



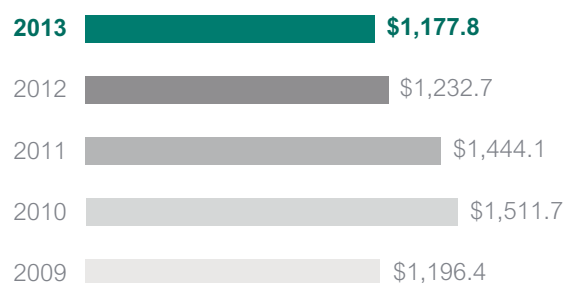
ANNUAL REPORT | 2013

ORRSTOWN
FINANCIAL SERVICES, INC.

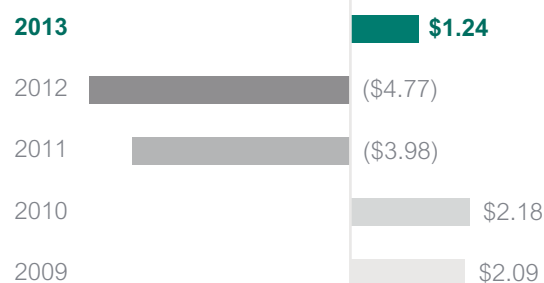
Financial Results

Consolidated Financial Statements

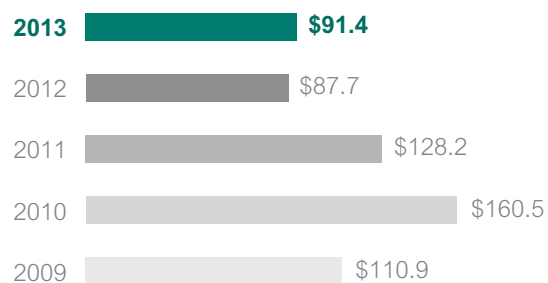
Total Assets *in millions*



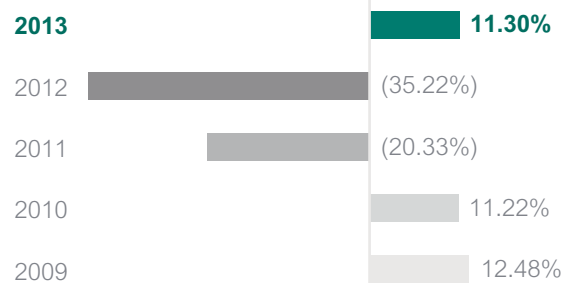
Basic Net Income (Loss) per share



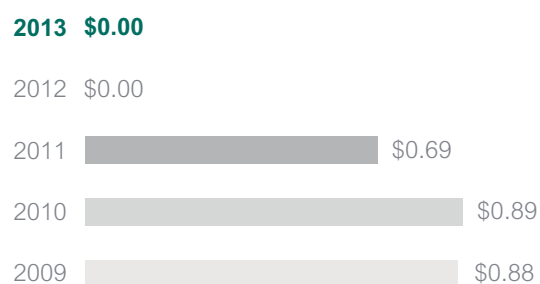
Shareholders' Equity *in millions*



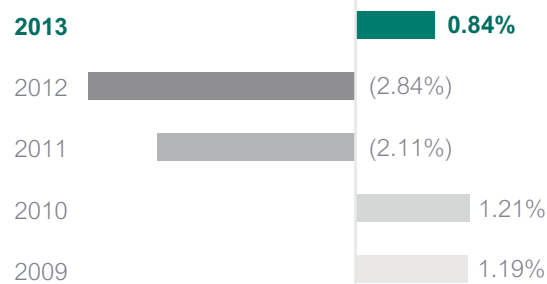
Return on Average Equity



Cash Dividends per share



Return on Average Assets



Financial Highlights

For the Years Ended December 31

(Dollars in thousands, except per share data)

2013

2012

For the Years Ended December 31

Interest income	\$37,098	\$45,436
Interest expense	5,011	7,548
Net interest income	32,087	37,888
Provision for loan losses	(3,150)	48,300
Noninterest income (excluding securities gains)	17,476	18,438
Noninterest expense	43,247	43,349
Pre-tax income (loss)	9,798	(30,499)
Income tax expense (benefit)	(206)	7,955
Net income (loss)	10,004	(38,454)

At Year End

Assets	\$1,177,812	\$1,232,668
Loans	672,973	711,601
Deposits	1,000,390	1,085,039
Repurchase Agreements	9,032	9,650
Shareholders' equity	91,439	87,694
Trust and brokerage assets under management	1,085,216	992,378

Per Share Data

Net income (loss) - basic	\$1.24	\$(4.77)
Net income (loss) - diluted	1.24	(4.77)
Cash dividends	0.00	0.00
Book value at year end	11.28	10.85
Tangible book value at year end ¹	11.20	10.75

Performance Statistics

Return on average equity	11.30%	(35.22%)
Return on average assets	0.84%	(2.84%)
Equity / assets at year end	7.76%	7.11%

1 Tangible book value, a non-GAAP financial measure, is computed by dividing shares outstanding into tangible common equity. Management uses tangible book value per share because it believes such ratio is useful in understanding the Company's capital position and ratios. A reconciliation of book value per share to tangible book value per share is set forth below.

(Dollars in thousands, except per share data)

2013


2012

Shareholders' equity	\$91,439	\$87,694
Less: Intangible assets	622	832
Tangible equity	\$90,817	\$86,862
Book value per share	\$11.28	\$10.85
Less: Intangible assets per share	0.08	0.10
Tangible book value	\$11.20	\$10.75

To our Shareholders, Customers, and Friends

A decorative dotted line starts in the upper left corner and curves downwards and to the right, ending near the first paragraph of text.

We closed 2013 with a profitable quarter and posted net income of \$10.0 million for the year ended December 31, 2013. In addition to demonstrating sustainable earnings over the past five quarters, Orrstown Financial Services, Inc. (the “Company”) made substantial progress in positioning the Company for 2014 and beyond. However, before looking ahead, I would like to update you on the initiatives we presented at last year’s Annual Meeting of Shareholders:

- 
- A short decorative dotted line segment is positioned to the left of the first bullet point.
- We recognized that while we needed to selectively add infrastructure to position Orrstown Bank for the future, we also needed to reduce costs. In particular, we focused on areas that were non-revenue producing, did not support future risk mitigation initiatives, or did not promote growth efforts. We ended 2013 realizing 75% of our previously announced two year expense reduction target of \$5.0 million. The savings were reinvested in infrastructure and other improvements, primarily as it relates to operations and technology initiatives that will produce efficiencies and savings in 2014 and subsequent years. For example, we outsourced our core processing function, taking advantage of the Jack Henry & Associates Outlink® solution. However, because this change was not implemented until December 6, 2013, last year’s results do not yet reflect the expense reduction benefits. We are also paying close attention to expenses in other areas of the Company to ensure that our cost structure is reflective of the current organization and its near term goals. As an example, the Board of Directors accepted a 25% overall reduction in fees that was in effect for all of 2013 and will continue through 2014.

- We noted that one of the Company’s key strengths was our ability to maintain and grow capital levels as we continued to resolve key issues facing the organization. We bolstered capital levels in 2013, ending the year at or above our internal targets with Tier-1 Leverage Capital at 8.1%, Tier-1 Risk Based Capital at 13.7%, and Total Risk Based Capital of 15.0%. Additionally, we improved asset quality across all industry-standard metrics, including a reduction in total criticized assets to Tier 1 capital plus the allowance for loan losses from 101% at the end of 2012 to 67% at the end of 2013. We also maintained a strong ratio of allowance for loan losses to total loans, ending the year at 3.12%.
- We stated that enterprise risk management would be a key focus in 2013 and our emphasis on managing and mitigating risk elements continues in 2014. Over the past several months, we have made additional enhancements to infrastructure, processes, procedures, monitoring, and reporting to ensure our risk management initiatives are appropriately supported. Although an increasingly complex external regulatory environment will increase costs for all financial institutions, we have built a scalable model to support future growth without commensurate expense increases.
- We continue to work with our primary regulators on our efforts to remediate the matters cited in the formal enforcement actions.

2013 was a transformational year for Orrstown Bank.

- We told you that building a diversified revenue stream was a high priority and we had success across a number of business lines. Our Mortgage Group navigated the transition from a market that was predominantly refinance based earlier in the year to one that was almost entirely home purchase driven as we closed 2013. For the twelve months ended December 31, 2013, the mortgage unit closed more than 500 loans totaling \$79 million and generated significant fee income for the Company. Likewise, our Trust and Wealth Management Group, Orrstown Financial Advisors, posted another strong year, surpassing \$1 billion in total assets under management and generating record revenue of \$6.7 million. The Retail Banking Group also enjoyed a resurgence in 2013, particularly as it relates to consumer lending. The Retail Group funded more than \$72 million in new loan commitments and by year end had grown the portfolio by nearly \$22 million.

Turning our attention to the remaining months of 2014, management is focused on several key initiatives. First and foremost is prudent and diversified expansion of the balance sheet through growth in high quality commercial loans. We will also build on the momentum of our Retail Banking Group and believe there is further capacity for growth in consumer lending and other complementary products and services. Additionally, our Small Business Lending Team is poised to take advantage of an improving economy and disruptions in the financial services market place.

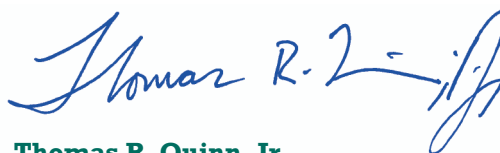
Expense control remains a significant priority in 2014 and beyond as we work diligently to reduce our efficiency ratio to peer levels. Increasing revenue through asset growth, net interest margin

expansion, and fee income opportunities will be critical components in driving the efficiency ratio down. The Board of Directors and management also recognize the necessity to leverage strategic expenditures made in 2013 to drive higher productivity and eliminate redundancy wherever possible. We have established concrete and meaningful internal cost reduction goals and we continue to work diligently to meet and exceed our expense control benchmarks.

In closing, I would like to sincerely thank the constituents who have steadfastly supported the Company over the past three years as we executed the turnaround of the Company. The Board of Directors recognizes the importance of Orrstown Bank to the communities it serves. The entire Orrstown team, led capably by the Executive Management Group, worked tirelessly to meet the challenges presented and to leverage new opportunities.

2013 was a transformational year for Orrstown Bank. Our shareholders have shown remarkable loyalty over the past several years. It is our intention to restore quarterly dividend payments just as soon as we are legally permitted.

On behalf of the Board of Directors and the entire Orrstown team, thank you for your continued support.



Thomas R. Quinn, Jr.

President and Chief Executive Officer



Board of Directors *(Pictured left to right)*

**Floyd E. Stoner**

Senior Advisor - Consultant, Alliance Partners
Former EVP of Congressional Relations and Public Policy,
American Bankers Association

Gregory A. Rosenberry

President and General Partner,
Rosenberry Family Limited Partnership
President and Owner, Tri-Valley Forestry, Inc.
Director, Secretary and Shareholder,
Rosenberry Brothers Lumber, Inc.

Dr. Anthony F. Ceddia

Secretary, Orrstown Financial Services, Inc.
Visiting Professor, various institutions
President Emeritus, Shippensburg University
Leadership and Management Consultant

Mark K. Keller

State Representative 86th District

Eric A. Segal¹

Managing Director, head of the Banking and Financial
Institutions Group, CFO Consulting Partners, LLC

Thomas R. Quinn, Jr.

President and Chief Executive Officer,
Orrstown Financial Services, Inc.

Glenn W. Snoke

President, Snoke's Excavating & Paving, Inc.

Andrea Pugh

President and Sole Member, PharmCare Consultants LLC

Joel R. Zullinger

Chairman, Orrstown Financial Services, Inc.
Attorney, Zullinger-Davis, PC

Jeffrey W. Coy

Vice Chairman, Orrstown Financial Services, Inc.
Former Commissioner, PA Gaming Control Board—2005-2011
Former State Representative 89th District—1983-2004

¹ Joined the Board of Directors on August 22, 2013.

Executive Officers (Pictured left to right)

Jeffrey M. Seibert

Executive Vice President,
Chief Operating Officer

Robert G. Coradi

Senior Vice President,
Chief Credit Officer

Philip E. Fague, CPA

Executive Vice President,
Trust and Mortgage Officer

Thomas R. Quinn, Jr.

President and
Chief Executive Officer

Benjamin W. Wallace

Executive Vice President,
Operations and Technology



David P. Boyle

Executive Vice President,
Chief Financial Officer

David D. Keim (not pictured)

Executive Vice President,
Chief Risk Officer

Directors Emeriti

Frank S. Heberlig
William O. Hykes

Galen L. Myers
Raymond I. Pugh

Kenneth R. Shoemaker
Denver L. Tuckey

John S. Ward*
Peter C. Zimmerman

**On behalf of the Board of Directors and management of Orrstown Bank, we extend our sincere thanks to John Ward for his more than 13 years of exemplary service to the organization and his continued support as a Director Emeritus. John retired from the Board of Directors on August 22, 2013.*

Banking Locations

Camp Hill

3045 Market Street

Carlisle

22 South Hanover Street
427 Village Drive
2250 Spring Road
1 Giant Lane
Carlisle Fairgrounds

Chambersburg

625 Norland Avenue
1725 Lincoln Way East
1355 Orchard Drive

Duncannon

403 North Market Street

Greencastle

308 Carolle Street

Hagerstown

1020 Professional Court

Lancaster

Business Development Office
2098 Spring Valley Road

Mechanicsburg

3 Baden Powell Lane
1110 East Simpson Street

New Bloomfield

1 South Carlisle Street

Newport

15 North 2nd Street
18 Newport Plaza

Orrstown

3580 Orrstown Road

Shippensburg

77 East King Street
121 Lurgan Avenue

Spring Run

16400 Path Valley Road

MEMBER
FDIC

Market and Investor Information

Market Information

The common stock of Orrstown Financial Services, Inc. is traded on the NASDAQ Capital Market under the symbol ORRF. At the close of business on December 31, 2013, there were 3,119 shareholders of record, with a total of 8,106,463 shares outstanding.

Investor Information

Annual Meeting

The Annual Meeting of Shareholders of Orrstown Financial Services, Inc. is scheduled for April 29, 2014 at 9:00 a.m. at the H. Ric Luhrs Performing Arts Center, 1871 Old Main Drive, Shippensburg, PA 17257. All shareholders are cordially invited to attend.

Annual and Quarterly Reports

Copies of our Annual and Quarterly Reports may be obtained at any office of Orrstown Bank, by writing to Registrar and Transfer Company, or by contacting David Boyle, Orrstown Bank, P. O. Box 250, Shippensburg, PA 17257.

Form 10-K

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission, may be obtained by writing to Orrstown Bank, P. O. Box 250, Shippensburg, PA 17257. The Notice of Annual Meeting of Shareholders, Proxy Statement, Annual Report on Form 10-K, and Form of Proxy are available free of charge at <http://www.cfpproxy.com/5772/>

Transfer Agent

The transfer agent for Orrstown Financial Services, Inc. is Registrar and Transfer Company, 10 Commerce Drive, Cranford, NJ 07016-3572. E-mail: info@rtco.com. Website: www.rtco.com. Phone: 800.368.5948.

Cautionary Note Regarding Forward-looking Statements

Certain statements in this Annual Report may constitute "forward-looking statements" under 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 fact, including statements related to: successfully positioning Orrstown Bank to prosper in 2014 and beyond; withstanding future challenges; supporting consistent and sustainable earnings; rewarding our shareholders; growth and diversification of our balance sheet; building on momentum of our Retail Banking Group; increasing revenue through asset growth; net interest margin expansion and fee income opportunities; restoring our dividend; further expansion of Orrstown Financial Advisors; continuing the growth of our mortgage business; expense containment and reduction; meeting and exceeding the needs of our current and future customers; and ensuring sustainable profitability. Actual results and trends could differ materially from those set forth in such statements and there can be no assurances that we will: successfully position Orrstown Bank to prosper in 2014 and beyond; withstand future challenges; support consistent and sustainable earnings; reward our shareholders; grow and diversify our balance sheet; build on momentum of our Retail Banking Group; increase revenue through asset growth; expand net interest margin and fee income opportunities; restore our dividend; further expand Orrstown Financial Advisors; continue to grow our mortgage business; contain or reduce expenses; meet or exceed the needs of our current and future customers; or achieve sustainable profitability. 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 Orrstown Financial Services, Inc.'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 under favorable conditions, if necessary; volatilities in the securities markets; and deteriorating economic conditions, and other risks and uncertainties, including those detailed in Orrstown Financial Services, Inc.'s Form 10-K for the fiscal year ended December 31, 2013, and other filings made with the Securities and Exchange Commission. The statements are valid only as of the date hereof and Orrstown Financial Services, Inc. disclaims any obligation to update this information. Accordingly, the review period for subsequent events extends up to and including the filing date of a public company's financial statements, when filed with the Securities and Exchange Commission. Accordingly, the consolidated financial information presented in this announcement is subject to change.

With approximately \$1.2 billion in assets, Orrstown Financial Services, Inc. and its wholly-owned subsidiary, Orrstown Bank, provide a full range of consumer and business financial services through twenty-two banking offices located in Cumberland, Franklin, Lancaster, and Perry Counties, Pennsylvania, and Washington County, Maryland. Orrstown Financial Services, Inc.'s stock is traded on the NASDAQ Capital Market under the symbol ORRF.

ORRSTOWN FINANCIAL SERVICES, INC.

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