

PENNS WOODS REPORT

JERSEY SHORE STATE BANK | WOODS INVESTMENT COMPANY, INC.
WOODS REAL ESTATE DEVELOPMENT CO., INC. | THE COMPREHENSIVE FINANCIAL GROUP



LETTER FROM THE CEO

Dear Shareholders,

A variety of obstacles were introduced throughout the past year. This new year will surely provide even more challenges. Changes to tax laws and regulations will make it difficult for banks to meet their customers' financial needs as effectively and efficiently as was done in the past.

The American Bankers Association (ABA) will lead a large contingent of bankers, bank directors and trustees, and state association executives from across the nation in a Government Relations Summit to be held in Washington D.C. from March 16 to March 18. The purpose of the Summit is to express our view regarding issues threatening the financial industry to Regulators, Legislators and the press.

While we do what we can, you, as a stakeholder of Penns Woods Bancorp, Inc. and a member of the community, can also help. Become involved by expressing your opinion and verbalizing your stand on these important issues that affect your company.

As we move through 2010, no matter the changes, our focus on solid community banking will continue to guide us through these uncertain times. We will continue working to make our company a strong performer and a wise investment for our shareholders. Thank you for your support.

Sincerely,
Ronald A. Walko
President & CEO

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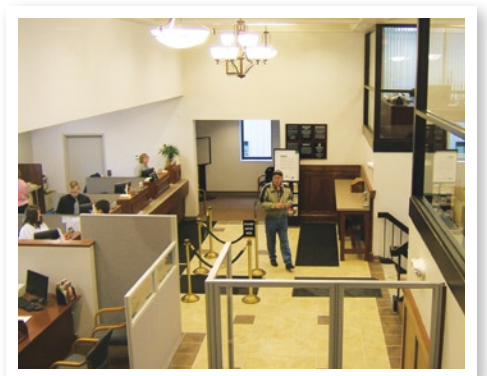
**FIRST QUARTER
2010**

PWOD
NASDAQ
LISTED

Equal
Housing
Lender

LOCK HAVEN REMODEL

We are proud to announce that the Lock Haven branch has successfully recovered from a massive remodel of the main lobby. The purpose was to refresh the atmosphere within the branch and to make the operations inside more efficient for our customers and employees.



View of the Lock Haven lobby from the second floor balcony.

DIVIDEND DECLARED

The Board of Directors has declared a first quarter 2010 cash dividend of \$0.46 per share. The dividend is payable March 23, 2010 to shareholders of record March 9, 2010.

ANNUAL AWARDS BANQUET

To celebrate the completion of another year, a crowd of 194 including Jersey Shore State Bank directors and employees representing the branches and the various departments gathered at the Williamsport Country Club. It was a wonderful time to meet the many faces known as Jersey Shore State Bank.

The highlight of the festivities was the recognition of our employees for their years of service. The following employees were recognized for 5 years of service: **Elizabeth Shoemaker** (Mill Hall), **Stephanie Oakes** (Williamsport), **Jamie Smith** (Bridge Street), **Karen Ruggieri** (Lock Haven), **Tammie Wool** (Williamsport), **Verna Fidler** (Montoursville), **Patricia Mitchell** (Williamsport), **Jennifer Topper** (Main Street), **Patricia Stauffer** (State College), and **Brittney Brooks** (Duboisstown); for 10 years of service: **Jill Jones** (Williamsport), **Julie Sealy** (Zion), **Karen Stoner** (Williamsport), **Dorinda Danneker** (Williamsport), **Alethea Kitner** (Mill Hall), **David Palski** (Williamsport), **Kimberly Myers** (Duboisstown), **Jennifer Snyder** (Main Street), and **Laura Holdren** (Lock Haven); for 15 years of service: **Kimberly Yale** (Williamsport), **Patricia Woodring** (Williamsport), **Brenda Bryerton** (State College), and **Gerald Seman** (Williamsport); for 20 years of service: **Bernie Plankenhorn** (Williamsport), **A. Maria Orrico** (Williamsport), and **Terry Harris** (Williamsport); for 25 years of service: **Leslie Benschoff** (Williamsport), **Chris Dunlap** (Williamsport), **John Frey** (Williamsport), **Tina Hopple** (Main Street), and **Kathy DeLaney** (Bridge Street).

Additionally, The Comprehensive Financial Group, a subsidiary of Jersey Shore State Bank, recognized **Judith Eck** with 35 years of service.

A formal farewell was given to our 2009 retirees. **Marge Remick**, Lock Haven Loan Representative, retired in August after 34 years of service with the bank. **Linda Rishel**, teller at Main Street, and **Clarissa (Chris) Ertel**, teller at Williamsport, retired at the end of 2009. Linda was with the company for 22 years and Chris retired after 11 years of service. Their presence within the bank will be missed by customers and co-workers.



JERSEY SHORE STATE BANK FINANCIAL SERVICES

In October of 2000, Jersey Shore State Bank purchased The Comprehensive Financial Group. This allowed Jersey Shore State Bank to be a one stop shop for all of your savings, investment and planning needs. Jersey Shore State Bank Financial Services, through ING Financial Partners, offers a wide range of investment vehicles including stocks, bonds and mutual funds to variable and fixed rate annuities. We also offer life and long-term care insurance services to protect what you value most.

By offering alternatives to traditional banking products, Jersey Shore State Bank has become a customer's full service financial shop. Talk to a Jersey Shore State Bank Financial Representative today to see what we can do for you.

Stocks, bonds, mutual funds, annuities, and other investments are NOT insured by the FDIC or any Federal Government Agency, are NOT deposits, are NOT obligations of, or guaranteed by this financial institution or any other affiliated entity; are subject to investment risk, including possible loss of the principle invested; and are not insured by the Securities Investors Protection Corporation (SIPC) as to loss of principle.

Securities and Investment Advisory Services are offered through ING Financial Partners, Member SIPC.

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Montoursville: (570) 368-1200 • Williamsport: (570) 322-1111 • Duboisstown: (570) 326-3731 • Jersey Shore (Main St): (570) 398-2213 • Jersey Shore (Bridge St): (570) 398-4400
Montgomery: (570) 547-6642 • Lock Haven: (570) 748-7785 • Mill Hall: (570) 748-8680 • Zion: (814) 383-2700 • Spring Mills: (814) 422-8836 • Centre Hall: (814) 364-1600
State College: (814) 235-1710 • www.jssb.com • Member FDIC



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