



## Investor Presentation: *Driving Shareholder Value*

June 2017  
NASDAQ: ORRF

**Thomas R. Quinn, Jr.**  
President & CEO

**David P. Boyle**  
EVP / Chief Financial Officer

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# Forward-Looking Statements

Certain statements we make today may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, predictions, expectations, or beliefs about events or results or otherwise are not statements of historical facts, including, without limitation, our ability to integrate additional teams across all business lines as we continue our expansion into Dauphin, Lancaster and Berks counties and fill a void created in the community banking space from the disruption caused by the acquisition of several competitors, and our belief that we are positioned to create additional long-term shareholder value from these expansion initiatives.

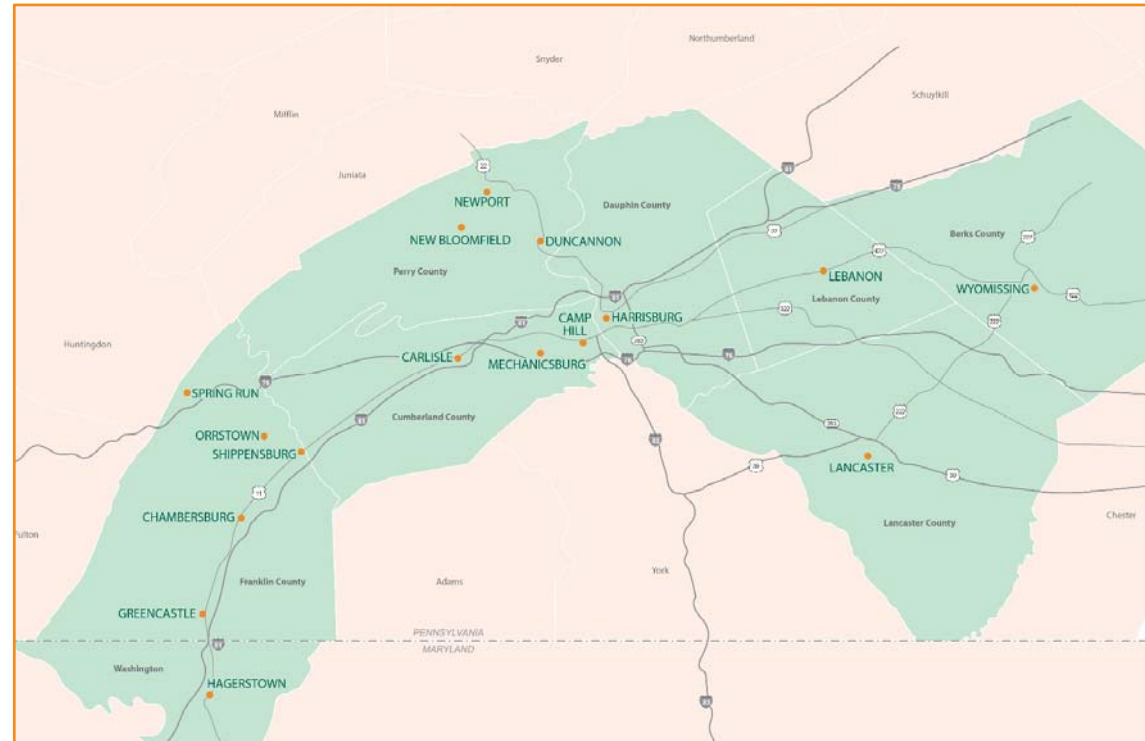
Actual results and trends could differ materially from those set forth in such statements and there can be no assurances that we will be able to continue to successfully execute on our strategic expansion east into Dauphin, Lancaster and Berks counties, take advantage of market disruption, and experience sustained growth in loans and deposits. Factors that could cause actual results to differ from those expressed or implied by the forward looking statements include, but are not limited to, the following: ineffectiveness of the Company's business strategy due to changes in current or future market conditions; the effects of competition, including industry consolidation and development of competing financial products and services; changes in laws and regulations, including the Dodd-Frank Wall Street Reform and Consumer Protection Act; interest rate movements; changes in credit quality; inability to raise capital, if necessary, under favorable conditions; volatilities in the securities markets; deteriorating economic conditions; the integration of the Company's strategic acquisitions; and other risks and uncertainties listed from time to time in our SEC reports.

A further discussion of these, along with other potential risk factors, can be found in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2016. We caution that these factors may not be exhaustive and that many of these factors are beyond our ability to control or predict. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. The statements we make today are valid only as of today's date and we disclaim any obligation to update this information.



# Corporate Profile

- *\$1.4 billion community bank based in south-central Pennsylvania*
- *Seasoned commercial lending, trust & wealth management, and mortgage lending disciplines with 26 retail locations in seven contiguous counties*
- *Company has entered phase 3 of transition:*
  1. *Credit turnaround story*
  2. *Investment in future (infrastructure, technology, risk management)*
  3. *Solid growth in attractive markets affected by market disruption*
- *Strong management team and “employer of choice”*



# Corporate Profile








| Financial Summary and Highlights (3/31/17) |                 |        |
|--|-----------------|--------|
| Total Assets                               | \$1.45 billion  |        |
| Total Gross Loans                          | \$901 million   |        |
| Total Deposits                             | \$1.18 billion  |        |
| Loans / Deposits                           | 76%             |        |
| NPAs / Total Assets                        | 0.51%           |        |
| Common Shareholders' Equity                | \$137.5 million |        |
| Net Interest Margin                        | 3.35%           |        |
| Total Assets Under Management              | \$1.26 billion  |        |
| Listed on Russell 2000                     |                 |        |
| Market Cap of \$183 million*               |                 |        |
| 29% year-over-year stock appreciation      |                 |        |
| Increasing liquidity in stock              | 2015            | 2016   |
| (average daily volume)**                   | 6,973           | 16,679 |

\*at 4/27/17

\*\*Source: NASDAQ volume average for respective years

# Experienced Leadership Team

|   | Name/Title   | Experience | Joined ORRF | Disciplines                                    | Prior Experience              |
|---|--|------------|-------------|--|-------------------------------|
|    | <b>Thomas R. Quinn, Jr.</b><br><i>President &amp; CEO</i>                  | 27 years   | 2009        | CEO   Strategy  <br>Sales   Executive          | Citi, Fifth Third             |
|    | <b>David P. Boyle</b><br><i>EVP/Chief Financial Officer</i>                | 26 years   | 2012        | Finance   Treasury  <br>Strategy   Executive   | PNC/Natl. City, Wayne Bancorp |
|    | <b>Barbara E. Brobst</b><br><i>EVP/Chief Human Resources Officer</i>       | 35 years   | 1997        | HR   Training   Trust  <br>Executive           | Financial Trust               |
|    | <b>Robert G. Coradi</b><br><i>EVP/Chief Risk Officer</i>                   | 29 years   | 2012        | Credit   Operations  <br>Executive             | Susquehanna                   |
|    | <b>Philip E. Fague</b><br><i>EVP/Trust and Wealth Management</i>           | 29 years   | 1988        | Mortgage   Trust  <br>Lending   Executive      | Orrstown Bank                 |
|   | <b>Jeffrey S. Gayman</b><br>EVP/Market President                           | 21 years   | 1996        | Lending   Retail  <br>Executive                | Orrstown Bank                 |
|  | <b>David T. Hornberger</b><br>EVP/Market President                         | 31 years   | 2016        | Lending   Executive                            | Susquehanna, Graystone/Tower  |
|  | <b>Adam L. Metz</b><br><i>EVP/Chief Lending Officer</i>                    | 22 years   | 2016        | Lending   Executive                            | Metro, M&T                    |
|  | <b>Benjamin W. Wallace, J.D.</b><br><i>EVP/Operations &amp; Technology</i> | 14 years   | 2013        | Technology   Legal  <br>Operations   Executive | JPM/Chase                     |

# Mission Statement & Core Values

## MISSION STATEMENT:

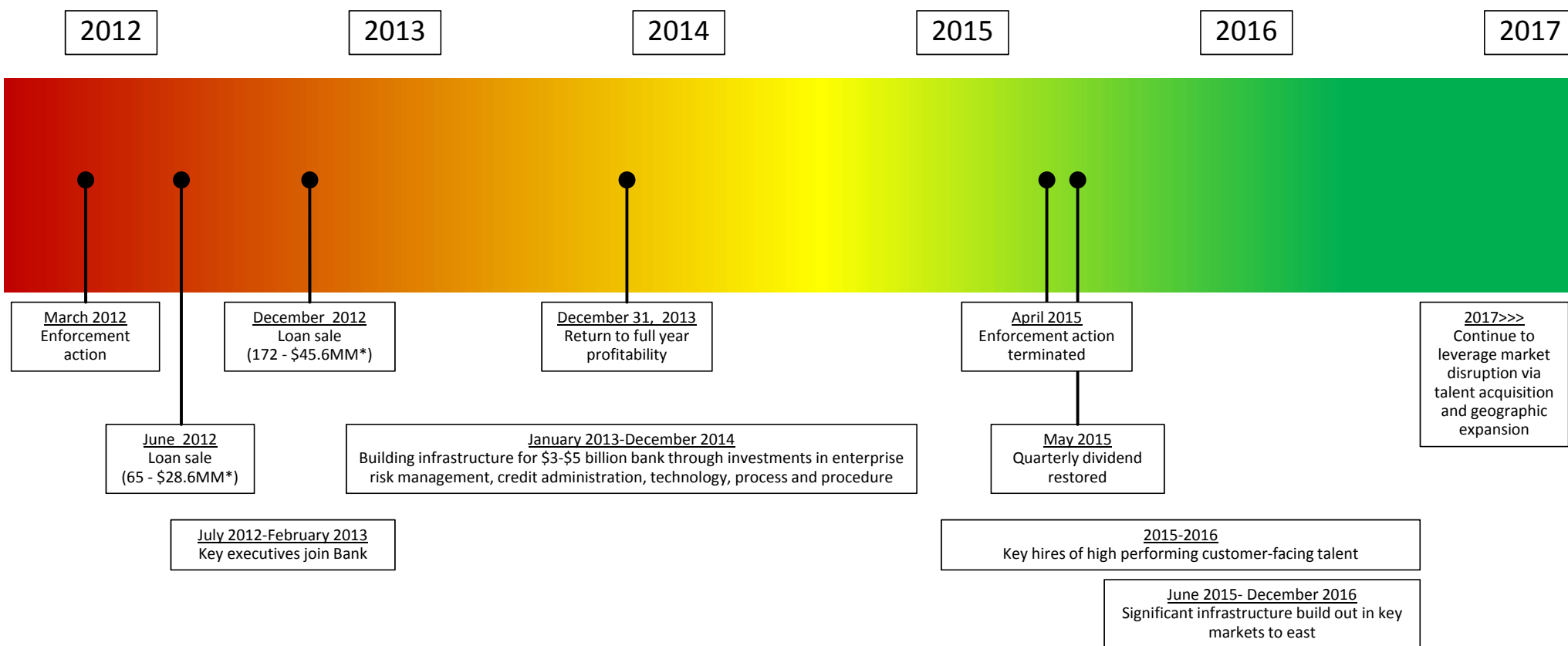
Our engaged employees deliver comprehensive, responsible financial solutions to our customers, and support the communities we serve, which results in company growth and profit.

## CORE VALUES:

- We **communicate** with openness and respect. We encourage professional debate. We respond quickly and without delay to internal and external customers. We do not tolerate negativity or gossip in the workplace.
- Our best assets are our **people**. We value the contributions and development of all of our employees. Every employee contributes to our collective success. We are respectful of each employee's talents, perspectives, efforts and skills. We encourage and embrace diversity.
- We act with **integrity** and professionalism at all times. We keep our promises to our customers and colleagues. We are expected to do the right thing in every encounter, every time. In those cases when we make a mistake, we admit it, correct it, learn from it and move forward. We take responsibility for our actions and share what we've learned with others.
- We strive to generate **superior returns** to our shareholders through achieving strategic goals while effectively managing risk. We establish well-defined strategic plans, set clear goals and think systematically about the long-term implications of our decisions. We operate with efficiency and without waste.
- We strive to strengthen our **communities** through our involvement and contributions.
- We strive for **excellence**, are innovative, and know we must always be in a state of growth and change, adapting to the evolving marketplace. We are committed to the never-ending improvement of our knowledge, processes, systems and technology.
- We want to be the employer of choice for professionals who are fully engaged in the pursuit of excellence.



# Three Phase Transition: 1. Credit Turnaround > 2. Building for Future > 3. Growth Company



\*Carrying value of assets

# Looking Back: Key Milestones

- May 2015: Quarterly dividend restored
- June 2015: Opened first Lancaster County branch\*
  - \$132.2 million net loans
  - \$43.6 million in deposits
- May 2016: Opened LPO in Lancaster County
  - Base of operations for region for commercial lending, OFA, mortgage lending
  - Lancaster market has funded \$143.8 million in commercial loans in less than two years
- July 2016: Opened LPO in Berks County
  - Three person OFA team has generated \$37.7 million in AUM\*\*
  - Exceeded initial forecasts

\*At 4/30/2017

\*\* Assets under management at 3/31/17





# Looking Back: Key Milestones

- August 2016: Relocated Camp Hill Regional Office
  - Hub office for all business lines
  - Superior location
  - Total Deposits grew from \$31.0 million to \$49.9 million<sup>(1)</sup>
  - Total Loans grew from \$50.4 million to \$62.3 million<sup>(2)</sup>
- October 2016: Opened Harrisburg Regional Office (Swatara Township)
  - Houses regional lending teams and fee based business lines
  - Full service retail branch
- March 2017: Closed two underperforming branches
- April 2017: Opened second branch in Lancaster County
  - \$10.74 million in deposits; 74 new accounts in first three weeks<sup>(3)</sup>
- April 2017: Declared dividend of \$0.10/share
  - 43% increase since dividend restored in May 2015

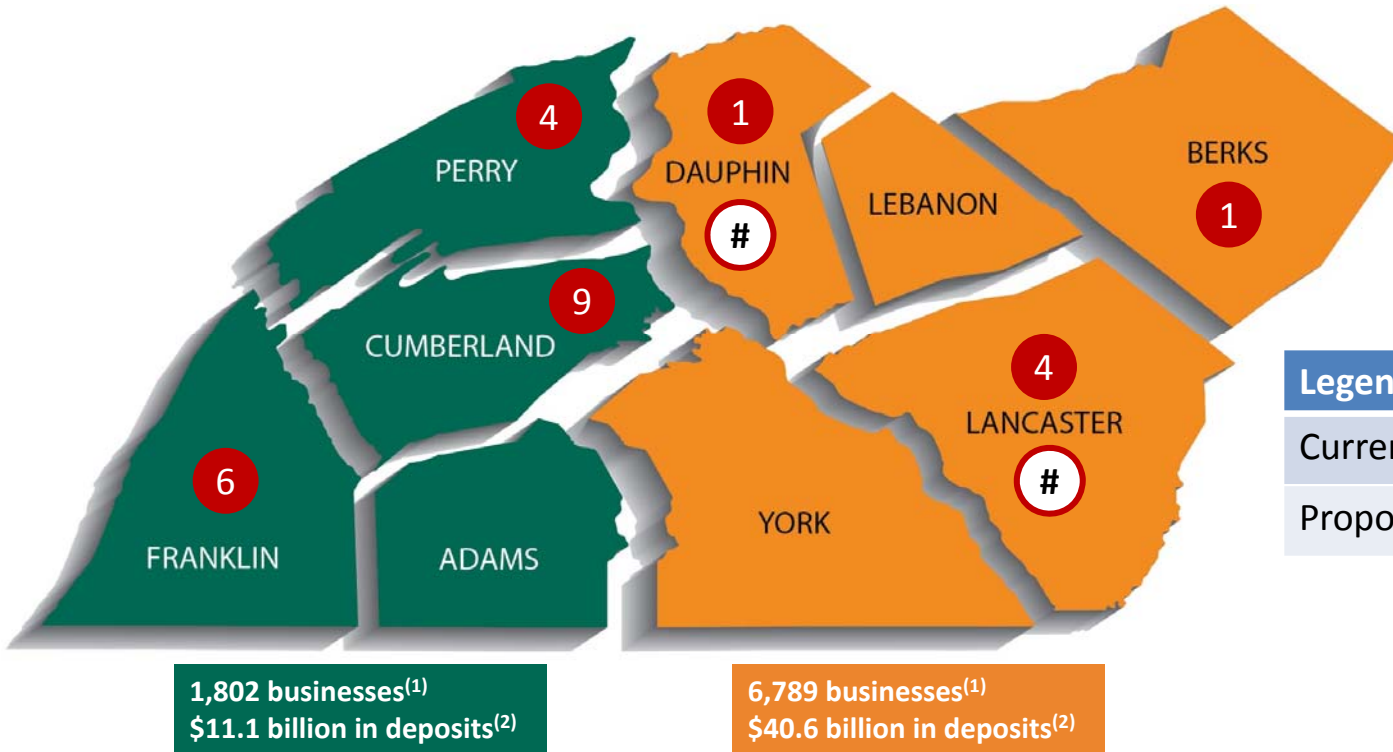
*(1) FDIC June 2016 and system generated April 30, 2017*

*(2) Core system loan data July 31, 2016 and April 30, 2017*

*(3) Branch opened April 17, 2017, deposit data as of May 8, 2017*



# Geographic Expansion in Favorable Markets



| Legend                   |   |
|--------------------------|---|
| Current Locations*       | # |
| Proposed New Locations** | # |

(1) Dun & Bradstreet-Businesses with annual sales between \$1-\$50 million, April 2017; (2) FDIC, June 2016

\* Includes full service branches, LPOs, and Wheatland Advisors, Inc.; \*\* Approved full service branches to begin construction in 2017-2018



## 2016-2019 Execution of Strategic Plan: *Drive Shareholder Value*

- Continue core earnings improvement
  - Balance sheet leverage
  - Strategic growth of fee-based businesses
  - Expense control
- Disciplined enterprise risk management
- Consideration of strategic bank and non-bank acquisitions
- Organic expansion to the East
- Technology leader in community bank space



## 2016 -2019: Strategic Investments in Customer-Facing Talent

### 2016 Hires

- Commercial Lending 9 new business bankers
- Orrstown Financial Advisors 4 new sales representatives
- Registered Investment Advisor Acquisition of Wheatland Advisors, Inc.
- Mortgage Lending 4 new mortgage lenders
- Cash Management 4 member team\*

*We are establishing Orrstown Bank as the employer of choice in the region*

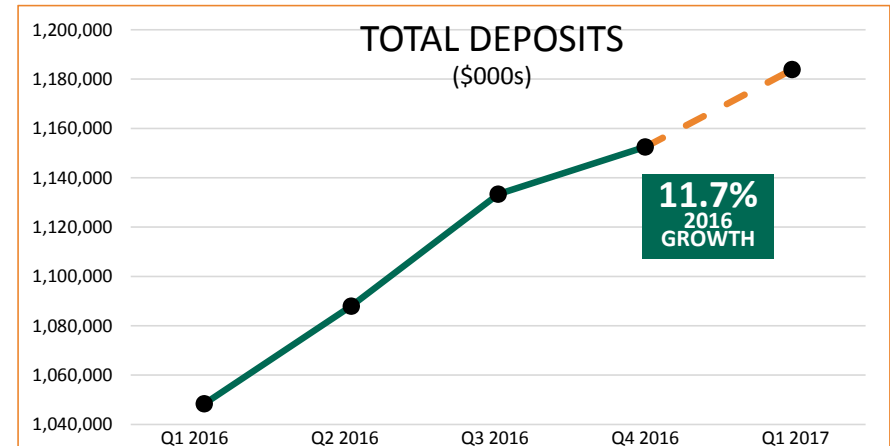
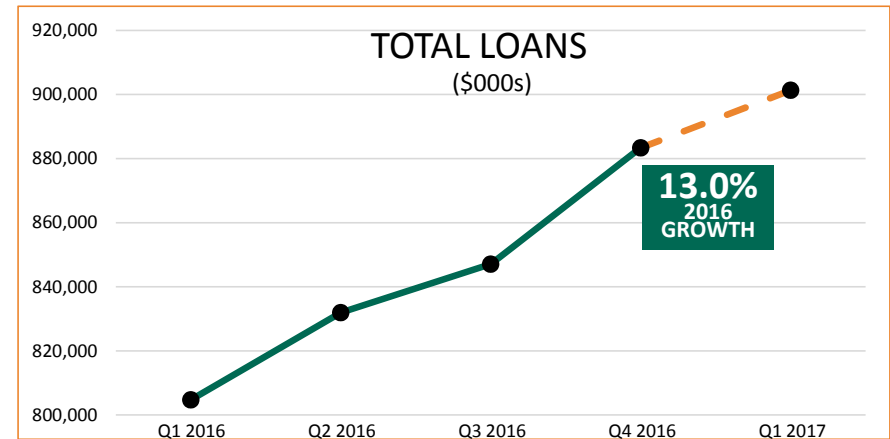
\*Joined November 2015



# Early Look – 2016 to 2019

## 2016 + Q1 2017 Results

- Continued strength in core markets
- Successful entrance into new markets
- Favor quality relationships vs. “deal flow”
- Focus on operating businesses with core deposits
  - Cash management team execution
  - Relationship banking strategy is working
- New teams began to make impact in second half of 2016
- Loan and deposit growth exceeded expectations



# Early Look – 2016 to 2019

| 2016 Results: Focus on noninterest income (\$ in 000s): | 2015            | 2016            | Change       |
|---|-----------------|-----------------|--------------|
| Orrstown Financial Advisors <sup>(1)</sup>              | \$6,623         | \$7,024         | +6.1%        |
| Mortgage Banking Activities                             | \$2,747         | \$3,412         | +24.2%       |
| Service Charges on Deposit Accounts                     | \$5,226         | \$5,445         | +4.2%        |
| <b>Total noninterest income before securities gains</b> | <b>\$17,254</b> | <b>\$18,319</b> | <b>+6.2%</b> |

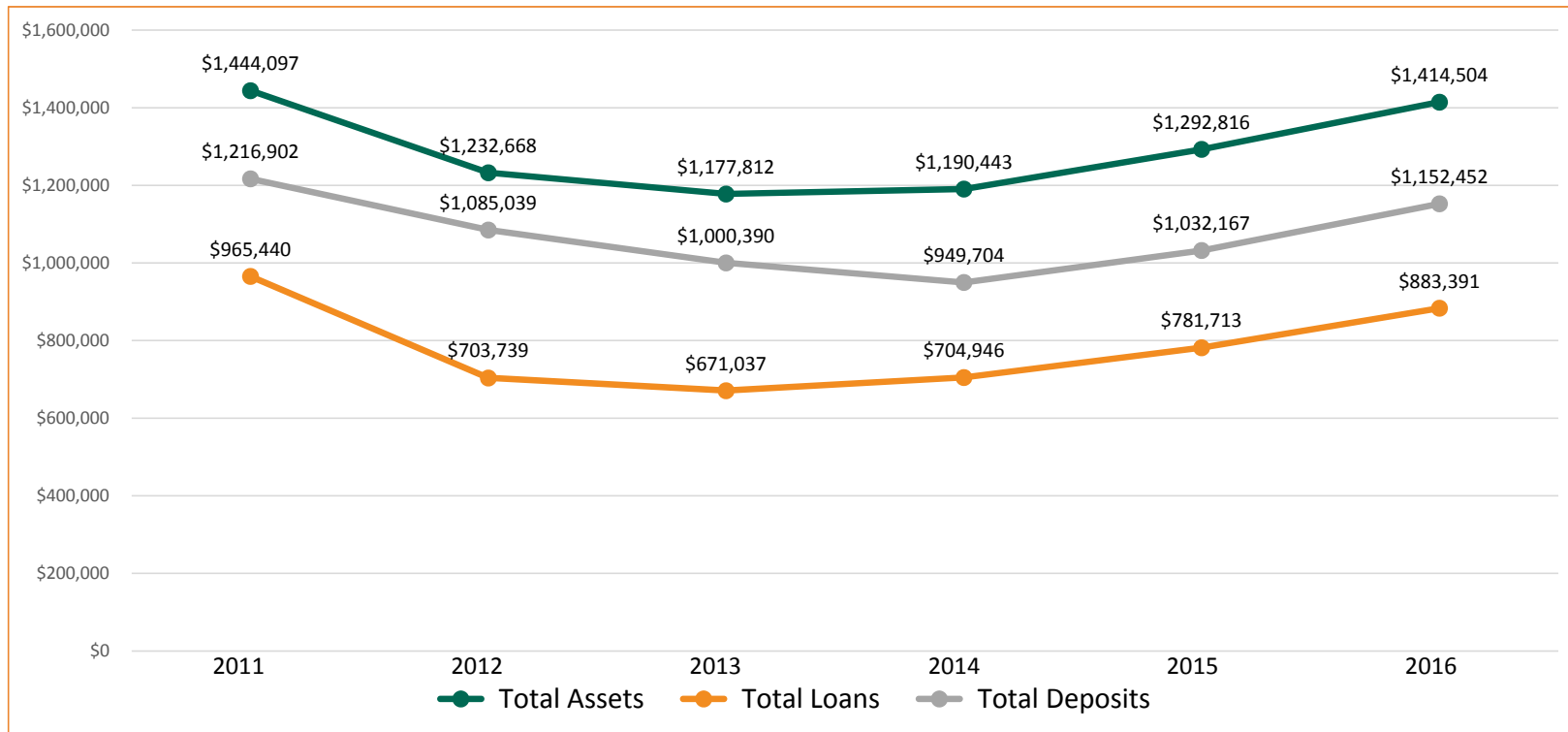
- Optimizing and monetizing digital channels : 83.1 million millennials in the U.S., more than ¼ of the total population and the largest group in the work force\*
- Digital consumer loan growth: 69 new customers and \$7.6 million in new loans funded; complete sales cycle entirely online\*\*
- Digital consumer deposit growth: 118 new customers and 308 new accounts
- State-of-the-art mobile banking applications
- E-bank established as standalone profit center

(1) Comprised of trust and investment management income and brokerage income; Wheatland Advisors acquisition had nominal impact as the acquisition occurred in December 2016; \*Census Bureau; Millennials defined as born between 1982 and 2000, currently ages 17-35. Surpassed Baby Boomers as largest group in US workforce in 2015; \*\*includes mortgages and consumer loans

## Financial Recap: Year-Over-Year Results

| Year Ended (\$ in 000s)      | 12/31/2011  | 12/31/2012  | 12/31/2013  | 12/31/2014  | 12/31/2015  | 12/31/2016  | % Change<br>(2015-2016) |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------------------|
| Total Assets                 | \$1,444,097 | \$1,232,668 | \$1,177,812 | \$1,190,443 | \$1,292,816 | \$1,414,504 | 9.4%                    |
| Total Loans                  | \$965,440   | \$703,739   | \$671,037   | \$704,946   | \$781,713   | \$883,391   | 13.0%                   |
| Total Deposits               | \$1,216,902 | \$1,085,039 | \$1,000,390 | \$949,704   | \$1,032,167 | \$1,152,452 | 11.7%                   |
| Total Shareholders' Equity   | \$128,197   | \$87,694    | \$91,439    | \$127,265   | \$133,061   | \$134,859   | 1.4%                    |
| Assets Under Management      | \$947,273   | \$992,378   | \$1,085,216 | \$1,017,013 | \$966,362   | \$1,174,143 | 21.5%                   |
| <b>Summary of Operations</b> |             |             |             |             |             |             |                         |
| Net Interest Income          | \$49,607    | \$37,888    | \$32,087    | \$34,024    | \$34,334    | \$36,545    | 6.4%                    |
| Noninterest Income           | \$26,620    | \$23,262    | \$17,808    | \$18,854    | \$19,178    | \$19,739    | 2.9%                    |
| Total Noninterest Expense    | \$60,479    | \$43,349    | \$43,247    | \$43,768    | \$44,607    | \$48,140    | 7.9%                    |
| Net Income                   | (\$31,964)  | (\$38,454)  | \$10,004    | \$29,142    | \$7,874     | \$6,628     |                         |
| ROAA (%)                     | (2.11)      | (2.84)      | 0.84        | 2.48        | 0.64        | 0.50        |                         |
| ROAE (%)                     | (20.33)     | (35.22)     | 11.30       | 28.78       | 5.99        | 4.80        |                         |
| <b>Asset Quality Ratios</b>  |             |             |             |             |             |             |                         |
| NPAs/ Assets (%)             | 5.95        | 1.61        | 1.73        | 1.29        | 1.34        | 0.52        |                         |
| LLR/ Gross Loans (%)         | 4.53        | 3.29        | 3.12        | 2.09        | 1.74        | 1.45        |                         |

## Financial Recap: Year-Over-Year Results





## Phase 3-Growth Company (5 quarter view)

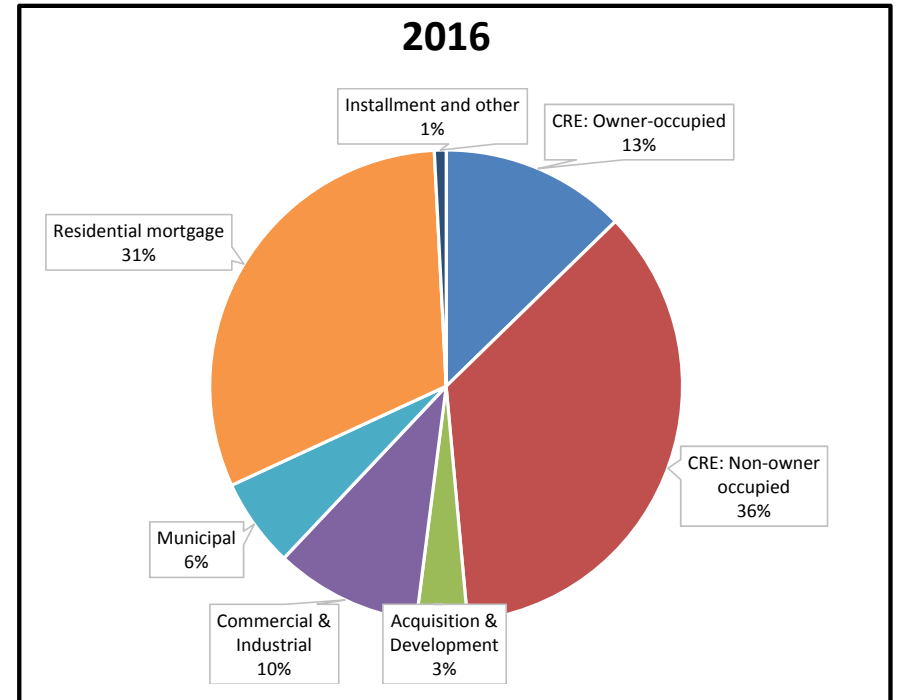
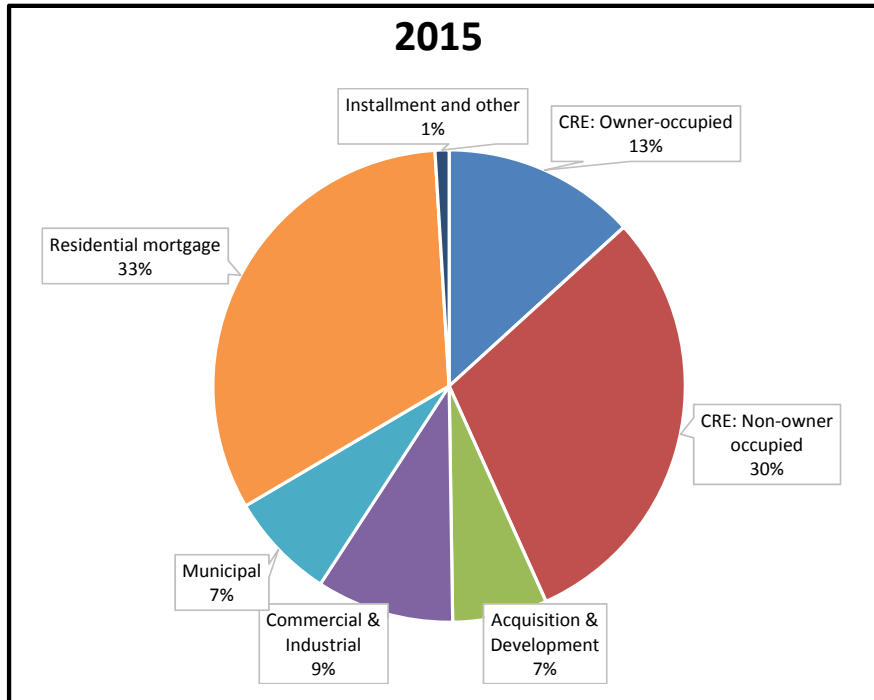
| Selected Financial Data | 2016        |             |             |             | 2017               |
|-------------------------|-------------|-------------|-------------|-------------|--------------------|
| (Dollars in 000s)       | Q1          | Q2          | Q3          | Q4          | Q1                 |
| Total Assets            | \$1,287,279 | \$1,311,353 | \$1,354,154 | \$1,414,504 | <b>\$1,453,946</b> |
| Total Loans             | 804,703     | 831,933     | 847,061     | 883,391     | <b>901,331</b>     |
| Total Deposits          | 1,048,376   | 1,087,969   | 1,133,332   | 1,152,452   | <b>1,183,876</b>   |
| Total Interest Income   | 9,961       | 10,272      | 10,654      | 11,075      | <b>11,830</b>      |
| Total Interest Expense  | 1,311       | 1,321       | 1,420       | 1,365       | <b>1,593</b>       |
| Net Interest Income     | 8,650       | 8,951       | 9,234       | 9,710       | <b>10,237</b>      |
| Noninterest Income      | 5,665       | 4,537       | 4,568       | 4,969       | <b>4,335</b>       |
| Noninterest Expense     | 11,121      | 12,558      | 11,985      | 12,476      | <b>12,146</b>      |
| Efficiency Ratio (FTE)  | 82.6%       | 82.3%       | 83.2%       | 82.4%       | <b>79.7%</b>       |



# Consistent Upward Trend in Key Metrics

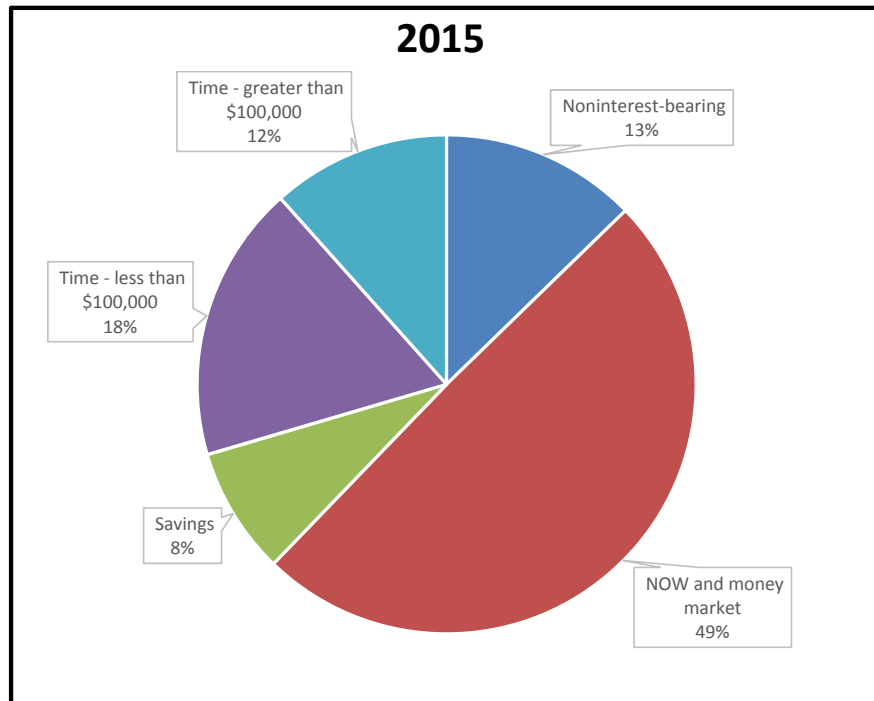


# Loan Composition

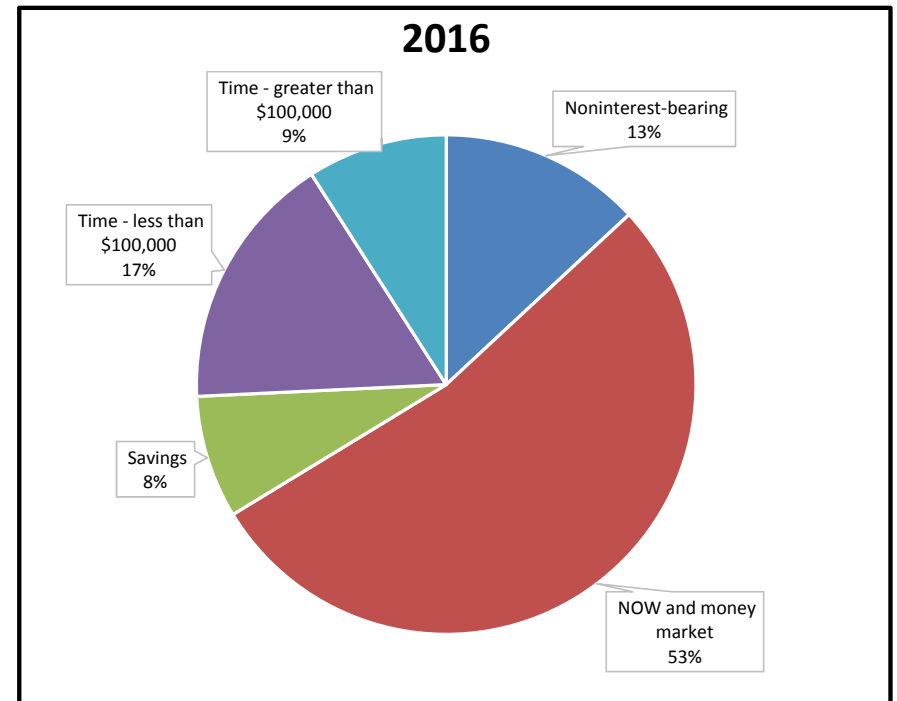


Loan Composition at 12/31/2015 and 12/31/2016, respectively

# Deposit Composition



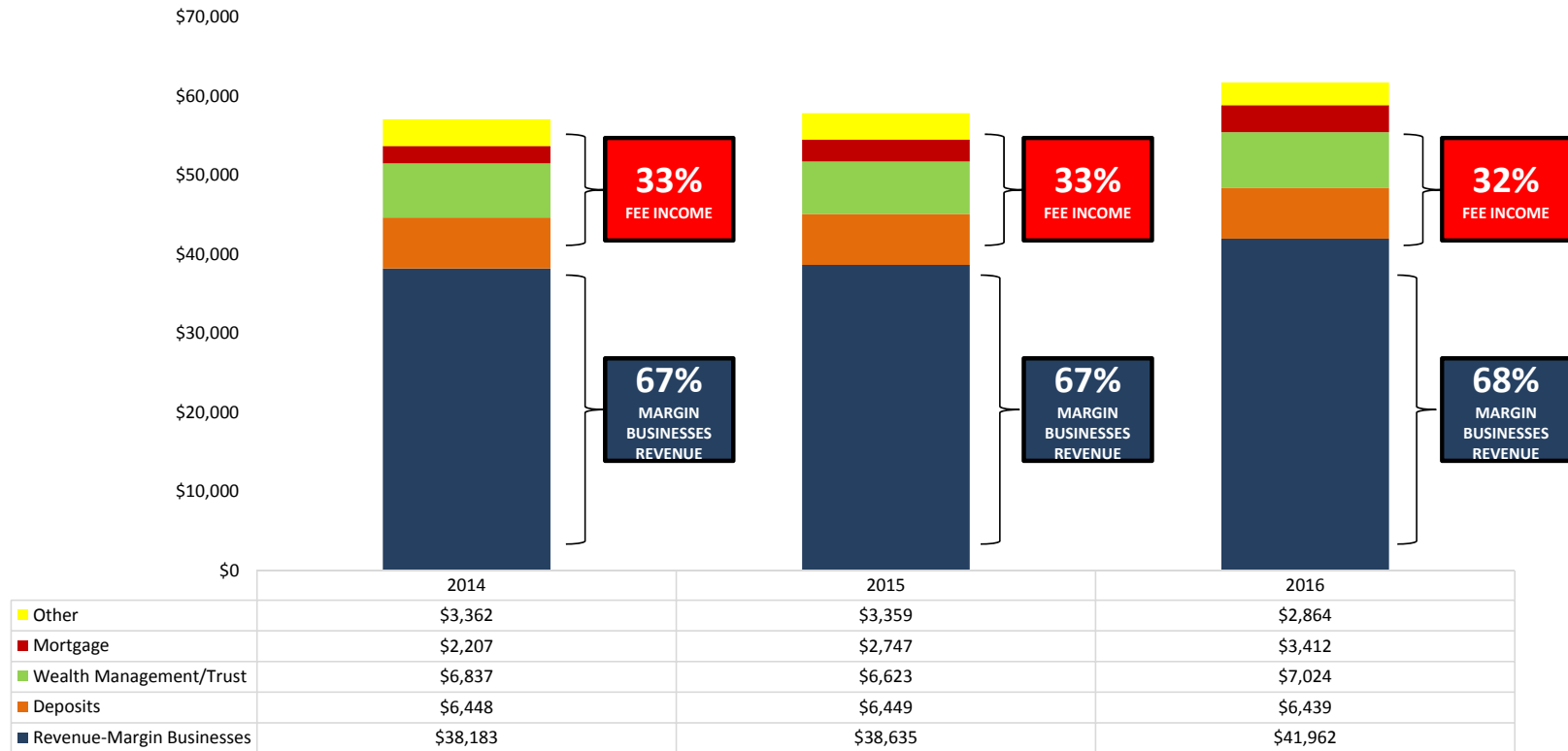
(30% CD Funding)



(26% CD Funding)

Deposit Composition at 12/31/2015 and 12/31/2016, respectively

# Diversified and Growing Revenue Streams

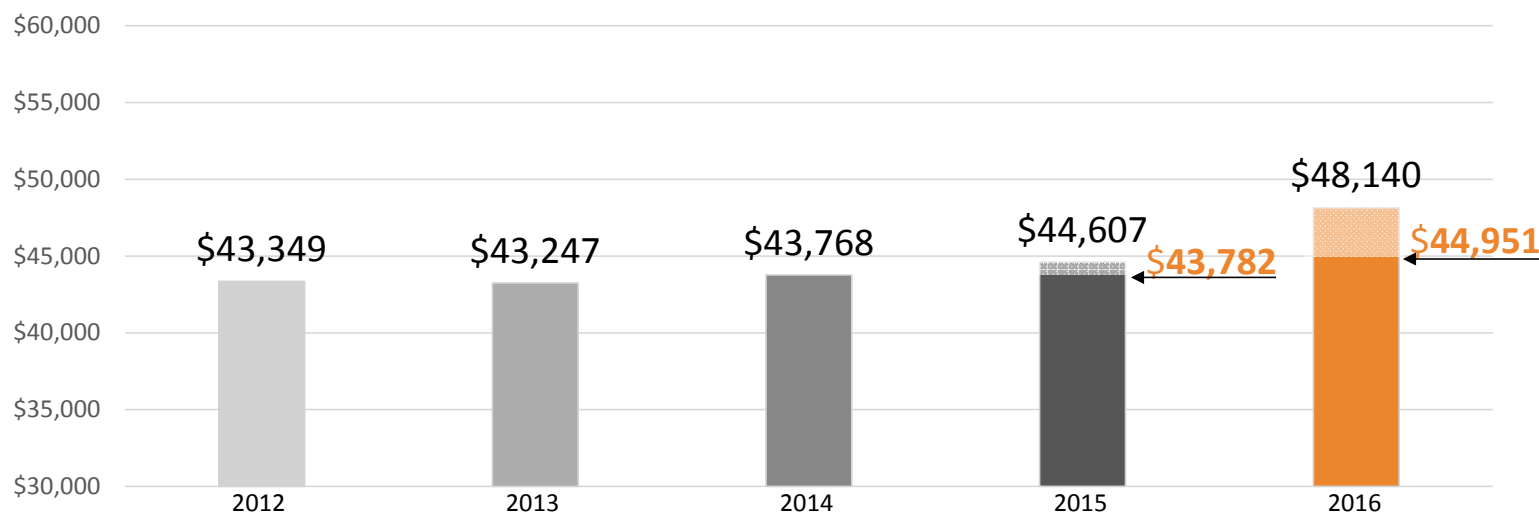


Margin business revenue includes interest and fees on loans, interest and dividends on investment securities and short term investments; Deposits includes service charges on deposit accounts, other services charges, commissions, and fees; Wealth Management/Trust includes trust and investment management income and brokerage income; Other includes earnings on life insurance, securities gains, and other income



# Noninterest Expense Review

(Dollars in 000s)

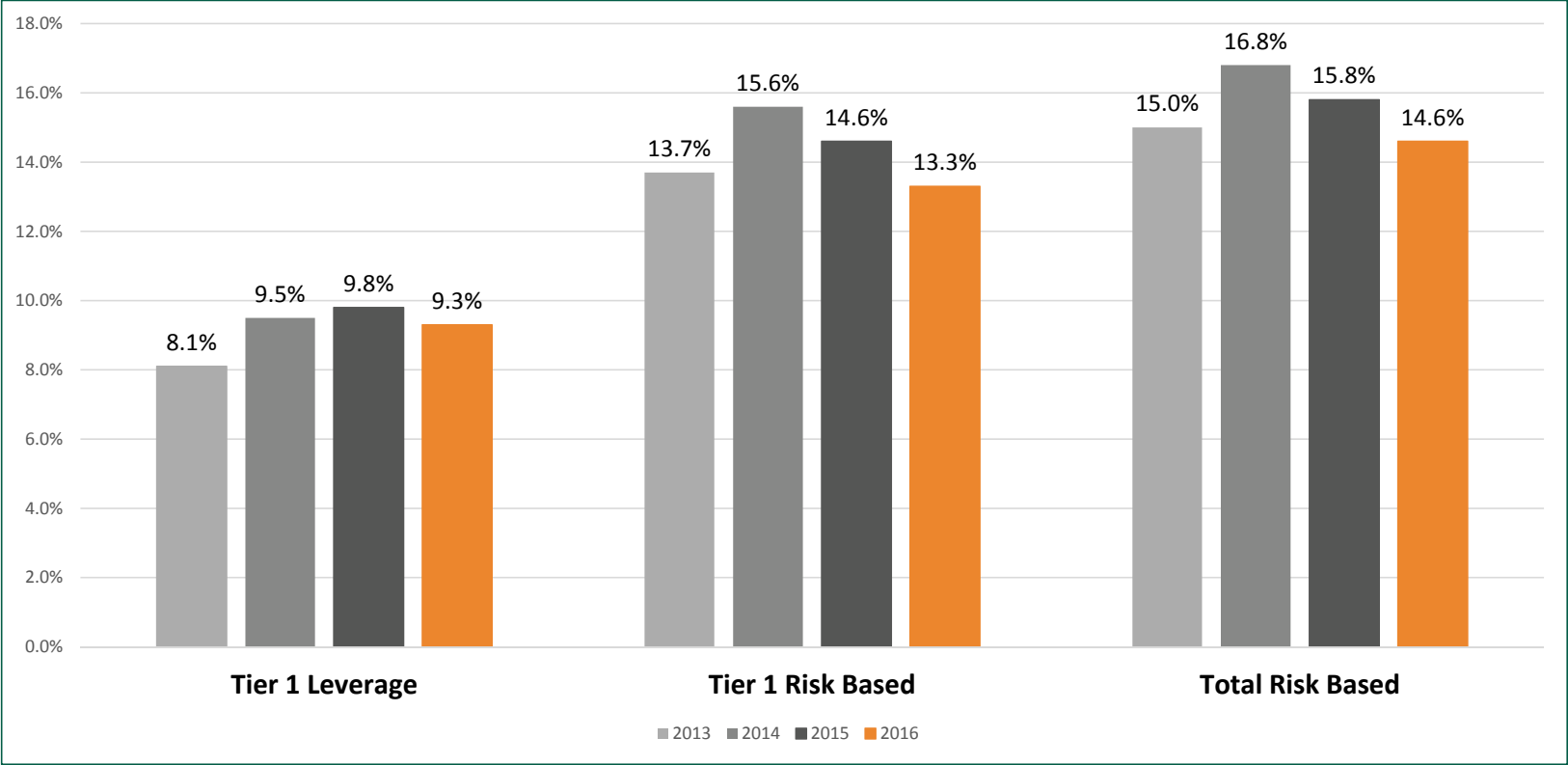


- 2015 and 2016 expenses influenced by increased costs related to litigation and investment in growth of company (sales team and geographic expansion)
- Noninterest expense, excluding increased costs related to litigation and growth\*, has been relatively flat over the past five years

\*A non-GAAP measure. See the non-GAAP reconciliation table on page 26.



# Regulatory Capital Ratios



# Looking Forward: Keys to Executing Plan and Improving Earnings

- Continue to take advantage of market disruption
- Use of technology to attract and retain customers
- Continue to leverage balance sheet and improve earnings through loan, deposit, and fee income growth
- Continue to focus on enterprise risk management
- Allow our investments in people, process, technology and new markets to mature





# Why Invest in Orrstown Financial Services, Inc.

- Successful turnaround by current management team
- Invested and stable leadership
- Already invested for the future: enterprise risk management, technology, infrastructure
- New entry into attractive markets with continuing disruption
- Diverse earnings stream: Commercial, Retail, Mortgage, Trust & Wealth Management
- Capital available for growth, acquisitions, dividends
- Strategic M&A can generate meaningful up-side
- Early stage of successfully executing our strategic plan



## Non-GAAP Reconciliation

| (\$ in 000s)  | 2015            | 2016            |
|---|-----------------|-----------------|
| Noninterest Expense, as Reported  | \$44,607        | \$48,140        |
| Less: Litigation Costs Related to SEC Settlement  | 750             | 1,450           |
| Less: Increased Costs Related to Growth of the Company  |                 |                 |
| • Salaries and Benefits   | 75              | 1,349           |
| • Occupancy   | 0               | 390             |
| Noninterest Expense Excluding Increased Costs Related to Litigation and Investment in the Growth of the Company | <u>\$43,782</u> | <u>\$44,951</u> |

Management believes this information helps investors understand the effect of increased costs related to litigation and investment in the growth of the company on reported results





## Investor Presentation: *Driving Shareholder Value*

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