision for loan losses	2,525	2,700	2,150	917	375
Non-interest income, including security gains and losses	10,100	8,219	7,459	2,287	5,456
Non-interest expense	22,023	19,964	19,492	19,812	17,949
Income before taxes	16,448	14,275	12,311	5,351	8,408
Net Income	13,850	12,362	10,929	6,093	8,003
Per Share Data:					
Basic earnings per share	$ 3.61	$ 3.22	$ 2.85	$ 1.59	$ 2.07
Diluted earnings per share	3.61	3.22	2.85	1.59	2.07
Dividends declared	1.88	1.84	1.84	1.84	1.84
Book value	24.42	20.97	17.37	17.45	15.93
Earnings Performance Ratios:					
Return on average assets	1.70%	1.69%	1.56%	0.92%	1.27%
Return on average shareholders equity	15.36%	16.60%	15.30%	9.66%	12.02%
Net interest margin	4.45%	4.70%	4.57%	4.40%	4.14%
Asset Quality Ratios:					
Net charge offs to average loans	0.44%	0.37%	0.19%	0.16%	0.04%
Non-performing loans to total loans	2.29%	2.75%	1.50%	1.10%	0.46%
Allowance for loan losses to non-performing loans	65.07%	59.57%	97.10%	104.51%	248.21%
Allowance for loan losses to total loans	1.49%	1.64%	1.45%	1.15%	1.14%
Capital Ratios:					
Leverage ratio	9.47%	9.57%	9.55%	9.32%	9.71%
Total risk-based capital ratio	14.97%	15.27%	15.95%	15.44%	16.02%

Table of Contents

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF LUZERNE

The following table provides historical consolidated summary financial data for Luzerne. The data for the years ended December 31, 2012, 2011, 2010, 2009 and 2008 are derived from Luzerne s audited financial statements for the periods then ended.

(In thousands except per share data)	At or For the Years Ended December 31,				
	2012	2011	2010	2009	2008
Balance Sheet Data:					
Assets	$ 319,051	$ 300,733	$ 280,313	$ 267,835	$ 233,148
Loans, net of allowance for loan losses	241,346	224,893	203,078	197,067	176,549
Investment securities	23,162	25,001	26,047	27,397	29,420
Deposits	283,385	263,415	243,645	226,858	187,489
Borrowings	4,376	8,005	9,456	15,874	22,406
Shareholders equity	28,654	26,918	25,156	23,270	21,318
Income Statement Data:					
Net interest income	$ 11,002	$ 10,361	$ 9,975	$ 8,513	$ 7,914
Provision for loan losses	716	848	675	430	370
Non-interest income, including security gains and losses	1,917	1,852	1,895	1,906	1,777
Non-interest expense	8,837	8,390	7,661	7,256	6,884
Income before taxes	3,366	2,975	3,534	2,733	2,437
Net Income	2,300	2,162	2,535	2,021	1,788
Per Share Data:					
Basic earnings per share	$ 3.40	$ 3.19	$ 3.75	$ 2.98	$ 2.64
Diluted earnings per share	3.40	3.19	3.75	2.98	2.64
Dividends declared	0.75	0.75	0.75	0.70	0.70
Book value	42.34	39.78	37.17	34.35	31.47
Earnings Performance Ratios:					
Return on average assets	0.75%	0.77%	0.95%	0.84%	0.83%
Return on average shareholders equity	8.25%	8.28%	10.45%	9.06%	8.60%
Net interest margin	3.97%	4.09%	4.17%	3.95%	3.99%
Asset Quality Ratios:					
Net loan charge offs to average loans	0.26%	0.15%	0.17%	0.04%	0.05%
Non-performing loans to total loans	2.62%	1.48%	0.25%	0.15%	0.25%
Allowance for loan losses to non-performing loans	47.85%	88.07%	475.24%	703.00%	396.82%
Allowance for loan losses to total loans	1.25%	1.30%	1.19%	1.06%	0.98%
Capital Ratios:					
Leverage ratio	9.01%	8.91%	9.38%	9.09%	9.42%
Total risk-based capital ratio	12.26%	12.49%	12.71%	12.11%	12.86%

Table of Contents

UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma combined consolidated financial information assumes that 90% of the outstanding shares of Luzerne common stock will be exchanged for Penns Woods common stock at an exchange ratio of 1.5534 shares of Penns Woods common stock for each share of Luzerne common stock and that the remaining 10% of the outstanding shares of common stock will be exchanged for cash consideration of $61.86 for each share of Luzerne common stock. Utilizing the exchange ratio of 1.5534 and assuming that 90% of the outstanding shares of Luzerne common stock are exchanged for Penns Woods common stock, it is anticipated that Luzerne common shareholders will own approximately 20% of the voting stock of the combined company after the merger.

The unaudited pro forma combined consolidated financial information is based upon the assumption that the total number of shares of Luzerne common stock immediately prior to the completion of the merger will be 676,694 and utilizes the exchange ratio of 1.5534 for 90% of Luzerne s outstanding shares and cash of $61.86 for the remaining 10% of Luzerne s shares, which will result in 946,059 Penns Woods common shares being issued in the transaction.

The following unaudited pro forma combined consolidated financial statements as of and for the period ended December 31, 2012 combine the historical consolidated financial statements of Penns Woods and Luzerne. The unaudited pro forma combined consolidated financial statements give effect to the proposed merger as if the merger occurred on December 31, 2012 with respect to the consolidated balance sheet, and to the beginning of the applicable period, for the years ended December 31, 2012 and 2011, with respect to the consolidated income statement.

The notes to the unaudited pro forma combined consolidated financial statements describe the pro forma amounts and adjustments presented below. THIS PRO FORMA DATA IS NOT NECESSARILY INDICATIVE OF THE OPERATING RESULTS THAT PENNS WOODS WOULD HAVE ACHIEVED HAD IT COMPLETED THE MERGER AS OF THE BEGINNING OF THE PERIOD PRESENTED AND SHOULD NOT BE CONSIDERED AS REPRESENTATIVE OF FUTURE OPERATIONS.

The unaudited pro forma combined consolidated financial information presented below is based on, and should be read together with, the historical financial information that Penns Woods and Luzerne have included in or incorporated by reference in this joint proxy statement/prospectus as of and for the indicated periods.

Table of Contents

Pro Forma Combined Consolidated Balance Sheets as of December 31, 2012

Unaudited (In thousands, except share and per share data)

	Penns Woods	Luzerne	Combined	Pro Forma Adjustments	Pro Forma Combined
Assets:					
Cash	$ 15,142	$ 37,731	$ 52,873	$ (186) (7)(8)	$ 52,687
Securities	289,316	23,162	312,478		312,478
Loans	512,232	244,406	756,638	9,151 (2)(3)	765,789
Allowance for Loan Losses	(7,617)	(3,060)	(10,677)	3,060 (4)	(7,617)
Loans, net	504,615	241,346	745,961	12,211	758,172
Fixed assets	8,348	6,894	15,242		15,242
Accrued interest receivable	4,099	817	4,916		4,916
Bank-owned life insurance	16,362	6,863	23,225		23,225
Goodwill	3,032		3,032	522 (1)	3,554
Core deposit intangible				2,785 (10)	2,785
Other assets	15,621	2,238	17,859		17,859
Total assets	$ 856,535	$ 319,051	$ 1,175,586	$ 15,332	$ 1,190,918
Liabilities and Shareholders Equity:					
Deposits - Noninterest bearing	$ 114,953	$ 92,281	$ 207,234	$	$ 207,234
Deposits - Interest bearing	527,073	191,104	718,177	1,462 (5)	719,639
Short-term borrowing	33,204	2,266	35,470		35,470
Long-term borrowing	76,278	2,110	78,388	4,104 (6)(7)	82,492
Accrued interest payable	366	137	503		503
Other liabilities	10,935	2,499	13,434		13,434
Total liabilities	762,809	290,397	1,053,206	5,566	1,058,772
Preferred stock					
Common stock	33,492	1,697	35,189	6,184 (9)	41,373
Additional paid-in capital	18,157	232	18,389	30,307 (9)	48,696
Retained earnings	43,030	26,536	69,566	(26,536) (9)	43,030
Accumulated other comprehensive income	5,357	275	5,632	(275) (9)	5,357
Treasury Stock	(6,310)	(86)	(6,396)	86 (9)	(6,310)
Total equity	93,726	28,654	122,380	9,766	132,146
Total liabilities and shareholders equity	$ 856,535	$ 319,051	$ 1,175,586	$ 15,332	$ 1,190,918
Per Share Data:					
Common shares outstanding	3,838,516	676,694	4,515,210	946,059	4,784,575
Book value per common share	$ 24.42	$ 42.34			$ 27.62
Tangible book value per common share:					
Total equity	$ 93,726	$ 28,654			$ 132,146
Less: preferred stock					
Less: goodwill and intangibles	3,032				6,339
Total tangible equity	$ 90,694	$ 28,654			$ 125,807

Tangible book value per common share	$ 23.63	$ 42.34	$ 26.29

27

Table of Contents

Pro Forma Consolidated Statements of Income

For the Twelve Months Ended December 31, 2012

Unaudited (In thousands, except share and per share data)

(In Thousands, Except Share Data)	PWOD	LUZR	Combined	Pro Forma Adjustments	Pro Forma Combined
Interest and dividend income:					
Loans, including fees	$ 25,372	$ 12,029	$ 37,401	$ (1,235) (2)	$ 36,166
Investment securities	11,369	470	11,839		11,839
Other dividend and interest income	366	38	404		404
Total interest and dividend income	37,107	12,537	49,644	(1,235)	48,409
Interest expense:					
Deposits	3,645	1,335	4,980	(731) (5)	4,249
Borrowings	2,566	200	2,766	(12) (6)(7)	2,754
Total interest expense	6,211	1,535	7,746	(743)	7,003
Net interest income	30,896	11,002	41,898	(492)	41,406
Provision for loan losses	2,525	716	3,241		3,241
Net interest income after provision for loan losses	28,371	10,286	38,657	(492)	38,165
Non-interest income:					
Service charges	1,894	1,141	3,035		3,035
Securities gains, net	1,285	1	1,286		1,286
Earnings on bank-owned life insurance	670	243	913		913
Gain on sale of loans	1,386		1,386		1,386
Insurance commissions	1,357		1,357		1,357
Brokerage commissions	912		912		912
Other	2,596	532	3,128		3,128
Total non-interest income	10,100	1,917	12,017		12,017
Non-interest expense:					
Salaries and employee benefits	11,762	4,978	16,740		16,740
Occupancy, net	1,270	1,209	2,479		2,479
Furniture and equipment	1,452		1,452		1,452
PA shares tax	674	196	870		870
Amortization of investment in limited partnerships	661		661		661
FDIC deposit insurance	468	180	648		648
Amortization of intangible assets				278 (10)	278
Other	5,736	2,274	8,010		8,010
Total non-interest expense	22,023	8,837	30,860	278	31,138
Income before taxes	16,448	3,366	19,814	(770)	19,044
Income tax expense	2,598	1,066	3,664	(262) (11)	3,402
Net Income	$ 13,850	$ 2,300	$ 16,150	$ (508)	$ 15,642

Weighted average shares outstanding:				
Basic	3,838,516	676,694	946,059	4,784,575
Diluted	3,838,516	676,694	946,059	4,784,575
Earnings per share:				
Basic	$ 3.61	$ 3.40	$ (0.54)	$ 3.27
Diluted	$ 3.61	$ 3.40	$ (0.54)	$ 3.27

28

Table of Contents

Pro Forma Consolidated Statements of Income

For the Twelve Months Ended December 31, 2011

Unaudited (In thousands, except share and per share data)

(In Thousands, Except Share Data)	PWOD	LUZR	Combined	Pro Forma Adjustments	Pro Forma Combined
Interest and dividend income:					
Loans, including fees	$ 25,187	$ 11,557	$ 36,744	$ (1,235) (2)	$ 35,509
Investment securities	10,937	634	11,571		11,571
Other dividend and interest income	252	27	279		279
Total interest and dividend income	36,376	12,218	48,594	(1,235)	47,359
Interest expense:					
Deposits	4,566	1,615	6,181	(731) (5)	5,450
Borrowings	3,090		3,090	(12) (6)(7)	3,078
Other		242	242		242
Total interest expense	7,656	1,857	9,513	(743)	8,770
Net interest income	28,720	10,361	39,081	(492)	38,589
Provision for loan losses	2,700	848	3,548		3,548
Net interest income after provision for loan losses	26,020	9,513	35,533	(492)	35,041
Non-interest income:					
Service charges	2,021	953	2,974		2,974
Securities gains, net	621	1	622		622
Earnings on bank-owned life insurance	599	256	855		855
Gain on sale of loans	1,130		1,130		1,130
Insurance commissions	933		933		933
Brokerage commissions	997		997		997
Other	1,918	642	2,560		2,560
Total non-interest income	8,219	1,852	10,071		10,071
Non-interest expense:					
Salaries and employee benefits	10,479	4,821	15,300		15,300
Occupancy, net	1,262	1,190	2,452		2,452
Furniture and equipment	1,379		1,379		1,379
PA shares tax	689	183	872		872
Amortization of investment in limited partnerships	661		661		661
FDIC deposit insurance	525	194	719		719
Amortization of intangible assets				278 (10)	278
Other	4,969	2,002	6,971		6,971
Total non-interest expense	19,964	8,390	28,354	278	28,632
Income before taxes	14,275	2,975	17,250	(770)	16,480
Income tax expense	1,913	813	2,726	(262) (11)	2,464
Net Income	$ 12,362	$ 2,162	$ 14,524	$ (508)	$ 14,016

Weighted average shares outstanding:				
Basic	3,838,181	676,694	946,059	4,784,240
Diluted	3,838,181	676,694	946,059	4,784,240
Earnings per share:				
Basic	$ 3.22	$ 3.19	$ (0.54)	$ 2.93
Diluted	$ 3.22	$ 3.19	$ (0.54)	$ 2.93

(1) The acquisition will be effected by the distribution of cash and issuance of shares of Penns Woods common stock to Luzerne s common shareholders. The following unaudited pro forma combined consolidated financial information assumes that 90% of the outstanding shares of Luzerne common stock will be exchanged for Penns Woods common stock at an exchange ratio of 1.5534 shares of Penns Woods common stock for each share of Luzerne common stock and that the remaining 10% of the outstanding shares of common stock will be exchanged for cash consideration of $61.86 for each share of Luzerne common stock.

The unaudited pro forma combined consolidated financial information is based upon the assumption that the total number of shares of Luzerne common stock immediately prior to the completion of the merger will be 676,694 and utilizes the exchange ratio of 1.5534 for 90% of Luzerne s outstanding shares and cash of $61.86 for the remaining 10% of Luzerne s shares. This will result in the issuance of 946,049 shares of Penns Woods common shares with an estimated fair value of $38.4 million, for a total estimated purchase price of $42.6 million. The final purchase price will be determined based upon the estimated fair value of Penns Woods common stock and cash consideration paid at the completion date of the merger. The final allocation of the purchase price will be determined after the merger is completed and additional analyses are performed to determine the fair values of Luzerne s tangible and identifiable intangible assets and liabilities as of the date the merger is completed. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein. The unaudited pro forma combined consolidated financial information has been prepared to include the estimated adjustments necessary to record the assets and liabilities of Luzerne at their respective fair values and represents management s best estimate based upon the information available at this time. These pro forma adjustments included herein are subject to change as additional information becomes available and as additional analyses are performed. Such adjustments, when compared to the information shown in this document, may change the amount of the purchase price allocation to goodwill while changes to other assets and liabilities may impact the statement of income due to adjustments in the yield and/or amortization/accretion of the adjusted assets and liabilities.

The total estimated purchase price for the purpose of this unaudited pro forma combined consolidated financial information is $42.6 million. Goodwill is created when the purchase price consideration exceeds the fair value of the assets acquired or a bargain purchase gain results when the current fair value of the assets acquired exceeds the purchase price consideration. For purposes of this analysis as of December 31, 2012, goodwill of $522 thousand results from the transaction; however, the final purchase accounting analysis will be performed as of the merger date and these amounts are subject to change based on operations subsequent to December 31, 2012, as additional information becomes available and as additional analyses are performed. The following table provides the calculation and allocation of the purchase price used in the pro forma financial statements and a reconcilement of pro forma shares to be outstanding.

Table of Contents

Summary of Purchase Price Calculation and Goodwill Resulting From Merger

(in Thousands, Except Share Data)		
Purchase Price Consideration in Common Stock		
Luzerne shares outstanding	676,694	
Exchange ratio	1.5534	
Penns Woods shares to be issued	946,059	
Penns Woods closing price on March 1, 2013	$ 40.61	
Purchase price assigned to Luzerne shares exchanged for Penns Woods stock		$ 38,420
Per share value assigned to Luzerne shares to be converted to cash consideration	$ 61.86	
Purchase price assigned to Luzerne shares exchanged for cash		4,186
Total purchase price		42,606
Net Assets Acquired:		
Luzerne common shareholders equity	$ 28,654	
Core deposit intangible	2,785	
Adjustments to reflect assets acquired at fair value:		
Loans	9,151	
Allowance for loan losses	3,060	
Adjustment to reflect liabilities acquired at fair value:		
Interest bearing deposits	(1,462)	
Borrowings	(104)	
		42,084
Goodwill resulting from merger		$ 522

(2) A fair value premium of $12,349 to reflect fair values of loans based on current interest rates of similar loans. The adjustment will be substantially recognized over approximately 10 years using an amortization method based upon the expected life of the loans and is expected to decrease pro forma pre-tax interest income by $1,235 in the first year following consummation.

(3) A fair value discount of $3,198 to reflect the credit risk of the loan portfolio. No pro forma earnings impact was assumed from the loan credit adjustment. The estimated fair value of the covered loans approximates their carrying value.

(4) Reversal of the Luzerne allowance for loan losses of $3,060 in accordance with acquisition method of accounting for the acquisition.

(5) A fair value premium of $1,462 to reflect the fair values of certain interest-bearing deposit liabilities based on current interest rates for similar instruments. The adjustment will be recognized using an amortization method based upon the estimated maturities of the deposit liabilities. This adjustment is expected to decrease pro forma pre-tax interest expense by $731 in the first year following consummation.

(6) A fair value adjustment of $104 to reflect fair values of FHLB borrowings with various terms and maturities. The adjustment will be recognized using an amortization method based on the maturities of these liabilities. This adjustment is expected to decrease pro forma pre-tax interest expense by $52 in the first year following consummation.

(7) Long-term borrowings will be increased by $4,000 at a rate of 1% for a period of 5 years to be utilized in conjunction with cash on hand to fund the cash payment portion of the merger consideration of $4,186. This adjustment will increase pre-tax interest expense by $40 in the first year following consummation.

Table of Contents

(8) Cash on hand of $186 is utilized in conjunction with $4,000 in borrowed funds for the cash portion of the merger consideration.

(9) Adjustment to reflect the issuance of common shares of Penns Woods common stock with a $8.33 par value in connection with the acquisition and the adjustments to shareholders equity for the elimination of Luzerne historical equity accounts.

Adjustment to common stock, par value $8.33	$ 7,881
Less: historical value of Luzern common stock	1,697
Adjustment to common stock in the pro-forma unaudited combined consolidated balance sheet	$ 6,184
Adjustment to additional paid-in capital	$ 30,539
Less: historical value of Luzern common stock	232
Adjustment to additional paid-in capital in the pro-forma unaudited combined consolidated balance sheet	$ 30,307

(10) Adjustment for core deposit intangible to reflect the fair value of this asset and the related amortization using an expected life of 10 years. The amortization of the core deposit intangible is expected to increase pro forma pre-tax noninterest expense by $278 in the first year following consummation.

(11) Adjustment assumes a tax rate of 34% related to fair value adjustments on pre-tax amounts in the unaudited pro forma combined consolidated statement of income.

Table of Contents

COMPARATIVE PER SHARE DATA (UNAUDITED)

The following table sets forth certain historical Penns Woods and Luzerne per share data. This data should be read together with Penns Woods and Luzerne s historical financial statements and notes thereto, included elsewhere in or incorporated by reference in this document. Please see *Information About Penns Woods Bancorp, Inc.* beginning on page 111, *Information About Luzerne National Bank Corporation* beginning on page 144 and *Incorporation of Certain Document by Reference* beginning on page 193. **The per share data is not necessarily indicative of the operating results that Penns Woods would have achieved had it completed the merger as of the beginning of the periods presented and should not be considered as representative of future operations.**

	For the Twelve Months Ended December 31, 2012	As of and for the Twelve Months Ended December 31, 2011
	(In dollars)	
Comparative Per Share Data:		
Basic and diluted net income (loss) per common share:		
Penns Woods historical	$ 3.61	$ 3.22
Luzerne historical	3.40	3.19
Pro forma combined (1) (2)	3.27	2.93
Equivalent pro forma for one share of Luzerne common stock (3)	5.08	4.55
Book value per common share:		
Penns Woods historical	$ 24.42	$ 20.97
Luzerne historical	42.34	39.78
Pro forma combined (1) (2)	27.62	24.49
Equivalent pro forma for one share of Luzerne common stock (3)	42.90	38.04
Tangible book value per common share:		
Penns Woods historical	$ 23.63	$ 20.49
Luzerne historical	42.34	39.29
Pro forma combined (1) (2)	26.29	21.12
Equivalent pro forma for one share of Luzerne common stock (3)	40.84	32.81
Cash dividends declared per share:		
Penns Woods historical	$ 1.88	$ 1.84
Luzerne historical	0.75	0.75
Pro forma combined (1) (2)	1.88	1.84
Equivalent pro forma for one share of Luzerne common stock (3)	2.92	2.86

(1) The pro forma combined basic earnings and diluted earnings of Penns Woods common stock is based on the pro forma combined net income per common share for Penns Woods and Luzerne divided by the pro forma common shares or diluted common shares of the combined entity, assuming 90% of the outstanding shares of Luzerne common stock are exchanged for Penns Woods common stock at an exchange ratio of 1.5534 shares of Penns Woods common stock for each share of Luzerne common stock in accordance with the merger agreement. The pro forma information includes adjustments related to the estimated fair value of

assets and liabilities and is subject to adjustment as additional information becomes available and as additional analysis is performed. The pro forma information does not include anticipated cost savings or revenue enhancements.

(2) The pro forma combined book value of Penns Woods common stock is based on pro forma combined common shareholders equity of Penns Woods and Luzerne divided by total pro forma common shares of the combined entities, assuming 90% of the outstanding shares of Luzerne common stock are exchanged for Penns Woods common stock at an exchange ratio of 1.5534 shares of Penns Woods common stock for each share of Luzerne common stock in accordance with the merger agreement. The unaudited pro forma combined consolidated information does not include anticipated cost savings or revenue enhancements.

(3) The pro forma equivalent per share amount is calculated by multiplying the pro forma combined per share amount by an assumed exchange ratio of 1.5534, assuming 90% of the outstanding shares of Luzerne common stock are exchanged for Penns Woods common stock at an exchange ratio of 1.5534 shares of Penns Woods common stock for each share of Luzerne common stock in accordance with the merger agreement.

Penns Woods Recent Operating Results

For the three months ended March 31, 2013, Penns Woods reported net income of $3,684,000, compared to $3,689,000 for the same period of 2012. Basic and dilutive earnings per share for the three months ended March 31, 2013 and the corresponding period of 2012 were $0.96. Net interest income for the three months ended March 31, 2013 was $8,205,000 compared to $7,670,000 for the three months ended March 31, 2012. At March 31, 2013, Penns Woods had total assets of $852,997, net loans of $503,592, total deposits of $659,304, and shareholders equity of $93,013.

Table of Contents

RISK FACTORS

In considering whether to vote in favor of the proposal to adopt the merger agreement, you should consider all of the information included in this document and its annexes and all of the information included in the documents we have incorporated by reference and the risk factors identified by Penns Woods with respect to its operations included in its filings with the Securities and Exchange Commission. See *Incorporation of Certain Documents by Reference*. In particular, you should consider the following risk factors.

Because the market price of Penns Woods common stock will fluctuate, Luzerne shareholders cannot be sure of the value of the stock portion of the merger consideration they may receive.

Upon completion of the merger, each share of Luzerne common stock will be converted into the right to receive merger consideration consisting of shares of Penns Woods common stock and/or cash pursuant to the terms of the merger agreement, subject to the requirement that at least 90% of the outstanding shares of Luzerne common stock be exchanged for shares of Penns Woods common stock. The value of the stock portion of the merger consideration to be received by Luzerne shareholders is fixed at 1.5534 shares of Penns Woods common stock for each share of Luzerne common stock. The sale prices for shares of Penns Woods common stock may vary from the sale prices of Penns Woods common stock on the date we announced the merger, on the date this joint proxy statement/prospectus was mailed to Luzerne shareholders and on the date of the special meeting of the Luzerne shareholders. Any change in the market price of Penns Woods common stock prior to closing the merger may affect the value of the stock portion of the merger consideration that Luzerne shareholders will receive upon completion of the merger. Luzerne is not permitted to resolicit the vote of Luzerne shareholders solely because of changes in the market price of either company s stock. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects and regulatory considerations. Many of these factors are beyond our control. You should obtain current market quotations for shares of Penns Woods common stock.

The market price of Penns Woods common stock after the merger may be affected by factors different from those currently affecting the shares of Luzerne.

The businesses of Penns Woods and Luzerne differ and, accordingly, the results of operations of the combined company and the market price of the combined company s shares of common stock may be affected by factors different from those currently affecting the independent results of operations of Penns Woods. For a discussion of the business of Penns Woods, see the documents incorporated by reference in this joint proxy statement/prospectus and referred to under *Incorporation of Certain Documents by Reference* on page 193.

Luzerne shareholders will have a reduced ownership percentage and voting interest after the merger and will exercise less influence over management.

Luzerne s shareholders currently have the right to vote in the election of the board of directors of Luzerne and on certain other matters affecting Luzerne. When the merger occurs, each Luzerne shareholder that receives shares of Penns Woods common stock will become a shareholder of Penns Woods with a percentage ownership of the combined organization that is much smaller than the shareholder s current percentage ownership of Luzerne. Upon completion of the merger, if 90% of the outstanding shares of Luzerne common stock are converted into shares of Penns Woods common stock, the former Luzerne shareholders will own approximately 20% of the outstanding shares of Penns Woods common stock.

Because of this, Luzerne s shareholders will have less influence on the management and policies of Penns Woods than they now have on the management and policies of Luzerne.

Future issuances of Penns Woods equity securities could dilute shareholder ownership and voting interest.

Penns Woods articles of incorporation authorize the issuance of up to 15,000,000 shares of common stock. Any future issuance of equity securities by Penns Woods may result in dilution in the percentage ownership and voting interest of Penns Woods shareholders. Also, any securities Penns Woods sells in the future may be valued differently and the issuance of equity securities for future services, acquisitions or other corporate actions may have the effect of diluting the value of shares held by Penns Woods shareholders.

The merger agreement limits Luzerne s ability to pursue alternatives to the merger.

The merger agreement contains no shop provisions that, subject to specified exceptions, limit Luzerne s ability to discuss, facilitate or commit to competing third-party proposals to acquire all or a significant part of Luzerne. In addition, a termination fee is payable by Luzerne under certain circumstances, generally involving the decision to pursue an alternative transaction. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Luzerne from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share value than that proposed in the merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire Luzerne than it might otherwise have proposed to pay, if the merger with Penns Woods had not been announced.

Luzerne shareholders may receive aggregate consideration in a form different from what they elect.

Although each Luzerne shareholder may elect to receive all cash, all Penns Woods common stock or a mix of cash and stock in the merger, the pools of cash and Penns Woods common stock available for all Luzerne shareholders will be subject to the allocation and proration provisions of the merger agreement, and at least 90% of the Luzerne shares will be exchanged for shares of Penns Woods common stock. As a result, a Luzerne shareholder might receive a portion of the consideration for the merger in the form that such shareholder did not elect.

If you are a Luzerne shareholder and you tender shares of Luzerne common stock to make an election, you will not be able to sell those shares, unless you revoke your election prior to the Election Deadline.

If you are a registered Luzerne shareholder and want to make a valid cash or stock election, you will have to deliver your stock certificates, and a properly completed and signed form of election to the exchange agent. For further details on the determination of the Election Deadline, see *The Merger Agreement Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration Form of Election* on page 90. The Election Deadline may be significantly in advance of the closing of the merger. You will not be able to sell any shares of Luzerne common stock that you have delivered as part of your election unless you revoke your election before the deadline by providing written notice to the exchange agent. If you do not revoke your election, you will not be able to liquidate your investment in Luzerne common stock for any reason until you receive cash and/or Penns Woods common stock in the merger or the merger agreement is terminated and the certificates are returned to you. In the time between the Election Deadline and the closing of the merger, the trading price of Luzerne common stock may decrease, and you might otherwise want to sell your shares of Luzerne common stock to gain access to cash, make other investments, or reduce the potential for a decrease in the value of your investment. The date that you will receive your merger consideration depends on the completion date of the merger, which is uncertain. The completion date of the merger might be later than expected due to unforeseen events, such as delays in obtaining regulatory approvals.

Holders of Penns Woods common stock do not have dissenters appraisal rights in the merger.

Dissenters rights are statutory rights that, if applicable under law, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the merger consideration offered to shareholders in connection with the extraordinary transaction. Under Pennsylvania law, shareholders do not have dissenters rights with respect to shares of any class of stock which, at the record date fixed to determine shareholders entitled to receive notice of and to vote at the meeting of shareholders at which a merger or

Table of Contents

consolidation was acted on, were listed on a national securities exchange. Because Penns Woods common stock is listed on the Nasdaq Global Select Market, a national securities exchange, holders of Penns Woods common stock will not be entitled to dissenters appraisal rights in the merger with respect to their shares of Penns Woods common stock.

The merger is subject to the receipt of consents and approvals from governmental and regulatory entities that may impose conditions that could have an adverse effect on Penns Woods.

Before the merger may be completed, various waivers, approvals or consents must be obtained from the Federal Reserve and the Pennsylvania Department of Banking and Securities. These governmental entities may impose conditions on the completion of the merger or require changes to the terms of the merger. Such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on, or limiting the revenues of, Penns Woods following the merger, any of which might have an adverse effect on Penns Woods following the merger. In addition, neither Penns Woods nor Luzerne is obligated to complete the merger if the regulatory approvals received in connection with the completion of the merger include any condition or restriction that the boards of directors of Penns Woods or Luzerne reasonably determines would materially and adversely affect the business, operations, financial condition, property or assets of Penns Woods, Jersey Shore State Bank, Luzerne, or Luzerne Bank or would materially impair the value of Luzerne or Luzerne Bank to Penns Woods or of Penns Woods or Jersey Shore State Bank to Luzerne. Either Penns Woods or Luzerne could choose to waive this condition.

Luzerne directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of Luzerne shareholders.

Luzerne s directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of Luzerne shareholders. For example, the present members of the board of directors of Luzerne Bank will continue as directors of Luzerne Bank following the merger and three individuals selected by the board of directors of Luzerne will serve on the board of directors of Penns Woods after the merger; all of such directors will receive compensation for their services as directors. In addition, certain officers or employees have entered into new employment agreements that are effective upon completion of the merger or are parties to employment agreements under which they may receive severance payments under certain circumstances upon the change of control of Luzerne resulting from the merger, as follows:

Robert C. Snyder, President and Chief Executive Officer of Luzerne Bank, is a party to an employment agreement with Luzerne Bank. Mr. Snyder s employment agreement provides that, if his employment is terminated as a result of a change in control of Luzerne or Luzerne Bank or he is forced to relocate his principal office more than 40 miles from his current office following a change in control of Luzerne or Luzerne Bank, he will be entitled to give notice of good reason and if the event of good reason is not cured within 30 days, he will be entitled to terminate his employment and receive continued payments of base salary any health and medical coverage for a period of 24 months. If Mr. Snyder were entitled to terminate his employment under such provisions, he would receive a payment totaling $993,489 (consisting of cash of $394,000, payments of $573,405 under the Luzerne National Bank Supplemental Executive Retirement Plan, and health and medical benefits of $26,084). **Because Mr. Snyder will continue as President and Chief Executive Officer of Luzerne Bank after the merger and will not be required to move more than 40 miles from his current office location, closing of the merger is not expected to result in the payment of any change in control benefits to Mr. Snyder**;

Michael J. Bibak, Regional President, Lackawanna Market & Chief Lending Officer of Luzerne Bank, is a party to a change in control agreement with Luzerne Bank. This agreement provides that Mr. Bibak would be entitled to receive certain payments totaling $719,785 (consisting of cash of $300,000, payments of $393,945 under the Luzerne National Bank Supplemental Executive Retirement Plan, and health and medical benefits of $25,840) if his employment terminated for specified events of good

Table of Contents

reason within one year following a change in control or if he voluntarily terminated his employment within one month following a change in control. Mr. Bibak has agreed to forego these payments in lieu of a new employment agreement with Penns Woods and Luzerne Bank, which will become effective upon closing of the merger. Under the new employment agreement, which is for a term of three years with annual renewals thereafter (subject to either party s ability not to renew the agreement at any annual renewal date), Mr. Bibak will be employed as the Regional President Lackawanna Market and Chief Lending Officer of Luzerne Bank. Mr. Bibak s salary under the new employment agreement is initially $147,000 annually and he is entitled to participate in annual or other discretionary bonus programs for other senior officers. In lieu of any benefits payable under his change in control arrangement with Luzerne Bank, Mr. Bibak will receive a sign-on bonus in the amount of $100,000 within thirty days of the merger, a pro rata portion of which he would be required to return if he voluntarily terminates his employment within the first year of employment. In addition, if Mr. Bibak is employed on the first anniversary date of the merger, he will receive an additional bonus in the amount of $47,900. Mr. Bibak, at his election, may provide notice of his intent to voluntarily terminate his employment prior to the first anniversary date of the merger in which case he will be entitled to receive a payment of $195,800 in lieu of the second bonus payment amount of $47,900. In the event that Mr. Bibak s employment terminates for specified events of good reason following a change of control of Penns Woods, Mr. Bibak would be entitled to a lump-sum cash payment equal to two times his then current base salary;

George F. Maculloch, Executive Vice President and Chief Operating Officer of Luzerne Bank, is a participant in the Luzerne National Bank Supplemental Executive Retirement Plan. Under this Plan, Mr. Maculloch would be entitled to a distribution of his benefits under the Plan ($240,000) if his employment is terminated following a change in control of Luzerne Bank; and

Robert G. Edgerton, Jr., a non-executive officer of Luzerne Bank is a party to a change in control agreement with Luzerne Bank. Mr. Edgerton has agreed to forego any payments under this agreement in lieu of a new employment agreement with Penns Woods and Luzerne Bank, which will become effective upon closing of the merger. Under the new employment agreement, which is for a term of three years with annual renewals thereafter (subject to either party s ability not to renew the agreement at any annual renewal date), Mr. Edgerton will be employed as a Senior Vice President and Commercial Lender of Luzerne Bank. Mr. Edgerton s salary under the new employment agreement is initially $150,000 annually and he is entitled to participate in annual or other discretionary bonus programs for other senior officers. In lieu of any benefits payable under his change in control arrangement with Luzerne Bank, Mr. Edgerton will receive a sign-on bonus in the amount of $150,000 payable within thirty days following the closing of the merger, a pro rata portion of which he would be required to return if he voluntarily terminates his employment within the first year of employment. In addition, Mr. Edgerton will receive an additional bonus in the amount of $150,000, payable in three installments of $50,000 each over three years commencing on the first anniversary of the merger. The additional bonus amount to Mr. Edgerton is payable regardless of whether he is employed at the time of payment unless his employment was terminated for cause in which case no additional installments are due and payable. In the event that Mr. Edgerton s employment terminates for specified events of good reason following a change of control of Penns Woods, Mr. Edgerton would be entitled to a lump-sum cash payment equal to two times his then current base salary.

Luzerne s board of directors was aware of these interests and took them into account in its decision to approve and adopt the agreement and plan of merger. For information concerning these interests, please see the discussion under the caption *The Merger Luzerne s Directors and Executive Officers Have Financial Interests in the Merger* on page 83.

Table of Contents

The shares of Penns Woods common stock to be received by Luzerne shareholders receiving the stock consideration as a result of the merger will have different rights from the shares of Luzerne common stock.

Upon completion of the merger, Luzerne shareholders who receive the stock consideration will become Penns Woods shareholders. Their rights as shareholders will be governed by Pennsylvania corporate law and the articles of incorporation and bylaws of Penns Woods. The rights associated with Luzerne common stock are different from the rights associated with Penns Woods common stock. See the section of this joint proxy statement/prospectus titled *Comparison of Shareholders Rights* beginning on page 185 for a discussion of the different rights associated with Penns Woods common stock.

If the merger is not consummated by July 31, 2013, either Penns Woods or Luzerne may choose not to proceed with the merger.

Either Penns Woods or Luzerne may terminate the merger agreement if the merger has not been completed by July 31, 2013, unless the failure of the merger to be completed by such date has resulted from the failure of the party seeking to terminate the merger agreement to perform its obligations.

Termination of the merger agreement could negatively affect Luzerne.

If the merger agreement is terminated, there may be various consequences, including:

- Luzerne s businesses may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger; and

- the market price of Luzerne common stock might decline to the extent that the current market price reflects a market assumption that the merger will be completed.

If the merger agreement is terminated and Luzerne s board of directors seeks another merger or business combination, Luzerne shareholders cannot be certain that Luzerne will be able to find a party willing to offer equivalent or more attractive consideration than the consideration Penns Woods has agreed to provide in the merger.

If the merger agreement is terminated and a different business combination is pursued, Luzerne may be required to pay a break-up fee of $1.8 million to Penns Woods under certain circumstances. See *The Merger Agreement Termination Fee* beginning on page 102.

The unaudited pro forma financial data included in this joint proxy statement/prospectus is preliminary and Penns Woods actual financial position and results of operations after the merger may differ materially from the unaudited pro forma financial data included in this joint proxy statement/prospectus.

The unaudited pro forma financial data in this joint proxy statement/prospectus is presented for illustrative purposes only and is not necessarily indicative of what the combined company s actual financial position or results of operations would have been had the merger been completed on the dates indicated. The pro forma financial data reflect adjustments, which are based upon preliminary estimates, to record Luzerne s identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. Accordingly, the final purchase accounting adjustments may differ materially from the pro forma adjustments reflected in this document.

The fairness opinion obtained by Luzerne and Penns Woods from their respective financial advisors will not reflect changes in circumstances subsequent to the date of the merger agreement.

Luzerne has obtained a fairness opinion dated as of October 18, 2012, from its financial advisor, Janney Montgomery Scott LLC. Penns Woods has obtained a fairness opinion dated as of October 18, 2012, from its financial advisor, Monocacy Financial Advisors, LLC. Neither Luzerne nor Penns Woods has obtained and neither will obtain an updated opinion as of the date of this joint proxy statement/prospectus from their respective financial advisor. Changes in the operations and prospects of Penns Woods or Luzerne, general market and economic conditions and other factors that may be beyond the control of Penns Woods and Luzerne, and on which the fairness opinion was based, may alter the value of Penns Woods or Luzerne or the price of shares of Penns Woods common stock or Luzerne common stock by the time the merger is completed. The opinions do not speak to the time the merger will be completed or to any other date other than the date of such opinion. As a result, the opinions will not address the fairness of the merger consideration, from a financial point of view, at the time the merger is completed. For a description of the opinion that Luzerne received from Janney Montgomery Scott, please see *The Merger Opinion of Janney Montgomery Scott, Financial Advisor to Luzerne* beginning on page 49 of this joint proxy statement/prospectus. For a description of the opinion that Penns Woods received from Monocacy Financial Advisors, please see *The Merger Opinion of Monocacy Financial Advisors, Financial Advisor to Penns Woods* beginning on page 58.

Following the consummation of the merger, investors in the combined company will own an institution with different financial and other characteristics than either Penns Woods or Luzerne on a standalone basis.

Following the consummation of the merger, current shareholders of Penns Woods and Luzerne will become shareholders in a combined company that will have different financial and other characteristics than either company had on a standalone basis. For example, the merger will result in a combined company with higher dollar amounts of total assets, risk-based assets and non-performing assets, including non-performing loans and other real estate owned, from the amounts historically experienced by Penns Woods or Luzerne individually. Although the total dollar amount of non-performing loans will increase for the combined company following the merger, the percentage of non-performing loans to total loans was 2.39% on a pro forma basis at December 31, 2012, compared to historical amounts of 2.29% for Penns Woods and 2.62% for Luzerne as of such date. On a pro forma basis, after giving effect to the merger, total risk-based capital as of December 31, 2012 was 14.21%, compared to historical amounts of 14.97% for Penns Woods and 12.26% for Luzerne as of such date. If we are unable to successfully combine the businesses of Penns Woods and Luzerne, our future earnings may be adversely affected, which in turn could adversely impact the amount of capital of the combined company.

The merger agreement may be terminated in accordance with its terms and the merger may not be completed.

The merger agreement is subject to a number of conditions which must be fulfilled in order to complete the merger. Those conditions include, among others: approval of the merger agreement by Penns Woods and Luzerne shareholders, regulatory approvals, absence of orders prohibiting the completion of the merger, effectiveness of the registration statement of which this joint proxy statement/prospectus is a part, approval of the shares of Penns Woods common stock to be issued to Luzerne shareholders for listing on the Nasdaq Global Select Market, the continued accuracy of the representations and warranties by both parties and the performance by both parties of their covenants and agreements, and the receipt by both parties of legal opinions from their respective tax counsels. See *The Merger Agreement Termination of the Merger Agreement* beginning on page 100 for a more complete discussion of the circumstances under which the merger agreement could be terminated. Therefore, the conditions to closing of the merger may not be fulfilled and the merger may not be completed.

We may fail to realize all of the anticipated benefits of the merger.

The success of the merger will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining the businesses of Penns Woods and Luzerne. However, to realize these anticipated benefits and cost savings, we must successfully combine the businesses of Penns Woods and Luzerne. If we are not able to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully or at all, or may take longer to realize than expected.

Penns Woods and Luzerne have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on Penns Woods or Luzerne during the transition period.

Another expected benefit from the merger is an expected increase in the revenues of the combined company from anticipated sales of Penns Woods greater variety of financial products, and from increased lending out of Penns Woods substantially larger capital base, to Luzerne s existing customers and to new customers in Luzerne s market area who may be attracted by the combined company s enhanced offerings. An inability to successfully market Penns Woods s products to Luzerne s customer base could cause the earnings of the combined company to be less than anticipated.

Failure to complete the merger could negatively affect the market price of Penns Woods and Luzerne s common stock.

If the merger is not completed for any reason, Penns Woods and Luzerne will be subject to a number of material risks, including the following:

- the market price of their common stock may decline to the extent that the current market prices of their shares already reflect a market assumption that the merger will be completed;

- costs relating to the merger, such as legal, accounting and financial advisory fees, and, in specified circumstances, additional reimbursement and termination fees, must be paid even if the merger is not completed; and

- the diversion of management s attention from the day-to-day business operations and the potential disruption to each company s employees and business relationships during the period before the completion of the merger may make it difficult to regain financial and market positions if the merger does not occur.

The combined company will incur significant transaction and merger-related costs in connection with the merger.

Penns Woods and Luzerne expect to incur costs associated with combining the operations of the two companies. Additional unanticipated costs may be incurred in the integration of the businesses of Penns Woods and Luzerne. Whether or not the merger is consummated, Penns Woods and Luzerne will incur substantial expenses, such as legal, accounting, printing and financial advisory fees, in pursuing the merger. Although Penns Woods and Luzerne expect that the elimination of certain duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses may offset incremental transaction and merger-related costs over time, this net benefit may not be achieved in the near term, or at all.

Unanticipated costs relating to the merger could reduce Penns Woods future earnings per share.

Penns Woods and Luzerne believe that they have reasonably estimated the likely incremental costs of the combined operations of Penns Woods and Luzerne following the merger. However, it is possible that unexpected transaction costs such as taxes, fees or professional expenses or unexpected future operating expenses such as unanticipated costs to integrate the two businesses, increased personnel costs or increased taxes, as well as other types of unanticipated adverse developments, including negative changes in the value of Luzerne s loan portfolio, could have a material adverse effect on the results of operations and financial condition of Penns Woods following the merger. In addition, if actual costs are materially different than expected costs, the merger could have a significant dilutive effect on Penns Woods s earnings per share.

Table of Contents

Luzerne will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Luzerne and consequently on Penns Woods. These uncertainties may impair Luzerne s ability to attract, retain and motivate key personnel until the merger is consummated, and could cause customers and others that deal with Luzerne to seek to change existing business relationships with Luzerne. Retention of certain employees may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with Penns Woods. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with Penns Woods, Penns Woods business following the merger could be harmed. In addition, the merger agreement restricts Luzerne from making certain acquisitions and taking other specified actions until the merger occurs without the consent of Penns Woods. These restrictions may prevent Luzerne from pursuing attractive business opportunities that may arise prior to the completion of the merger. Please see the section entitled *The Merger Agreement Covenants and Agreements* beginning on page 93 of this joint proxy statement/prospectus for a description of the restrictive covenants to which Luzerne is subject under the merger agreement.

Future governmental regulation and legislation, including the Dodd-Frank Act and the implementation of Basel III capital standards, could limit Penns Woods future growth.

Penns Woods and its subsidiaries are subject to extensive state and federal regulation, supervision and legislation that govern almost all aspects of the operations of Penns Woods. These laws may change from time to time and are primarily intended for the protection of consumers, depositors and the deposit insurance fund. Any changes to these laws may negatively affect Penns Woods ability to expand its services and to increase the value of its business. Additionally, the capital standards of Basel III and a number of provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, remain to be implemented through the rulemaking process at various regulatory agencies. Certain aspects of the new law and regulations, including without limitation, higher capital requirements and the costs of compliance with disclosure and reporting requirements that may be issued by the Bureau of Consumer Financial Protection or other banking regulators, could have a significant adverse impact on the combined company s business, financial condition and results of operations. Compliance with the Dodd-Frank Act may require us to make changes to our business and operations and will likely result in additional costs and a diversion of management s time from other business activities, any of which may adversely impact our results of operations, liquidity or financial condition. Although we cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on Penns Woods, these changes could be materially adverse to Penns Woods.

The federal income tax consequences of the merger for Luzerne stockholders will be dependent upon the merger consideration received.

The federal income tax consequences of the merger to you will depend upon the merger consideration you receive. In general, if you exchange your shares of Luzerne common stock solely for cash, you will recognize gain or loss for federal income tax purposes in an amount equal to the difference between the cash you receive and your adjusted tax basis in your Luzerne common stock. If you receive solely Penns Woods common stock in exchange for your Luzerne common stock, you generally will not recognize any gain or loss for federal income tax purposes. However, you generally will have to recognize gain or loss in connection with cash received in lieu of fractional shares of Penns Woods common stock. If you receive a combination of cash and Penns Woods common stock in the transaction, you generally will not recognize loss but will recognize gain, if any, to the extent of any cash received. For a more detailed discussion of the federal income tax consequences of the transaction to you, see *Material United States Federal Income Tax Consequences of the Merger* on page 104.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus contains or incorporates by reference a number of forward-looking statements, including statements about the financial conditions, results of operations, earnings outlook and prospects of Penns Woods, Luzerne and the potential combined company and may include statements for the period following the completion of the merger. Forward-looking statements are typically identified by words such as plan, believe, expect, anticipate, intend, outlook, estimate, forecast, project and other similar words and expressions.

The forward-looking statements involve certain risks and uncertainties. The ability of either Penns Woods or Luzerne to predict results or the actual effects of its plans and strategies, or those of the combined company, is subject to inherent uncertainty. Factors that may cause actual results or earnings to differ materially from such forward-looking statements include those set forth on page 35 under *Risk Factors*, as well as, among others, the following:

- those discussed and identified in public filings with the SEC made by Penns Woods;
- completion of the merger is dependent on, among other things, receipt of shareholder and regulatory approvals, the timing of which cannot be predicted with precision and which may not be received at all;
- the merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events;
- higher than expected increases in Penns Woods or Luzerne s loan losses or in the level of nonperforming loans;
- a continued weakness or unexpected decline in the U.S. economy, in particular in north central Pennsylvania;
- a continued or unexpected decline in real estate values within Penns Woods and Luzerne s market areas;
- unanticipated reduction in Penns Woods or Luzerne s respective deposit bases or funding sources;
- government intervention in the U.S. financial system and the effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the FRB;
- legislative and regulatory actions (including the impact of the Dodd-Frank Act and related regulations and the implementation of Basel III capital standards) could subject Penns Woods to additional regulatory oversight which may result in increased compliance costs and/or require Penns Woods to change its business model;
- the integration of Luzerne s business and operations with those of Penns Woods may take longer than anticipated, may be more costly than anticipated and may have unanticipated adverse results relating to Luzerne s or Penns Woods existing businesses; and
- the anticipated cost savings and other synergies of the merger may take longer to be realized or may not be achieved in their entirety, and attrition in key client, partner and other relationships relating to the merger may be greater than expected.

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this joint proxy statement/prospectus or the date of any document incorporated by reference in this joint proxy statement/prospectus.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this joint proxy statement/prospectus and attributable to Penns Woods or Luzerne or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this joint proxy statement/prospectus. Except to the extent required by applicable law or regulation, Penns Woods and Luzerne undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this joint proxy statement/prospectus or to reflect the occurrence of unanticipated events.

Table of Contents

THE MERGER

Background of the Merger

Mindful of the continuing pressure on smaller community banks to consolidate due to issues related to compliance, economies of scale, and access to capital, Robert Snyder, the Chief Executive Officer of Luzerne has had several informal discussions with the presidents or chief executive officers of other community banks in northeastern Pennsylvania relating to consolidation opportunities over the past few years.

In April 2011, Mr. Snyder was approached by the chief executive officer of a bank holding company with bank branches located in northern Pennsylvania and southern New York. Several members of the Board met with directors from this potential acquiror. Following these meetings, the potential acquiror presented Luzerne with a letter of intent to acquire all of the outstanding Luzerne shares at a value equal to 1.5 times Luzerne s book value. After discussing the terms outlined in the letter of intent, the Board determined that this was not an appropriate transaction for Luzerne shareholders, employees, customers or the members of the communities that Luzerne Bank serves. The Board felt that the cash portion of the merger consideration was high, causing the shareholders to pay a greater amount of tax. The transaction also would have required the merger of Luzerne Bank, which likely would have resulted in a significant loss of employment and the closure of some bank branches. However, in the course of these discussions, the Board determined that 1.5 times book value was an attractive price and would not consider a transaction below this price point.

Another bank, which had had informal conversations with Mr. Snyder over the past several years, made a presentation to the Board in January 2012. In this presentation, the bank demonstrated that the maximum it could pay to acquire the outstanding shares of Luzerne stock was $44.50, which was significantly below 1.5 times Luzerne s book value. The Board did not take any additional action with respect to this bank s proposal following the presentation.

Luzerne has also attempted to grow through acquisitions over the past few years. In May 2010, Luzerne engaged a financial advisor and conducted due diligence to acquire a bank holding company with bank branches located in Schuylkill and Northumberland counties. After completing due diligence, the Board determined to terminate discussions.

In October 2010, Luzerne made a proposal to acquire a bank holding company with bank branches in Lackawanna county. This bank holding company was soliciting proposals from a number of potential acquirors; however, the proposal submitted by Luzerne was not accepted.

In October 2011, Joseph Kluger, Chairman of the Board of Luzerne, discussed acquiring a bank holding company that was experiencing financial difficulties. Through a due diligence review process, the Board determined to terminate discussions.

Mr. Snyder and Richard Grafmyre, the President and Chief Executive Officer of Penns Woods, had informally discussed an acquisition of Luzerne on a number of occasions over the last several years. On January 24, 2012, Mr. Snyder received a written indication of interest from Penns Woods, through Penns Woods s financial advisor, Monocacy Financial Advisors.

The Board discussed the letter at a meeting held on January 26, 2012. The Board believed that it would be helpful to learn more about Penns Woods intentions with respect to a merger, including how Luzerne would operate following a merger, board structure, the treatment of employees and intentions with respect to the community. Mr. Kluger, Mr. Snyder and several other members of the Board agreed to meet with Mr. Grafmyre and report back to the rest of the Board.

On February 10, 2012, Mr. Kluger, Mr. Snyder and certain other members of the Board met with Mr. Grafmyre. During this meeting, Mr. Grafmyre described his vision for Luzerne Bank and for Penns Woods as a bank holding company. Mr. Grafmyre envisioned acquiring community banks and allowing them to operate independent of one another. As a holding company, Penns Woods would provide greater access to capital and more retail products. This approach would allow banks to retain the strengths that guided their prior success, while gaining certain cost savings by realizing synergies with other banks. As such, Mr. Grafmyre proposed that Luzerne merge into Penns Woods, but Luzerne Bank would retain its separate charter and board of directors.

On February 29, 2012, Robert Kafafian of The Kafafian Group, a financial advisor to Luzerne, provided a preliminary financial analysis of the proposed merger with Penns Woods to the Board during a strategic planning meeting.

On March 8, 2012, the Board met to discuss the February 10 meeting with Mr. Grafmyre. The Board discussed Mr. Grafmyre s vision for Luzerne Bank as described by Mr. Grafmyre to the Board members who met with him. In addition to the financial benefits this transaction would provide to Luzerne s shareholders, the Board also recognized the many benefits a transaction of this structure would have for Luzerne Bank s employees, customers and the communities in which Luzerne Bank operated. As presented by Mr. Grafmyre, a majority of Luzerne Bank employees would retain their jobs, at comparable salary and benefits. No bank branch closings were anticipated and Luzerne Bank would, in effect, operate autonomously and to serve the banking needs of the local communities. The Board decided that another meeting with Mr. Grafmyre should be arranged so that the other directors would have an opportunity to meet with him.

On March 22, 2012, the Board met with Mr. Kafafian to further discuss the Penns Woods letter. At this meeting, Mr. Kafafian compared a merger with Penns Woods to mergers with other bank holding companies that had previously expressed an interest in acquiring Luzerne. The Board recognized that, while other bank holding companies may have the ability to pay a premium similar to the premium that Penns Woods offered, it was unlikely that they would offer the other benefits envisioned by Penns Woods. Due in part to the autonomy of Luzerne Bank following the potential merger, a majority of the Luzerne Bank employees would retain their jobs at comparable terms, no branch closings were anticipated and Luzerne Bank would be able to continue serving the banking needs of the communities in which it operates. In addition, Luzerne shareholders would enjoy greater liquidity in their investment, because Penns Woods stock trades on The Nasdaq Global Select Market. The Board also discussed the challenges facing Luzerne shareholders, including the lack of liquidity of the Luzerne stock. As a result of these discussions, the Board developed a list of additional questions for Mr. Grafmyre.

On March 26, 2012, the remaining members of the Board met with Mr. Grafmyre and certain of the Penns Woods directors to discuss the proposed merger. At that meeting, Mr. Grafmyre outlined the parameters of the transaction, covered the points he had discussed with other Board members at the February 10, 2012 meeting and responded to questions from Board members.

On April 12, 2012, the Board met to discuss the March 26, 2012 meeting with Mr. Grafmyre and the Penns Woods directors. Overall, based on the presentations made by Mr. Grafmyre, the Board believed this could be a beneficial transaction for Luzerne s shareholders and other constituencies. The Board authorized Mr. Kluger to appoint a committee to continue discussions with Penns Woods.

On April 24, 2012, Mr. Kluger, Mr. Snyder, John Nackley and Gary Lamont met with the board of directors of Penns Woods. During this meeting, the Penns Woods directors described the attributes of their company and their bank subsidiary and the advantages of merging with Luzerne. The Penns Woods board members emphasized the points made by Mr. Grafmyre to the Board at previous meetings with Board members. The Penns Woods directors also provided the Luzerne directors its investor presentation which described Penns Woods.

In late April and early May 2012, Luzerne and Penns Woods began to further discuss Luzerne Bank s independence following a merger. It was decided that, so long as Luzerne Bank continued to meet certain financial performance metrics, it would retain its separate charter. Once it no longer met those metrics, Penns

Woods could exercise more control over Luzerne Bank, including merging it with Jersey Shore State Bank. On May 3, 2012, management of Luzerne and Penns Woods preliminarily agreed to those metrics, subject to Luzerne Board approval.

Commencing on May 25, 2012, Board representatives interviewed four law firms to consider and select legal counsel to advise them on the potential merger. Each of these firms had relevant experience and expertise. Following those interviews, the Board invited Ballard Spahr LLP (Ballard Spahr) to attend the next meeting of the Board.

On June 1, 2012, the Board met to discuss the status of the negotiations of a letter of intent with Penns Woods. A draft of the letter of intent had been provided to Luzerne by Penns Woods financial advisors on May 30, 2012. This letter provided for the acquisition of all of the outstanding shares of Luzerne common stock at a price equal to 1.5 times book value and for Luzerne Bank to continue to operate autonomously. At this meeting, the Board engaged Ballard Spahr to advise the Board on the potential merger.

On June 7, 2012, the Board formed a special committee (the Special Committee) to explore and evaluate strategic alternatives, including the potential merger with Penns Woods and to provide to the Board the results of its evaluations and recommendations with respect thereto. Mr. Kluger was appointed chairman of the Special Committee and James Clemente, Patricia Finan Castellano, Mr. Lamont, Mr. Nackley and Angelo Terrana, Jr. were appointed members of the Special Committee. Mr. Snyder would be invited to attend all meetings of the Special Committee in a non-voting capacity. The Board continued to discuss the letter of intent.

On June 11, 2012, the Special Committee met to discuss the status of the negotiations of the letter of intent with Ballard Spahr and to consider and select a financial advisor to assist with the potential transaction. After interviewing two investment banking firms, the Special Committee selected Janney Montgomery Scott (Janney). Both firms had relevant experience and expertise.

On June 14, 2012, the Special Committee, Ballard Spahr and Janney met to discuss the status of the letter of intent and a confidentiality agreement.

On June 22, 2012, a confidentiality agreement between Luzerne and Penns Woods was executed.

On July 2, 2012, the Special Committee met with its advisors to discuss the remaining open issues on the letter of intent, including autonomy of Luzerne Bank and board composition of Luzerne Bank following the merger and representation on Penn Woods board.

On July 6, 2012, Luzerne and Penns Woods executed the letter of intent.

Throughout July and August, Luzerne and Penns Woods conducted due diligence, including on-site due diligence meetings and Penns Woods and its legal counsel prepared a draft merger agreement, which was provided to Luzerne and its advisors. On July 23, 2012, the Special Committee met to have a discussion with Mr. Grafmyre regarding the status of the potential transaction.

On September 5, 2012, the Special Committee met to review the draft merger agreement. Representatives of Ballard Spahr and Janney gave presentations to the Special Committee outlining the material terms of the draft agreement. During this meeting, the Special Committee discussed several issues related to the proposed merger, including the termination provisions, termination fee and whether Penns Woods proposed merger was the best transaction available for Luzerne, particularly with respect to the merger consideration.

During September and the first half of October 2012, Luzerne and Penns Woods continued to negotiate the terms of the draft merger agreement. Ballard Spahr and Janney provided frequent updates to the Special Committee as the negotiations progressed, including with respect to Penns Woods position on a pre-signing market check. On October 5, 2012, the Special Committee met to discuss and resolve outstanding issues.

On October 18, 2012, there was a joint meeting of the Special Committee and the Board. At this meeting, the Special Committee and the Board reviewed the near final draft merger agreement. Representatives of Ballard Spahr gave a presentation on the material terms of the draft agreement. Representatives of Janney made a presentation regarding the fairness of the transaction from a financial point of view. They described the various analyses performed by Janney in reaching its opinion and noted that the premium in the transaction is 75.4% as of October 17, 2012. In reviewing the performance of Penns Woods as compared with other comparable banks, Janney stated that Penns Woods is a top performing community bank in Pennsylvania and that it is trading in line with its performance. Representatives of Janney concluded by stating that, in the opinion of Janney, the consideration to be received by Luzerne shareholders in the proposed merger is fair to Luzerne s shareholders from a financial point of view.

The Board discussed whether it was getting the right price for the stock. The Board discussed the fact that Luzerne did not conduct a formal pre-signing market check. The Board discussed the offers and indications of interest that were made to acquire Luzerne in the past. While one of the prior potential transactions offered a comparable premium, none of those transactions would have offered significant benefits to Luzerne s other constituencies. The Board noted the significant premium and other benefits that the proposed merger could bring to a variety of Luzerne s constituencies, including greater liquidity to shareholders, continued employment at comparable terms for the majority of employees, no anticipated branch closures and the ability to continue to serve the banking needs of the local community. The Board discussed the fact that Luzerne Bank serves many small businesses. Larger banks generally do not seek small businesses as customers. The Board also noted that the bank is very active in local civic and charitable events. The Board discussed the comparable transactions described in Janney s presentation. Janney analyzed 23 transactions that have been announced since 2009 that involved target banks with assets under $1 billion at the time of announcement and headquarters in Delaware, Maryland, New Jersey, New York or Pennsylvania. Of these comparable transactions, the median one day premium to market was 38.7% and the average one day premium to market was 36.0%. The Board discussed the fact that the premium in the merger with Penns Woods was 75.4% as of October 17, 2012, significantly above the mean and average premiums of the comparable transactions. The Board then discussed the likelihood that another bank would make an offer superior to Penns Woods offer. After discussing other potential acquirors, the Board felt it was highly unlikely that any would be interested in acquiring Luzerne or, if interested, would offer consideration comparable to that offered by Penns Woods. In addition, the Board believed that even if another bank were to offer to acquire Luzerne, it was highly unlikely that Luzerne Bank would be able to maintain its independence. If Luzerne Bank were to be merged with another bank, the Board believed it was very likely that some branches would close and, as a result, many employees would lose their jobs. The Board was also concerned that a merger of Luzerne Bank would make banking more difficult for small local businesses, which tend to be the target customer for smaller banks such as Luzerne Bank. Representatives of Ballard Spahr indicated that they had discussed with Penns Woods counsel the possible advantages from a legal perspective of conducting a formal pre-signing market check. Counsel for Penns Woods advised Ballard Spahr that Penns Woods had indicated that Penns Woods would terminate discussions if Luzerne undertook any effort to conduct a pre-signing market check. Representatives of Janney noted that the process followed by the Board is not out of the ordinary. Representatives of Ballard stated that in accordance with Pennsylvania law, the Board is able to consider the impact on various constituencies in determining to enter into a deal that go beyond price. After further discussion, the Board concluded that, based on the prior offers and indications of interest and the comparable transactions presented by Janney, that a pre-signing market check is highly unlikely to result in a transaction with a premium as substantial as the premium offered by Penns Woods and the many benefits to each of Luzerne s constituencies. Furthermore, the Board considered the risk of Penns Woods abandoning the merger to be significant and not in the best interest of Luzerne.

After discussion, upon a motion duly made and seconded, the Special Committee unanimously recommended that the Board approve the merger. Upon a motion duly made and seconded, the Board unanimously authorized and approved the merger with Penns Woods.

Thereafter, on October 18, 2012, Luzerne and Penns Woods announced the merger.

Table of Contents

Luzerne s Reasons for the Merger

In reaching its conclusion to approve the merger agreement and the merger and recommend that Luzerne s shareholders vote **FOR** adoption of the merger agreement, Luzerne s board of directors, at its meeting held on October 18, 2012, considered the merger agreement and determined it to be fair to, advisable and in the best interests of Luzerne, its shareholders and its other constituencies. Luzerne s board of directors unanimously voted in favor of the merger agreement and the transactions it contemplates. In evaluating the merger, Luzerne s board of directors considered the unanimous recommendation of the Special Committee, and consulted with management, as well as its legal and financial advisors, and considered a number of factors, including:

- a review of Luzerne s current business, operations, earnings, financial condition and prospects and of Penns Woods s current business, operations, earnings, financial condition and prospects, taking into account its familiarity with Penns Woods, its management and the results of Luzerne s due diligence review of Penns Woods;

- knowledge of the current environment in the financial services industry, including economic conditions, the continuing consolidation, increasing operating costs resulting from regulatory initiatives and compliance mandates, increasing competition from larger regional institutions and current financial market conditions and the likely effects of these factors on Luzerne s potential growth, productivity and strategic options;

- the terms and conditions of the merger, including both the amount and nature of the consideration proposed to be paid in connection with the merger and Luzerne s board s assessment of the likelihood that the merger would be completed in a timely manner;

- the fact that Luzerne shareholders will receive a significant premium;

- the financial analyses and presentation of Janney Montgomery Scott, and its opinion that the merger consideration is fair to the Luzerne shareholders from a financial point of view;

- the fact that Luzerne s stock is not very liquid and that Penns Woods stock trades on The Nasdaq Global Select Market which provides greater liquidity;

- the fact that the merger consideration will be tax-free to Luzerne shareholders to the extent they receive Penns Woods stock;

- the current Penns Woods cash dividend rate which is significantly higher than the current Luzerne dividend rate;

- expansion of the Penns Woods board to include three Luzerne representatives;

- significant autonomy for Luzerne Bank following the merger;

- the fact that all of the current members of the Luzerne Bank board will remain directors of Luzerne Bank;

- the fact that the merger is not expected to result in significant employment loss at Luzerne Bank;

- the fact that no Luzerne Bank branch closings are anticipated;

- the opportunity to offer Luzerne s customers additional products and services;

- the potential cost saving opportunities; and

- the positive anticipated impact of the merger on Luzerne Bank s employees and the surrounding community.

Luzerne s board of directors considered a variety of risks and other potentially negative factors concerning the merger, including, without limitation, the following factors:

- the risk that potential benefits of the merger, including possible synergies, might not be realized;

the possibility that the consummation of the merger may be delayed, or not occur;

the incurrence of substantial expenses related to the merger, including transaction expenses and integration costs;

the time commitment of management to effectuate the merger; and

the other potential risks as described under the heading Risk Factors in this joint proxy statement/prospectus.

The foregoing discussion of the information and factors considered by Luzerne s board of directors is not exhaustive, but includes the material factors considered by the board. In view of the wide variety of factors considered by the board of directors in connection with its evaluation of the merger and the complexity of these matters, the board of directors did not consider it practical to, and did not attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. Luzerne s board of directors evaluated the factors described above, including asking questions of Luzerne s legal and financial advisors. In considering the factors described above, individual members of Luzerne s board of directors may have given different weights to different factors. The board of directors relied on the experience and expertise of its legal advisors regarding the structure of the merger and the terms of the merger agreement and on the experience and expertise of its financial advisors for quantitative analysis of the financial terms of the merger. It should also be noted that this explanation of the reasoning of Luzerne s board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading *Cautionary Statement Regarding Forward-Looking Statements* on page 43.

Recommendation of Luzerne s Board of Directors

Luzerne s board of directors believes that the terms of the transaction are in the best interests of Luzerne and its shareholders and has unanimously approved the merger agreement. **Accordingly, Luzerne s board of directors unanimously recommends that Luzerne s shareholders vote FOR adoption of the merger agreement.**

Opinion of Janney Montgomery Scott, LLC, Financial Advisor to Luzerne

On June 18, 2012, Luzerne engaged Janney to render financial advisory and investment banking services to Luzerne. Janney agreed to assist Luzerne in assessing the fairness, from a financial point of view, of the consideration in the proposed merger with Penns Woods, to the shareholders of Luzerne. Luzerne selected Janney on the basis of Janney s experience and expertise in representing community banks in similar transactions.

As part of its engagement, representatives of Janney attended the meeting of the Luzerne Board of Directors held on October 18, 2012, at which the Luzerne Board of Directors evaluated the proposed merger with Penns Woods. At this meeting, Janney reviewed the financial aspects of the proposed merger and rendered an oral opinion (subsequently confirmed in writing) to the Luzerne Board of Directors that, as of such date and based upon and subject to the factors and assumptions set forth in its written opinion, the merger consideration was fair, from a financial point of view, to the holders of Luzerne common stock. The Luzerne Board of Directors approved the merger agreement at this meeting.

The full text of Janney s written opinion is attached as Annex B to this document and is incorporated in this joint proxy statement/prospectus by reference. Luzerne shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Janney. The description of the opinion set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion.

Table of Contents

Janney s opinion speaks only as of the date of the opinion. The opinion is directed to the Luzerne Board of Directors and addresses only the fairness, from a financial point of view, of the merger consideration to the holders of Luzerne common stock. It does not address the underlying business decision to proceed with the merger and does not constitute a recommendation to any Luzerne shareholder as to how the shareholder should vote at the Luzerne special meeting on the merger or any related matter.

In rendering its opinion, Janney, among other things:

- reviewed the draft merger agreement;
- reviewed the historical financial performance, current financial positions and general prospects of Luzerne and Penns Woods;
- examined the historical stock prices and trading volumes of Luzerne s and Penns Woods common stock;
- reviewed certain internal financial data and projections of Luzerne and Penns Woods;
- considered the proposed financial terms of the merger and examined the estimated results of the proposed merger on tangible book value and earnings per share;
- to the extent deemed relevant, analyzed selected public information of certain other bank holding companies and compared Luzerne and Penns Woods, from a financial point of view, to these other bank and thrift holding companies;
- compared the terms of the merger with terms of other comparable transactions to the extent information concerning such acquisitions was deemed generally comparable;
- discussed with certain members of senior management of Luzerne and Penns Woods the strategic aspects of the merger; and
- performed such other analyses and examination as deemed necessary.

In conducting its review and arriving at its opinion, Janney relied upon the accuracy and completeness of all financial and other information provided to it or otherwise publicly available. Janney did not independently verify the accuracy or completeness of any such information or assume any responsibility for such verification or accuracy. Janney relied upon the management of Luzerne and Penns Woods as to the reasonableness and achievability of the financial and operating forecasts and projections (and the assumptions and bases therefore) provided to Janney, and Janney assumed that such forecasts and projections reflected the best currently available estimates and judgments of such management and that such forecasts and projections will be realized in the amounts and in the time periods estimated by such managements. Janney did not make any adjustments to the forecasts and projections provided by the management of Luzerne. Janney based its analysis of Penns Woods on internal management projections provided by senior management, which Janney updated to account for financial results as of June 30, 2012, while maintaining growth rates similar to those contained within the Penns Woods projections.

Janney assumed, without independent verification, that the aggregate allowance for loan and lease losses for Luzerne and Penns Woods are adequate to cover those losses. Janney did not make or obtain any evaluation or appraisals of the property, assets and liabilities of Luzerne and Penns Woods, nor did it examine any individual credit files.

Luzerne and Penns Woods do not publicly disclose internal management projections of the type provided to Janney in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions, which are inherently uncertain, including factors related to general economic and competitive conditions.

Accordingly, actual results could vary significantly from those set forth in the projections.

For purposes of rendering its opinion, Janney assumed that, in all respects material to its analyses:

- the merger will be completed substantially in accordance with the terms set forth in the merger agreement;
- the representations and warranties of each party in the merger agreement and in all related documents and instruments related to the merger agreement are true and correct;
- each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents; and
- in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the merger, including the cost savings, revenue enhancements and related expenses expected to result from the merger.

Janney further assumed that the merger will be accounted for using the acquisition method under generally accepted accounting principles, and that the merger will qualify as a tax-free reorganization for United States federal income tax purposes. Janney s opinion is not an expression of an opinion as to the prices at which shares of Luzerne common stock or shares of Penns Woods common stock will trade following the announcement of the merger or actual value of the shares of common stock of the combined company when issued pursuant to the merger, or the prices at which the shares of common stock of the combined company will trade following the completion of the merger.

In performing its analyses, Janney made numerous assumptions with respect to industry performance, general business, economic, market and financial condition and other matters, which are beyond the control of Janney, Luzerne and Penns Woods. Any estimates contained in the analyses performed by Janney are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the Janney opinion was among several factors taken into consideration by the Luzerne Board of Directors in making its determination to approve the merger agreement and the merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the Luzerne Board of Directors with respect to the fairness of the consideration.

The following is a summary of the material analyses presented by Janney to the Luzerne Board of Directors on October 18, 2012, in connection with its fairness opinion. The summary is not a complete description of the analyses underlying the Janney opinion or the presentation made by Janney to the Luzerne Board of Directors, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Janney did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Accordingly, Janney believes that its analyses and the summary of its analyses must be considered as a whole and selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of the financial analyses.

Summary of Proposal. Pursuant to the terms of the merger agreement, upon completion of the merger, each share of Luzerne common stock will be converted, at the election of the shareholder, into either the right to receive (a) 1.5534 shares of common stock of Penns Woods, par value $8.33 per share, (b) $61.86 in cash or (c) a combination of cash and Penns Woods common stock. At the closing of the merger, 90% of the outstanding shares of Luzerne common stock will be converted into the right to receive shares of Penns Woods common stock and the remainder of the outstanding shares of Luzerne common stock will be converted into the right to receive cash subject to the right of Penns Woods, in its discretion, to increase the percentage of the total stock consideration. Based on Penns Woods s price at the close of the stock markets on October 17, 2012, one day before the announcement of the transaction, of $44.26, the merger consideration represented a price of $68.06 per share to Luzerne s common shareholders.

Selected Comparable Companies Analyses. Using publicly available information, Janney compared the financial condition and market performance of Luzerne to selected publicly traded banks headquartered in northeastern Pennsylvania with assets between $100 million and $700 million. Companies included in this group were:

American Bank Inc.	Neffs Bancorp Inc.
CCFNB Bancorp Inc.	Northumberland Bancorp
Dimeco Inc.	Norwood Financial Corp.
Embassy Bancorp Inc.	Peoples Financial Services Corp.
Fidelity D & D Bancorp Inc.	Peoples Ltd.
Honat Bancorp	Turbotville National Bancorp
JTNB Bancorp Inc.	UNB Corp.
Landmark Bancorp Inc.	Union Bancorp Inc.
Mauch Chunk Trust Financial Corp.	West Milton Bancorp Inc.
MNB Corporation	Woodlands Financial Services Co.
Muncy Bank Financial Inc.	

Additionally, using publicly available information, Janney compared the financial condition and market performance of Penns Woods to selected publicly traded banks headquartered in central and eastern Pennsylvania with assets between $500 million and $1.1 billion. Companies included in this group were:

ACNB Corp.	First Keystone Corp.
American Bank Inc.	First National Community Bancorp Inc.
CCFNB Bancorp Inc.	Franklin Financial Services Corp.
Citizens Financial Services Inc.	Honat Bancorp
Codorus Valley Bancorp Inc.	Kish Bancorp Inc.
Dimeco Inc.	Mid Penn Bancorp Inc.
Embassy Bancorp Inc.	Norwood Financial Corp.
ENB Financial Corp	Penseco Financial Services Corp.
Fidelity D & D Bancorp Inc.	Peoples Financial Services Corp.

To perform this analysis, Janney used financial information as of the twelve month period ended June 30, 2012, and market price information as of the close of the stock markets on October 17, 2012. Earnings estimates for 2012 and 2013 were taken from a nationally recognized earnings estimate consolidator for comparable companies. Certain financial data prepared by Janney, and as referenced in the tables presented below, may not correspond to the data presented in Luzerne s and Penns Woods s historical financial statements as a result of the different periods, assumptions and methods used by Janney to compute the financial data presented.

Table of Contents

Janney s analysis showed the following concerning Luzerne s and Penns Woods s financial condition:

	Luzerne	Luzerne Group Minimum	Luzerne Group Maximum
Return on Average Assets	0.76%	-0.66%	1.54%
Return on Average Equity	8.40%	-7.46%	15.40%
Net Interest Margin	3.98%	2.67%	4.64%
Noninterest Income / Average Assets	0.64%	0.10%	1.12%
Efficiency Ratio	68.7%	41.6%	89.5%

	Penns Woods	Penns Woods Group Minimum	Penns Woods Group Maximum
Return on Average Assets	1.76%	-0.20%	1.61%
Return on Average Equity	16.57%	-5.28%	18.07%
Net Interest Margin	4.63%	2.67%	4.52%
Noninterest Income / Average Assets	1.03%	0.19%	1.22%
Efficiency Ratio	50.4%	46.6%	101.0%

	Luzerne	Luzerne Group Minimum	Luzerne Group Maximum
Tangible Common Equity / Tangible Assets	9.1%	6.2%	16.6%
Tier 1 Capital Ratio	10.6%	10.5%	32.0%
Loans / Assets	80.6%	34.8%	76.0%
Nonperforming Assets + 90 Days / Assets	1.37%	0.04%	4.07%
Last Twelve Months Net Charge-Offs / Average Loans	0.12%	-0.10%	2.84%

	Penns Woods	Penns Woods Group Minimum	Penns Woods Group Maximum
Tangible Common Equity / Tangible Assets	10.4%	4.2%	12.7%
Tier 1 Capital Ratio	13.6%	6.7%	18.4%
Loans / Assets	56.8%	51.3%	75.4%
Nonperforming Assets + 90 Days / Assets	2.00%	0.19%	4.07%
Last Twelve Months Net Charge-Offs / Average Loans	0.79%	-0.02%	0.72%

	Luzerne	Luzerne Group Minimum	Luzerne Group Maximum
Stock Price / Tangible Book Value per Share	94.1%	56.8%	165.7%
Stock Price / Last Twelve Months EPS	11.6x	8.2x	13.2x
Dividend Yield	1.5%	0.0%	4.8%
Last Twelve Months Dividend Payout Ratio	22.4%	0.0%	49.3%

	Penns Woods	Penns Woods Group Minimum	Penns Woods Group Maximum
Stock Price / Tangible Book Value per Share	199.7%	72.8%	172.1%

Stock Price / Last Twelve Months EPS	12.5x	7.8x	13.1x
Dividend Yield	4.2%	0.0%	4.8%
Last Twelve Months Dividend Payout Ratio	52.4%	0.0%	63.2%

Table of Contents

Recent Transactions Analysis. Janney reviewed publicly available information related to selected bank transactions involving institutions with assets under $1 billion announced since January 1, 2009, and headquartered in Delaware, Maryland, New Jersey, New York or Pennsylvania. Further, transaction multiples for the merger were evaluated based on the exchange ratio of 1.5534 and $61.86 cash consideration per share using the October 17, 2012 stock market closing price (one day prior to announcement) of Penns Woods s common stock to arrive at an aggregate offer price of $68.06 per common share for Luzerne. For each transaction referred to below, Janney derived and compared, among other things, the following implied ratios:

- price per common share paid for the acquired company to book value per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition;

- price per common share paid for the acquired company to tangible book value per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition;

- tangible book value premium to core deposits (total deposits less time deposits greater than $100,000) based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition;

- price per common share paid for the acquired company to total assets per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition;

- price per common share paid for the acquired company to last twelve months earnings per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition; and

- price per common share paid for the acquired company to closing price of the acquired company on day prior to the announcement of the acquisition (expressed as a percentage and referred to as the 1-day market premium).

Acquiror	Acquiree
Hana Financial Group Inc.	BNB Financial Services Corp.
Investors Bancorp Inc.	Marathon Banking Corporation
S&T Bancorp Inc.	Gateway Bank of Pennsylvania
Provident New York Bancorp	Gotham Bank
Sandy Spring Bancorp Inc.	CommerceFirst Bancorp Inc.
S&T Bancorp Inc.	Mainline Bancorp Inc.
BankUnited Inc.	Herald National Bank
BCB Bancorp Inc.	Allegiance Community Bank
Bridge Bancorp Inc.	Hamptons State Bank
GNB Financial Services Inc.	Herndon National Bank
Community Bank System Inc.	Wilber Corporation
Modern Capital Partners L.P.	Madison National Bancorp Inc.
Chemung Financial Corp.	Fort Orange Financial Corp.
Old Line Bancshares Inc.	Maryland Bankcorp Inc.
Customers Bancorp Inc.	Berkshire Bancorp Inc.
F.N.B. Corp.	Comm Bancorp Inc.
WSFS Financial Corp.	Christiana Bank & Trust Co.
Kearny Financial Corp.	Central Jersey Bancorp
Bank of Princeton	MoreBank
Millbrook Bank System Inc.	SNB Bancorp Inc.
Donegal Financial Services Corp.	Union National Financial Corp.

Roma Financial Corp.	Sterling Banks Inc.
Capital Funding Bancorp Inc.	AmericasBank Corp.

The results of the analysis are set forth in the following table:

Transaction Price to:	Penns Woods/ Luzerne Merger	Comparable Transactions Median	Comparable Transactions Minimum	Comparable Transactions Maximum
Book Value	165.0%	118.7%	3.5%	186.1%
Tangible Book Value	165.0%	125.9%	3.5%	189.7%
Core Deposit Premium	9.8%	2.5%	-9.1%	13.6%
Assets	15.0%	10.6%	0.2%	27.2%
Last Twelve Months EPS	20.3x	23.8x	13.4x	54.2x
1-Day Market Premium	75.4%	38.7%	0.1%	67.8%

No company or transaction used as a comparison in the above analysis is identical to Luzerne, Penns Woods or the merger. Accordingly, an analysis of these results is not mathematical. Instead, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

Financial Impact Analysis. Janney performed pro forma merger analysis on the combined projected income statement and balance sheet information of Luzerne and Penns Woods. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact the merger would have on certain projected financial results of Penns Woods. In the course of this analysis, Janney used earnings estimates for Penns Woods based on discussion with Penns Woods s management and used earnings estimates for Luzerne based on discussions with Luzerne s management. This analysis indicated that the merger is expected to be accretive to Penns Woods s estimated earnings per share in 2013, 2014 and 2015. Luzerne shareholders will be expected to receive an annual pro forma dividend of $2.63, on average, per share, which compares to Luzerne s current annual dividend rate of $0.60 (or $0.75 if the recurring annual special dividend is included) and assumes that 90% of Luzerne s common stock will be converted into Penns Woods stock. The analysis also indicated that the merger is expected to be dilutive to tangible book value per share for Penns Woods and that Penns Woods is expected to maintain well-capitalized capital ratios. For all of the above analyses, the actual results achieved by Penns Woods following the merger may vary from the projected results, and the variations may be material.

Discounted Dividends Analysis. Janney performed a discounted dividends analysis to estimate a range of the present values of after-tax cash flows that Luzerne could theoretically produce for dividends to equity holders through 2017 on a standalone basis. In performing this analysis, Janney used management s earnings estimates for Luzerne for 2012 through 2014 and had discussion with Luzerne management to develop reasonable projections for 2015 through 2017. Janney assumed discount rates ranging from 12.0% to 18.0%. The range of values was determined by adding the present value of projected cash flows to Luzerne shareholders from 2012 through 2017 and the present value of the terminal value of Luzerne s common stock. In determining the cash flows available to shareholders, Janney assumed that Luzerne would maintain a tangible common equity to tangible asset ratio of 8.0% and would retain sufficient earnings to maintain that level. Any earnings in excess of what would need to be retained represented dividendable cash flows for Luzerne. In calculating the terminal value of Luzerne, Janney applied multiples ranging from 9.0 to 17.0 times 2017 projected earnings. This resulted in a range of values for Luzerne from $30.54 to $64.44 per share. The discounted dividends present value analysis is a widely used valuation methodology that relies on numerous assumptions, including growth rates, terminal values and discount rates. The analysis did not purport to be indicative of the actual values or expected values of Luzerne.

Information Regarding Janney. Janney, as part of its investment banking services, is regularly engaged in the independent valuation of businesses and securities in connection with mergers, acquisitions, private placements and valuations for corporate and other purposes. Luzerne and Janney have entered into an agreement whereby Janney has acted as financial advisor to Luzerne in connection with the merger. Luzerne paid Janney a fee of $15,000 upon the execution of the engagement agreement, a fee of approximately $50,000 upon the

Table of Contents

execution of the definitive agreement and plan of merger, and a fee of $135,000 upon the closing of the transaction. In addition, Luzerne has agreed to reimburse Janney for reasonable out-of-pocket expenses and disbursements incurred in connection with its retention and to indemnify Janney for certain liabilities arising out of its engagement. During the two years preceding the date of its opinion to Luzerne Janney has not received compensation (other than the $15,000 engagement retainer fee from Luzerne in connection with the merger and the $50,000 fee due upon the execution of the definitive agreement and plan of merger) for investment banking services from either Luzerne or Penns Woods.

Penns Woods Reasons for the Merger

The board of directors and senior management of Penns Woods periodically review and evaluate the economic and regulatory environments in which Penns Woods and its affiliated companies operate. Part of this review in recent years has included an acknowledgement of the effects of additional oversight and regulation on revenues, expenses and capital requirements for financial institutions, particularly community banks, as a result of the passage in 2010 of the Dodd-Frank Act and other factors. The board of directors and senior management generally believe that greater size and scale can help a community-oriented financial institution address the costs of anticipated additional regulation as well as provide additional revenue opportunities. In light of these observations, Penns Woods has elected to pursue a controlled growth strategy, which may include both organic growth and the targeted acquisition of other financial institutions with strong performance characteristics in Penns Woods market area or in contiguous market areas. This strategy may also include a bank holding company model with Penns Woods serving as the holding company for Jersey Shore State Bank as well as additional separately chartered banking subsidiaries in contiguous markets in northern Pennsylvania or in other markets.

Penns Woods entered into the merger agreement to further implement this strategy, as well as to provide additional opportunities for revenue growth. Penns Woods board of directors reviewed and discussed the transaction with senior management, as well as its financial and legal advisors, in unanimously determining that the merger was advisable and in the best interests of Penns Woods. In reaching its determination, the Penns Woods board of directors considered a number of factors, including the following:

- the board s understanding of the business operations, management, financial condition, asset quality, product offerings, and prospects of Luzerne based on, among other things, presentations of management and Penns Woods financial advisor;

- the board s concurrence with management that the merger provides Penns Woods with an expansion opportunity into a favorable market that extends the Penns Woods market area contiguously to the east;

- the board s view that Luzerne s product offerings and business mix are compatible with those of Penns Woods and provide Penns Woods with opportunities to accelerate loan growth and to build upon the market share of secondary market loan generations, as well as opportunities to expand Penns Woods insurance and investment business activities;

- the board s understanding, based on information then available, that the merger is expected to be accretive to earnings within 18 months after closing;

- the results of the due diligence examination of Luzerne and its business operations, including asset quality and composition of its investment portfolio;

- the board s assessment of the compatibility of the respective employee and business cultures of Penns Woods and Luzerne and the ability of Penns Woods to effectively operate Luzerne Bank as a separately chartered banking subsidiary of Penns Woods;

- the board s view that the combined company will have the potential for a stronger competitive position in a market place where relatively greater size and scale may become increasingly more important factors for financial performance and success;

56

the financial information and analyses presented by Penns Woods financial advisor, Monocacy, and the opinion of Monocacy to the effect that, as of the date of such opinion, based on and subject to the factors and assumptions set forth in the opinion, the consideration to be paid in the merger is fair from a financial point of view to Penns Woods; and

the review by the board of directors with, Stevens & Lee, its legal advisor, and Monocacy, its financial advisor, of the structure of the merger and the financial and other terms of the merger agreement.

The foregoing discussion of the information and factors considered by Penns Woods board of directors is not exhaustive, but includes the material factors considered by the board. In view of the wide variety of factors considered by the board of directors of Penns Woods in connection with its evaluation of the merger and the complexity of these matters, the board of directors did not consider it practical to, and did not attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. Penns Woods board of directors evaluated the factors described above, including asking questions of Penns Woods legal and financial advisors. In considering the factors described above, individual members of Penns Woods board of directors may have given different weights to different factors. The board of directors relied on the experience and expertise of its legal advisors regarding the structure of the merger and the terms of the merger agreement and on the experience and expertise of its financial advisors for quantitative analysis of the financial terms of the merger. It should also be noted that this explanation of the reasoning of Penns Woods board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading *Cautionary Statement Regarding Forward-Looking Statements* on page 43.

The materials reviewed by the Board of Directors prepared by Monocacy in connection with the Board s unanimous recommendation to shareholders to approve the transaction included certain analyses which, if viewed on a standalone basis, may not support the recommendation. With respect to the contribution analysis prepared by Monocacy on a pro forma basis as of September 30, 2012, the analysis indicated that, as of such date, Penns Woods would have contributed 83.4% of the combined net income, while Penns Woods shareholders would own approximately 80% of the outstanding shares of the combined company. The Monocacy materials also indicated that, based on comparable banking companies with similar balance sheet and income statement characteristics (regarding commercial loans to gross loans, noninterest bearing deposits to total deposits, low non-performing assets to total assets, and return on equity), the implied market value range of Luzerne s common stock on a normal trading period basis without any change in control premium was estimated to be between $47.01 and $59.33 per share (although with a change in control premium was estimated to be between $72.14 and $87.04 per share). The Monocacy materials indicated that, in a discounted cash flow analysis based on the stated assumptions, the hypothetical valuation range of Luzerne s common stock on a normal trading basis without any change in control premium was between $45.95 to $59.67 (although with a change in control premium was between $61.46 and $80.32). Finally, the Monocacy materials indicated that the financial impact of the transaction to Penns Woods could be modestly dilutive to tangible book value after the second full year of combined operations. The board of directors concluded to unanimously recommend the transaction to Penns Woods shareholders notwithstanding these individual analyses because the board considered all of the analyses taken as a whole when considering Monocacy s opinion as to the fairness of the consideration to be paid by Penns Woods in the merger from a financial point of view and also considered the analyses in light of the other factors described above.

Specifically it was noted that (i) the pro forma net income contribution analysis difference (83.4% contribution by Penns Woods to pro forma net income for the nine months ended September 13, 2012 versus pro forma ownership by Penns Woods shareholders as of such date of 80%) was not significant particularly in light of the other contribution analyses presented (along with tax rate differentials from municipal and other tax free earnings at Penns Woods), (ii) it was appropriate to consider a control premium for Luzerne shares with respect to the implied market value analysis and the discounted cash flow analysis given the change in control nature of the transaction as it relates to Luzerne, and (iii) although there could be modest tangible book value dilution per share after the second full year of the transaction of approximately $0.48, the transaction was expected to be

Table of Contents

accretive to earnings per share by approximately $0.15 over the same period. Given the market to tangible book value and market to earnings multiples experienced in the community bank sector, the board of directors concluded that the theoretical market value pick-up from increased earnings per share outweighed the theoretical market value loss from possible dilution to tangible book value per share.

Recommendation of Penns Woods Board of Directors

Penns Woods board of directors believes that the terms of the transaction are in the best interests of Penns Woods and its shareholders and has unanimously approved the merger agreement. Accordingly, Penns Woods board of directors unanimously recommends that Penns Woods shareholders vote FOR adoption of the merger agreement.

Opinion of Monocacy Financial Advisors, LLC, Financial Advisor to Penns Woods

Penns Woods retained Monocacy to act as Penns Woods investment banker and financial advisor in connection with the merger and related matters based upon its qualifications, expertise and reputation, as well as its familiarity with Penns Woods and other community banking organizations like Penns Woods and Luzerne. Monocacy is a nationally recognized investment banking, advisory, and consulting firm providing services of similar nature to community banking organizations. As a part of its investment banking and advisory business, Monocacy is continually engaged in the valuation of businesses in connection with mergers and acquisitions, private placements, and valuations for ESOPs, capital formation and capital structure transactions, going private transactions, corporate and other purposes.

At the October 18, 2012, special meeting of the Penns Woods board of directors, Monocacy provided an oral opinion (with a written opinion following the close of business) that the 1.5534 exchange ratio and $61.86 cash consideration (determined as (a) 1.5534 shares of common stock of Penns Woods, par value $8.33 per share, (b) $61.86 in cash or (c) a combination of cash and Penns Woods common stock with a maximum of 90% (with Penns Woods discretion to exceed this amount if potentially elected by Luzerne shareholders) of the outstanding shares of Luzerne common stock converted into the right to receive shares of Penns Woods common stock and the remainder of the outstanding shares of Luzerne common stock will be converted into the right to receive cash) offered to Luzerne is fair to Penns Woods shareholders from a financial point of view. No limitations were imposed by Penns Woods on the scope of Monocacy s investigation or on the procedures followed by Monocacy in rendering its opinion. At the same meeting, the Penns Woods board of directors approved the merger and the merger agreement, subject to review by the Penns Woods board of directors of the final version of certain ancillary agreements and the receipt on Monocacy s written opinion. Later that day, Monocacy delivered its written opinion to the Penns Woods board of directors confirming its oral opinion, and the Penns Woods board of directors voted, unanimously, to adopt the merger agreement and recommend that the shareholders of Penns Woods approve the merger agreement.

The full text of the opinion of Monocacy, which sets forth, among other things, assumptions made, procedures followed, matters considered and limits on the review undertaken by Monocacy, is attached as Annex C to this joint proxy statement/prospectus. Holders of Penns Woods common stock are urged to read the opinion in its entirety. Monocacy s opinion is directed only to the exchange ratio and consideration described in the merger agreement and does not constitute a recommendation to any Penns Woods shareholder as to how such shareholder should vote at the Penns Woods annual shareholder meeting. The summary set forth in this joint proxy statement/prospectus of the opinion of Monocacy is qualified in its entirety by reference to the full text of its opinion attached to this document as Annex C.

In arriving at its opinion, Monocacy engaged in discussions with members of both the management teams of Penns Woods and Luzerne, separately, concerning the historical and current business operations, financial conditions and prospects of Penns Woods and Luzerne and reviewed:

- the merger agreement;

Table of Contents

- certain publicly available information for Luzerne, including each of its Annual Reports to Shareholders for the years ended December 31, 2011, 2010 and 2009, and the quarterly call reports for Luzerne Bank for each of the quarterly periods ended on March 31 and June 30, 2012, and the Luzerne internal consolidated and consolidating financial results for the quarter ended September 30, 2012 furnished by Luzerne management;
- certain publicly available information for Penns Woods, including each of its Annual Reports to Shareholders and Annual Reports on Form 10-K for the years ended December 31, 2011, 2010 and 2009 and the quarterly reports on Form 10-Q for each of the quarterly periods ended on March 31 and June 30, 2012, and the Penns Woods internal consolidated and consolidating financial results for the quarter ended September 30, 2012 furnished by Penns Woods management;
- certain information, including historical and forecasted financial information, relating to earnings, dividends, assets, liabilities, and prospects of Luzerne furnished by senior management of Luzerne;
- certain information, including historical and forecasted financial information, relating to earnings, dividends, assets, liabilities, and prospects of Penns Woods as furnished by senior management of Penns Woods;
- Luzerne senior management projected earnings estimates or budget(s) for fiscal years 2012 through 2015, if available;
- Penns Woods senior management projected earnings estimates or budget(s) for fiscal years 2012 through 2015, if available;
- the estimated amount and timing of the deal costs, cost savings and potential mark to market impacts expected to result from the merger which were furnished by senior management teams of Luzerne and Penns Woods and observed in other similar transactions reviewed by Monocacy;
- the financial condition and operating results of certain other financial institutions that we deemed comparable;
- an underlying value (contribution and receipt) analysis of Luzerne and Penns Woods to the combined entity with regard to certain financial metrics as of September 30, 2012;
- the recent stock prices and trading activity for the common stock of both Penns Woods and Luzerne during the last 2 years and up until the day prior to the announcement of the merger;
- various valuation analyses of Luzerne and Penns Woods that Monocacy performed including an analysis of comparable companies, analysis of comparable transactions, discounted dividend cash flow analysis, and financial impact (accretion/dilution) analysis; and
- such other information, financial studies, regulatory overviews and summaries, analyses and investigations and such other factors that Monocacy deemed relevant for the purposes of its opinion.

In conducting its review and arriving at the opinion, Monocacy, with Penns Woods board of directors consent, has relied, without independent investigation, upon the accuracy and completeness of all financial and other information provided to Monocacy by Luzerne and Penns Woods or upon publicly available information. Monocacy does not undertake any responsibility for the accuracy, completeness or reasonableness of, or any obligation independently to verify, such information. Monocacy has further relied upon the assurance of management of Luzerne and Penns Woods that they were unaware of any facts that would make the information provided or available to Monocacy incomplete or misleading in any respect. Monocacy did not make any independent evaluations, valuations or appraisals of the assets or liabilities of Luzerne and Penns Woods.

Monocacy did not review any individual credit files and assumed that the aggregate allowances for credit losses and marks relating to the loans of Luzerne and Penns Woods were and will continue to be adequate to cover such losses. The opinion is necessarily based upon economic and market conditions and other circumstances as they existed and were evaluated by Monocacy on the date of its opinion. Monocacy does not have any obligation to update its opinion, unless requested by the Penns Woods board of directors in writing to do so, and Monocacy expressly disclaims any responsibility to do so in the absence of such a written request.

Table of Contents

The projections furnished to Monocacy and used by it in certain of its analyses were prepared by, or derived from, Luzerne and Penns Woods senior management. Luzerne and Penns Woods do not publicly disclose internal management projections of the type provided to Monocacy in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections, or change over time.

For purposes of rendering its opinion, Monocacy assumed that, in all respects material to its analyses:

- the merger will be completed substantially in accordance with the terms set forth in the merger agreement;
- the representations and warranties of each party in the agreement of merger and in all related documents and instruments referred to in the merger agreement are true and correct;
- each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;
- all conditions to the completion of the merger will be satisfied without any waivers;
- there is no taxation at the corporate level as provided by and at the guidance of Penns Woods and Luzerne counsels, respectively; and
- in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the merger, including the cost savings, revenue enhancements, and related expenses expected to result from the merger.

Monocacy further assumed that the merger will be accounted for as a purchase transaction under generally accepted accounting principles. Monocacy s opinion is not an expression of an opinion as to the prices at which shares of Luzerne or Penns Woods common stock will trade following the announcement of the merger or the actual value of the shares of common stock of the combined company when issued pursuant to the merger, or the prices at which the shares of common stock of the combined company will trade following the completion of the merger.

No limitations were imposed by Penns Woods on Monocacy on the scope of Monocacy s investigation or the procedures to be followed by Monocacy in rendering its opinion. Except for the disclosure at the end of this section, during the two year period preceding the engagement of Monocacy by Penns Woods with respect to the merger with Luzerne, there was no material relationship between Monocacy or any of its affiliates or representatives on the one hand (or its principals) and Penns Woods or any of its affiliates on the other hand. Nor was there, except for the disclosure at the end of this section, during the two year period preceding the signing of the merger agreement, any material relationship between Monocacy or any of its affiliates or representatives on the one hand (or its principals) and Luzerne or any of its affiliates on the other hand. Additionally, neither Monocacy nor its principals owned any securities issued by Luzerne or Penns Woods in this time frame (or up to the merger announcement date of October 18, 2012). The form and amount of the consideration to be paid to Luzerne or its shareholders were determined through arms length negotiations between Penns Woods and Luzerne. Monocacy was not requested to opine as to, and its opinion does not address, Penns Woods s underlying business decision to proceed with or effect the merger or the relative merits of the merger compared to any alternative transaction that might be available to Penns Woods. Further, its opinion does not constitute a recommendation to the shareholders of Penns Woods with respect to any approval of the merger agreement or the merger.

Additionally, Monocacy was not requested to opine as to, and its opinion does not address, the fairness of the amount or nature of the compensation to any of Luzerne s officers, directors or employees other than the merger consideration to be received, if any, by such persons due to their status as a shareholder of Luzerne.

Table of Contents

In the analyses, Monocacy has made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of Penns Woods and Luzerne. Any estimates contained in the analyses are not necessarily indicative of future results or value, which may be significantly more or less favorable than such estimates. Estimates of values of companies do not purport to be appraisals or to necessarily reflect the prices at which companies or their securities actually may be sold. No comparable company or merger utilized in Monocacy s analyses was identical to Penns Woods, Luzerne, or the merger. Accordingly, such analyses are not based solely on arithmetic calculations; rather, they involve complex considerations and judgments concerning differences in financial and operating characteristics of the relevant companies, the timing of the relevant mergers and prospective buyer interests, as well as other factors that could affect the public trading markets of Penns Woods and Luzerne or companies to which it is being compared. None of the analyses performed by Monocacy was assigned a greater significance than any other.

The financial forecast information and projected cost savings and other projected synergies expected to result from the merger furnished by management of Penns Woods and Luzerne, respectively, and deemed reasonable by them, contained in or underlying Monocacy s analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such forecasts and estimates. The forecasts and estimates were based on numerous variables and assumptions that are inherently uncertain, including factors related to general economic and competitive conditions. In that regard, Monocacy assumed, with Penns Woods s and Luzerne s consent, that the projected financial forecasts, including the projected cost savings, projected adjustments, impact to credit and underwriting, and other projected synergies expected to result from the merger, were reasonably prepared on a basis reflecting the best currently available judgments of Penns Woods and Luzerne, and that such forecasts will be realized in the amounts and at the times that they contemplate. The estimates contained in Monocacy s analyses are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by those analyses. Estimates of values of financial institutions or assets do not purport to be appraisals or necessarily reflect the prices at which financial institutions or their securities actually may be sold. Accordingly, actual results could vary significantly from those assumed in the financial forecasts and related analyses.

The following is a summary of the material analyses presented by Monocacy to the Penns Woods board of directors in connection with its October 18, 2012 opinion. In connection with its written opinion dated as of the same date, Monocacy performed procedures to update certain of its analyses and review the assumptions on which such analyses were based and the factors considered in connection therewith. The summary is not a complete description of the analyses underlying the Penns Woods opinion or the presentation made by Monocacy to Penns Woods board of directors, but summarizes the material analyses performed and presented in connection with such an opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Monocacy did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Accordingly, Monocacy believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of the financial analyses.

Transaction Summary and Summary Analysis of the Transaction

Pursuant to the terms of the merger agreement, upon completion of the merger, each share of Luzerne common stock will be converted, at the election of the shareholder, into either the right to receive (a) 1.5534 shares of common stock of Penns Woods, par value $8.33 per share, (b) $61.86 in cash or (c) a combination of cash and Penns Woods common stock. At the closing of the merger, a maximum of 90% (with Penns Woods discretion to exceed this amount if Luzerne shareholders elect to convert more than 90% of the

Table of Contents

outstanding shares of common stock of Penns Woods stock) of the outstanding shares of Luzerne common stock will be converted into the right to receive shares of Penns Woods common stock and the remainder of the outstanding shares of Luzerne common stock will be converted into the right to receive cash. Based on Penns Woods price of $44.26 on the close of the market October 17, 2012, the merger consideration represented a price of $68.06 per share to Luzerne s common shareholders.

Price (1) (2)	Price Per Share	Price/ Tangible Book (3)	Price/ LTM Earnings (3) (4)	Price/ Deposits (3)	Price/ Assets (3)	Tangible Book Premium/ Core Deposits (3)	Market Premium/ Luzerne Stock Price (5)
$46,059	$ 68.06	1.61x	19.31x	16.87%	14.81%	9.80%	75.4%

(1) Transaction announced October 18, 2012. Dollars in thousands.
(2) Transaction price based on the closing price of Penns Woods stock on October 17, 2012 and the pre-determined exchange ratio of 1.5534 shares of Penns Woods stock for each Luzerne share of stock and/or $61.86 in cash for each Luzerne share, assuming 90% Luzerne share election for Penns Woods stock.
(3) Based on September 30, 2012 end of period and/or latest twelve months data, as released.
(4) Based on core income of Luzerne.
(5) Based upon the closing price of Luzerne on October 17, 2012

Monocacy reviewed the terms of the merger and the merger agreement and was a significant contributor in the negotiations of the merger process. Monocacy adjusted the financial data throughout its analyses to exclude any non-recurring income and expenses and any extraordinary items, if known or disclosed as such. Monocacy considered, among other things:

- the proposed 1.5534 fixed exchange ratio and related mechanism and the cash consideration of $61.86 (and resulting ownership percentages pre- and post-closing);
- the form of the consideration (cash and stock mix and limitations thereof) that Penns Woods would offer for Luzerne in the merger;
- the observation that the exchange ratio and cash consideration was determined and negotiated at a point where the calculated value of both the stock and cash consideration was $61.86 per share, or 1.47x Luzerne s equity;
- the observation that the exchange ratio is fixed resulting in a known number of maximum issuable shares in the merger therefore locking in the known number of shares to be issued by Penns Woods;
- the observation that Penns Woods price to book market value of 1.81x exceeded the transaction price book multiple of 1.61x (at announcement) and that the Penns Woods shareholders would be accreting $16.3 million gross equity, or $4.32 per share, on an underlying value basis as a result of the transaction and Penns Woods pro-rata ownership;
- the observation that Penns Woods was acquiring Luzerne below the hypothetical transaction value ($60.0 million; 2.10x price book; 2.0102 exchange ration) implied by the relative underlying value analysis (contribution and receipt) and below the hypothetical book for book exchange transaction value ($51.6 million; 1.81x price book; 1.7270 exchange ratio) implied by the relative underlying value analysis (contribution and receipt);

the observation that the financial impact to Penns Woods could modestly dilutive to tangible book value per share (approximately $0.48 per share after the second full year of operations) but accretive to earnings per share (approximately $0.15 per share after the second full year of operations) and the relative hypothetical value pick up/loss differential per share of these two data points (hypothetical decline per share from tangible book value per share could be approximately $.87 per share, or current 1.81x Penns Woods market price to book multiple multiplied by $0.48, while hypothetical increase per share from earnings per share could be approximately $1.80 per share, or current 12x Penns Woods price to earnings multiple multiplied by $0.15 per share);

Table of Contents

the observation that Penns Woods would be acquiring a well established and well branded community bank in a growing market thereby expanding its own footprint geographically at reasonable pricing parameters;

the observation that Penns Woods is acquiring approximately $310 million of *productive* banking assets and liabilities versus assets for the sake of assets and deploying current excess capital into growth situations with Luzerne;

the observation that, based on comparable banking companies that maintained the same balance sheet and income statement characteristics regarding commercial loans to gross loans, noninterest bearing deposits to total deposits, low non-performing assets to total assets, net interest income to assets, and return on equity, Luzerne s implied market value range on a normal trading basis (non change of control premium) is estimated to be $47.01 to $59.33 per share;

the observation that, based on comparable banking merger transactions of banking companies that maintained the same balance sheet and income statement characteristics regarding commercial loans to gross loans, noninterest bearing deposits to total deposits, low non-performing assets to total assets, net interest income to assets, and return on equity, Luzerne s implied merger value range per share is estimated to be $72.14 to $87.04 per share or 1.79x book and 19.8x earnings using the average of observations;

the observation that a discounted dividend cash flow analysis revealed (assumptions provided below in that headed section herein) that Luzerne s hypothetical valuation range on a normal trading basis (non change of control premium) lies between $45.95 to $59.67 per share and that the hypothetical merger valuation range (assuming a control premium) lies between $61.46 and $80.32 per share (both with comparable companies and comparable transactions reviewed);

the observation that the expected economies of scale and revenue enhancements equate to no more than 18% of Luzerne s non-interest expense base; and

the fact that Luzerne will be bringing a quality balance sheet and cash flows, commercial banking operations with small business commercial loans and noninterest bearing deposits, and high quality personnel, management, and board members into the combined Penns Wood organization.

Trading Analyses

Monocacy reviewed the stock prices, relative performance and trading volumes of both Luzerne and Penns Woods over various time frames and compared each to various indices. Additionally, Monocacy charted the published stock price for both companies over the last two years and compared those values to various banking indices.

Trading / Volume / Stock Performance Analysis (1)(2)

	Luzerne	Penns Woods
October 18, 2012	$ 38.80	$ 44.26
October 18, 2010	$ 33.75	$ 33.76
2 yr change	12.6%	31.1%
Volume traded in shares	100,935	3,269,217
Volume traded in dollars, average	$ 3,621,043	$ 127,532,155
Per month traded	$ 150,877	$ 5,313,840
SNL Pink Bank Index Return	5.61%	5.61%
KBW Bank Index Return	9.01%	9.01%
NASDAQ Bank Index Return	10.48%	10.48%

(1) All averages and return data are as of October 17, 2012.
(2) Source: SNL Financial

Table of Contents

From this analysis, Monocacy noted that community banking organizations that trade on the Pink Sheets/OTCBB (referred to herein as Pink Sheet(s)) trade at a discount versus the same sized community banking organizations that trade on The Nasdaq Global Select Market. Though smaller organizations typically trade on the Pink Sheets versus The Nasdaq Global Select Market, there are many examples of larger organizations that trade on the Pink Sheets. Though many reasons exist for this discount, including lack of information flow and lack of stringent filing requirements with the SEC, Monocacy noted this fact to the Penns Woods board of directors.

It was noted by Monocacy to the Penns Woods board of directors that Luzerne trades via the Pink Sheets and that making comparisons to banks trading on the Pink Sheets may lead to erroneous conclusions regarding Luzerne, including its implied market value, pricing multiples, premiums paid over market for merger and acquisition transactions, and general pricing observations. Therefore, Monocacy provided information establishing the comparison of Luzerne to Nasdaq banking organizations as they provide a more robust valuation comparison, especially as it relates to the operational characteristics of Luzerne including commercial loans to loans, noninterest bearing deposits to deposits, NPA levels, and returns on assets and equity. Monocacy also pointed out that a more meaningful comparison of Luzerne to peers should be based on these operating characteristics of Luzerne instead of just asset size. Monocacy noted to the Penns Woods board of directors that institutions growing via merger and acquisition strategy should focus on earnings and cash flow for each merger target versus asset size, and that value is based on the efficient use of these characteristics versus pure asset size.

From this discussion, Monocacy provided comparable banking company comparisons to similarly situated banking organizations that resembled Luzerne. These characteristics for Luzerne included banks that maintained similar ratios concerning commercial loans to loans, noninterest bearing deposits to deposits, low NPA levels, low Texas Ratios (low NPA to higher capital and reserve levels), higher net interest margins, and higher return on equity levels.

Analysis of Selected Comparable Companies

Using publicly available data, Monocacy compared selected financial and operating results of Luzerne to various peer group institutions operating with comparable operating and financial characteristics of Luzerne in order to determine comparable valuations on an ongoing trading, non-change of control, basis. To perform this analysis, Monocacy used financial information as of the latest twelve month period ended September 30, 2012 (or June 30, 2012 if not available), and market price information as of the close of the stock market on October 17, 2012. Certain financial data prepared by Monocacy, and as referenced in the tables presented below, may not correspond to the data presented in Luzerne s historical financial statements as a result of the different periods, assumptions and methods used by Monocacy to compute the financial data presented. Also, no financial institution used in the following analyses as a comparison is identical to Luzerne. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values of the financial institutions to which Luzerne was compared.

Monocacy again noted that Pink Sheet organizations almost always trade at discounts to Nasdaq banks due to limited information flow to investors and potential investors. Monocacy shared this analysis in summary form with the Penns Woods board of directors and is identified as Step 1 in the chart below. Monocacy also noted to the Penns Woods board of directors its opinion that investors and potential investors decision point for investing and potentially investing is based on balance sheet and operating statistical components and positive financial results from those characteristics, not just asset size.

From this investigation for the Penns Woods board of directors, Monocacy reviewed for observational purposes a group of banks of roughly similar size to Luzerne situated in Northeast Pennsylvania. Monocacy noted that of these 17 identified banks, all were Pink Sheet banks, none had a commercial loan portfolio to total loans in the same percentage as Luzerne, none had a noninterest bearing deposit to deposits in the same percentage as Luzerne, and nearly all maintained a level of 1-4 family mortgages three times greater than Luzerne. Moreover, the commercial loan and noninterest bearing percentages for this group was less than four times for the commercial portfolio and three times less for the noninterest bearing portfolio, with the resulting noninterest margin being 3.56% for the group versus 3.97% for Luzerne. This review is identified as Step 2 in the chart below.

Therefore, Monocacy expanded its review to include all Pennsylvania banks with assets between $200 million and $3 billion. Monocacy noted that of these 51 identified banks, 35 (or 69%) were Pink Sheet banks, only 4 had a commercial loan portfolio to total loans in the same approximate percentage as Luzerne, only 1 had a noninterest bearing deposit to deposits in the same approximate percentage as Luzerne, and a significant number maintained a level of 1-4 family mortgages three times greater than Luzerne. Moreover, the commercial loan and noninterest bearing percentages for this group was less than three times for the commercial portfolio and two times less for the noninterest bearing portfolio, with the resulting noninterest margin being 3.61% for the group versus 3.97% for Luzerne. This review is identified as Step 3 in the chart below.

Monocacy then expanded Step 3 to include Mid Atlantic banks in the review. Monocacy noted that of these 120 identified banks, 75 (or 63%) were Pink Sheet banks, only 10 (7 Pink Sheet) had a commercial loan portfolio to total loans in the same approximate percentage as Luzerne, only 9 (4 Pink Sheet) had a noninterest bearing deposit to deposits in the same approximate percentage as Luzerne, and a significant number maintained a level of 1-4 family mortgages three two times greater than Luzerne. Moreover, the commercial loan and noninterest bearing percentages for this group was less than three times for the commercial portfolio and two times less for the noninterest bearing portfolio, with the resulting noninterest margin being 3.65% for the group versus 3.97% for Luzerne. This review is identified as Step 4 in the chart below.

Monocacy, therefore, expanded the search for commercial banking organizations that operated with similar balance sheet and operating characteristic as Luzerne. These characteristics included comparable percentages for commercial loans to total loans, noninterest bearing deposits to total deposits, low 1-4 family mortgage loans to total loans, low NPAs to equity plus reserves, and positive return on equity. Monocacy identified 27 banking

Table of Contents

institutions meeting these criteria. Monocacy noted that all of these institutions are Nasdaq institutions. Monocacy then subdivided this group by category to establish a comparable trading estimation for Luzerne. This review is identified as Step 5 in the chart below.

From this review for the Penns Woods board of directors, Monocacy established a hypothetical trading range of $47.01 to $59.33 per share for Luzerne on a non-change of control basis.

Step	#	Institution Name or Comparison Group	Dividend Payout Ratio (%)	Total Assets)	Risk-based Capital Ratio (%)	NPAs/ Assets (%)	NPA / Equity and ALLL	Core ROAA (%)	Core ROAE (%)	Net Interest Margin (%)	Eff. Ratio (%)
		Luzerne National Bank Corporation	21.3	310,914	12.2	1.3	16.2	0.79	8.69	3.97	67.77
1											
		PA and Mid Atlantic Banks $200MM to $3B									
	28	Pink Sheet Banks, LUZR characteristics		276,653	16.1	1.6	15.9	0.55	5.81	3.81	72.35
	57	NASDAQ or greater Banks, LUZR characteristics	24.7	1,361,311	15.9	1.9	18.0	0.94	9.29	3.97	63.11
2											
	17	North East PA Banks ($200-$500MM)	36.6	336,424	17.2	1.5	16.1	0.96	9.03	3.56	65.24
	0	Greater Commercial than LUZR	none	none	none	none	none	none	none	none	none
	0	Greater Noninterest Bearing than LUZR	none	none	none	none	none	none	none	none	none
3											
	51	All PA Banks ($200-$3B)	36.9	644,093	15.6	1.5	16.5	0.91	9.58	3.61	62.62
	4	Greater Commercial than LUZR	42.2	1,337,654	14.4	1.9					