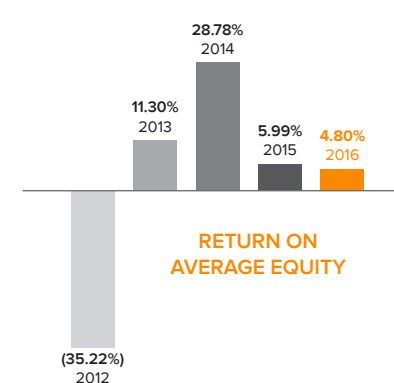
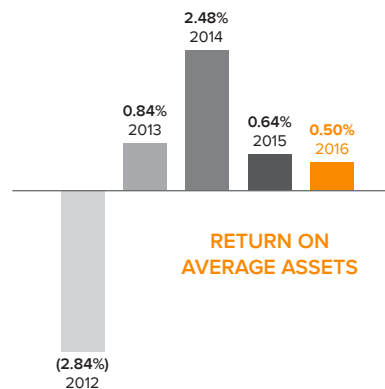
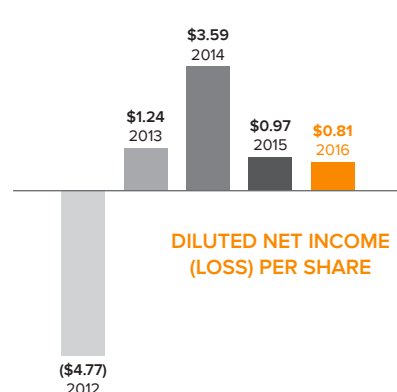
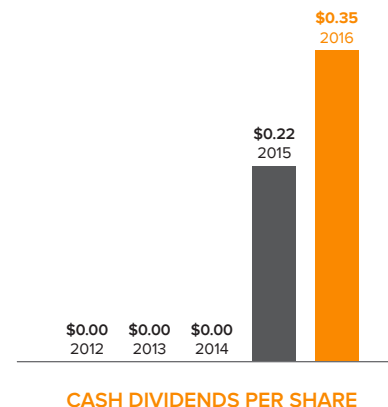
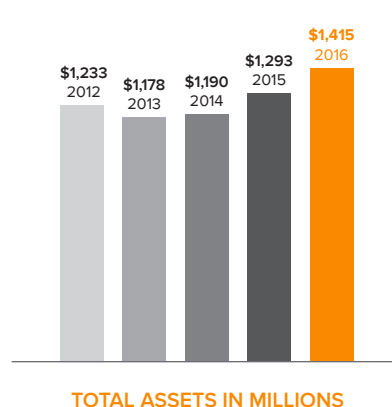


SUCCESSFULLY EXECUTING
OUR STRATEGIC PLAN
2016 | ANNUAL REPORT

Primary focus on growing revenue through multiple initiatives, including investment in customer-facing sales professionals, to leverage the infrastructure we have built over the past several years.

FINANCIAL HIGHLIGHTS





A MESSAGE FROM THE PRESIDENT

Our results in 2016 can be summarized by the phrase: **successfully executing our strategic plan.**

Last year we said, “In 2016 our primary focus is on growing revenue through multiple initiatives, including investment in customer-facing sales professionals, to leverage the infrastructure we have built over the past several years.” During 2012-2015, we purposefully invested in the key foundational elements of the Company, recognizing that the increasing complexity and costs of regulatory compliance, the changing competitive environment, and general economic outlook favored greater scale and a strategic growth strategy.

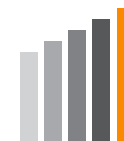
In 2016 we successfully executed the key elements of our plan as evidenced by:

- Loan growth of 13.0%, with continued improvement in asset quality metrics;
- Deposit growth of 11.7% achieved through executing on our relationship banking strategy, our successful entrance into new markets, and leveraging our cash management services;
- Total asset growth of 9.4%;
- Increasing our quarterly dividend 25.0% (January 2017 over January 2016) to reward our loyal shareholders.

Our board of directors has been unwavering in their support for our strategic plans and we firmly believe the best is yet to come.

As always, thank you for your continued support.


Thomas R. Quinn, Jr.
President and Chief Executive Officer



**SUCCESSFULLY EXECUTING
OUR STRATEGIC PLAN**
2016 | ANNUAL REPORT

KEYS TO SUCCESS IN 2017 AND BEYOND

Orrstown Bank has effectively navigated change and leveraged growth opportunities throughout its 98 year history. Starting in 2015, our region experienced unprecedented market disruption which continues to influence the banking landscape today, particularly in Dauphin and Lancaster counties. Last year alone Orrstown Bank attracted some of the best bankers and teams in the region and expanded its physical presence to accommodate our growth to the east.

We opened a new regional facility in Swatara Township, near Harrisburg, which serves as a base of operations for key customer-facing employees as well as critical support functions. We also opened a loan production office on the Fruitville Pike in Lancaster and another in Wyomissing (Berks County).

This April we will complete construction of our newest facility at 1601 Manheim Pike in Lancaster and will open a third Lancaster County retail branch in New Holland later this summer.

The results so far in Lancaster County have validated our investments in this dynamic market. Our first branch on Spring Valley Road is one of our top performing locations after only 18 months in service and our business banking team has exceeded expectations as measured by commercial loan and deposit growth. Lancaster County also has favorable demographics for our primary fee income producing business units, trust and wealth advisory services, and mortgage lending.



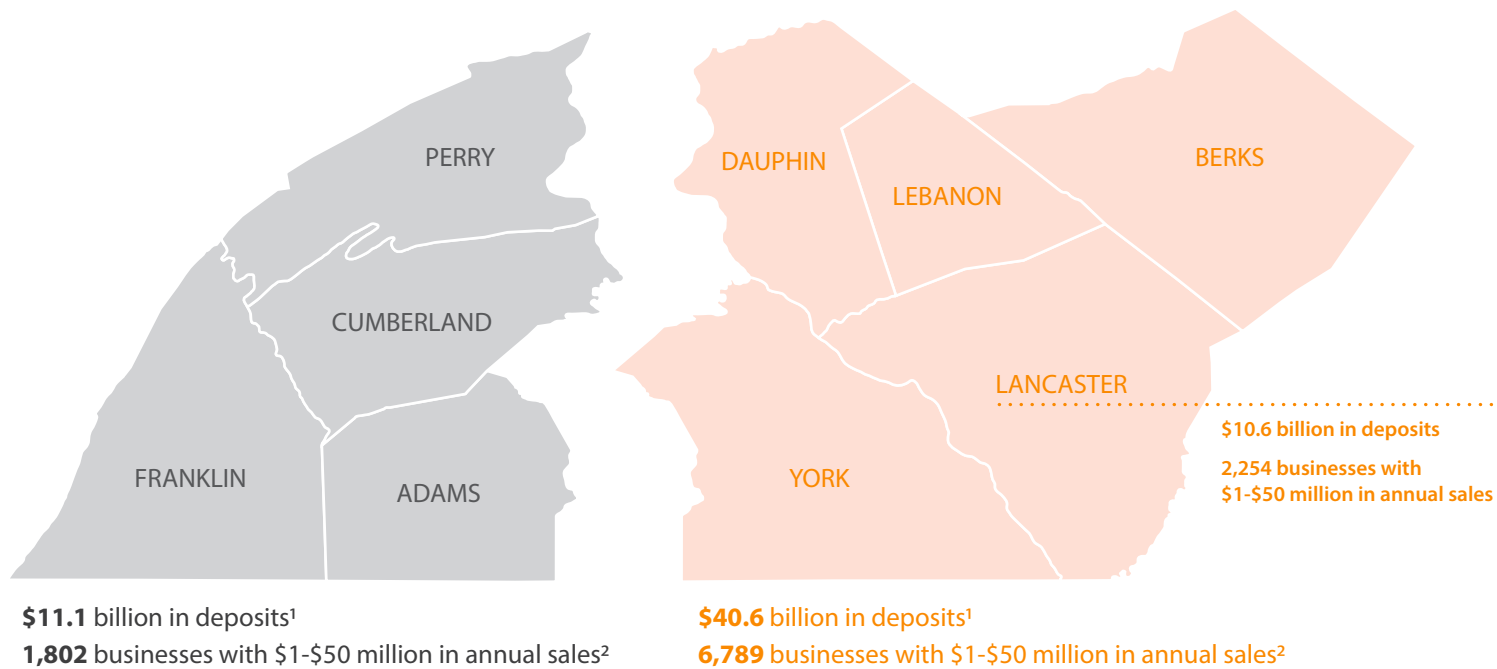
4750 Lindle Road, Harrisburg



1800 Fruitville Pike, Lancaster



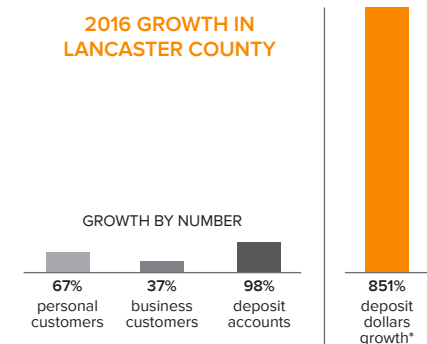
1601 Manheim Pike, Lancaster (April 2017)



¹ Deposit data from FDIC (2016) | ² Business data from Dun & Bradstreet (2/2017)

Since our last annual update, the Company has significantly increased its customer-facing sales force with the addition of nine new commercial lenders, four new members of Orrstown Financial Advisors, four new mortgage originators, and the integration of the Lancaster-based registered investment advisory firm, Wheatland Advisors, Inc. We also continue to expand our retail banking franchise and all told have added more than 40 customer-facing team members in the last 14 months. This considerable expansion in client-facing talent is enabling us to grow market share and leverage the investment we made over the past several years in our support and risk management infrastructure.

We will continue to take advantage of the opportunities to the east of the Susquehanna River and also make strategic investments in our legacy markets. In 2017 we are beginning a phased refresh of our existing retail network to ensure our branches address changing customer preferences and present a welcoming environment for the Orrstown Bank brand of relationship banking.



* Total deposit dollars grew from \$4.3 million at 12/31/2015 to \$41.1 million at 12/31/2016



We will continue to focus on the expansion of our fee income producing business lines, wealth management, trust, and mortgage lending.

Our trust and wealth management group, Orrstown Financial Advisors, ended the year with slightly over \$1 billion in total assets under management. Overall revenue increased 6.1% and the group expanded into Berks County with encouraging results to date. In December, the Company acquired Wheatland Advisors, Inc., a registered investment advisory firm in Lancaster, that operates as a separate subsidiary of Orrstown Financial Services, Inc. Wheatland Advisors, Inc. provides a foothold in the attractive Lancaster County market as well as other strategic advantages related to the delivery of investment products and services.

Orrstown Bank's mortgage unit had its best year ever, with total production of \$147.3 million and 814 mortgages settled. Over the next several years we will continue to invest in this business line. We view the home purchase as one of the most significant financial transactions in a customer's life, and recognize the opportunity to deliver other products and services through our relationship-based sales approach.

Looking beyond our physical (bricks and mortar) franchise we continue to optimize our product and service delivery channels to address evolving consumer preferences. Rapid adoption of technology, particularly smart mobile devices, has had a profound impact on the financial services industry. The number of US adults who own a smartphone grew from 35% in 2011 to 77% in 2016 and that trend has been consistent across nearly all age groups.¹

Orrstown Bank has invested substantially in mobile technology, including state-of-the-art Apple™ and Android™ operating system banking applications. In 2016 we made the strategic decision to establish a standalone “e-bank” that has begun to gain traction and garner meaningful consumer mortgage, loan, and deposit business from digital sources. For example, clients can find their new home online through Zillow®, apply electronically for a mortgage with Orrstown Bank, and track their progress all the way from application to settlement without ever setting foot in a branch.

¹ Pew Research Center, Mobile Fact Sheet, January 2017

We recognize that our clients have different banking preferences, so while we have made judicious investments in technology, we continue to maintain our high-touch approach to client service and satisfaction.



Community service has always been a key tenet of Orrstown Bank's culture, and all team members understand the importance of involvement in organizations that contribute to the neighborhoods where we work, live, and play.

While the bank makes significant direct dollar donations to many worthy groups, perhaps more impactful are the countless hours that our employees contribute, volunteering for groups that are important to them and the communities they serve.

Orrstown Bank Foundation, Inc. has also made a meaningful positive impact on our communities by providing college scholarships to local matriculating high school seniors.

Over the past ten years the Foundation has awarded more than \$130,000 in scholarships and helped 130 students afford the college of their choice.

As the Company continues to grow, we hope to expand the mission of Orrstown Bank Foundation, Inc. and increase the funds available to educational and other worthy causes.



FINANCIAL RESULTS

Consolidated Financial Statements

FOR THE YEARS ENDED DECEMBER 31	2016	2015
<i>(Dollars in thousands, except per share data)</i>		
• Interest income	\$ 41,962	\$38,635
• Interest expense	5,417	4,301
• Net interest income	36,545	34,334
• Provision for loan losses	250	(603)
• Noninterest income (excluding securities gains)	18,319	17,254
• Securities gains	1,420	1,924
• Noninterest expenses	48,140	44,607
• Pre-tax income	7,894	9,508
• Income tax expense	1,266	1,634
• Net income	6,628	7,874
AT YEAR END		
• Assets	\$ 1,414,504	\$1,292,816
• Loans	883,391	781,713
• Deposits	1,152,452	1,032,167
• Repurchase agreements	35,864	29,156
• Shareholders' equity	134,859	133,061
• Total assets under management	1,174,143	966,362
PER SHARE DATA		
• Net income - basic	\$0.82	\$0.97
• Net income - diluted	0.81	0.97
• Cash dividends	0.35	0.22
• Book value at year end	16.28	16.08
FINANCIAL RATIOS		
• Return on average equity	4.80%	5.99%
• Return on average assets	0.50%	0.64%
• Average equity to average assets	10.41%	10.66%

Looking ahead to the rest of 2017 and beyond, your Company will continue to make prudent investments to profitably grow and increase long-term shareholder value.

We believe we have the infrastructure and risk management culture in place to reach even more potential clients.

Our welcome in new markets has demonstrated that there is a demand for true community-based banking in our region.

*Our board of directors
has been unwavering
in their support for our
strategic plans and we
firmly believe the best is
yet to come.*

*As always, thank you for
your continued support.*



Zullinger-Coy Community Room Dedication

With grateful appreciation, we recognize the outstanding service and loyalty not only to Orrstown Bank and its employees, but also to all the customers and shareholders within the communities we serve.

BOARD OF DIRECTORS



JOEL R. ZULLINGER
Chairman, Orrstown Financial Services, Inc.
Of Counsel, Zullinger-Davis-Trinh, 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



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



THOMAS R. QUINN, JR.
President and Chief Executive Officer, Orrstown Financial Services, Inc.



CINDY J. JOINER, CPA
Chief Financial Officer, The Bowman Group, LLP



MARK K. KELLER
State Representative 86th District



THOMAS D. LONGENECKER
Chief Operating Officer, Commonwealth Charter Academy
Adjunct Professor at Shippensburg University and Wilkes University



ANDREA PUGH
President and Sole Member, PharmCare Consultants LLC



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.



ERIC A. SEGAL
Managing Director, head of the Banking and Financial Institutions Group, CFO Consulting Partners LLC



GLENN W. SNOKE
President, Snoke's Excavating & Paving, Inc.



FLOYD E. STONER
Senior Advisor - Consultant, Alliance Partners
Former Executive Vice President of Congressional Relations and Public Policy, American Bankers Association

EXECUTIVE OFFICERS



DAVID P. BOYLE
Executive Vice President,
Chief Financial Officer



BARBARA E. BROBST
Executive Vice President,
Chief Human Resources
Officer



ROBERT G. CORADI
Executive Vice President,
Chief Risk Officer



PHILIP E. FAGUE, CPA
Executive Vice President,
Trust and Wealth
Management



ADAM L. METZ
Executive Vice President,
Chief Lending Officer



JEFFREY S. GAYMAN
Executive Vice President,
Market President



BENJAMIN W. WALLACE, JD
Executive Vice President,
Operations and Technology

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

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, 2016, there were approximately 2,814 shareholders of record, with a total of 8,285,733 shares outstanding.

INVESTOR INFORMATION

Annual Meeting: The Annual Meeting of Shareholders of Orrstown Financial Services, Inc. is scheduled for May 2, 2017, at 9 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 investors.orrstown.com, by writing to Continental Stock Transfer & Trust, or by contacting Investor Relations, Orrstown Bank, PO 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, 2016, as filed with the Securities and Exchange Commission, may be obtained by writing to Orrstown Bank, PO Box 250, Shippensburg, PA 17257. The Notice of the Annual Meeting of Shareholders, Proxy Statement, Annual Report on Form 10-K and Form of Proxy are available free of charge at www.cstproxy.com/orrstown/2017.

Transfer Agent: The transfer agent for Orrstown Financial Services, Inc. is Continental Stock Transfer & Trust Company, Orrstown Financial Services Inc. – Investor Services, 17 Battery Place – 8th Floor, New York, NY 10004. Phone: 1-800-509-5586.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this annual report 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 assertion that we attracted some of the best bankers and teams in the region; that we will continue to grow market share; that Wheatland Advisors, Inc. provides a foothold in

the attractive Lancaster County market and other strategic advantages; that we will successfully deliver other products and services to mortgage customers; that our “e-banking” unit will continue to gain traction; that we will expand the mission of the Orrstown Bank Foundation; that we will continue to make prudent investments to profitably grow and increase long-term shareholder value; that we have the infrastructure and risk management culture in place to reach even more potential clients; and that the new markets have demonstrated demand for our products and services. 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 attract qualified bankers and teams in the region; grow market share; transition efforts to revenue growth while maintaining appropriate risk management; grow revenues through investments in sales professionals and leverage of our infrastructure; opportunities will be created from market disruption; continue our expansion plans into Lancaster, Dauphin and York counties. Factors that could cause actual results to differ from those expressed or implied by the forward looking statement 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 regulation, 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; and other risk and uncertainties, including those detailed in Orrstown Financial Services, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 under the headings “Management's Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” and in 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.

ON THE SPOT SERVICE
FOR OVER 98 YEARS