



Your Town. Our Town.
This is Orrstown

To our Shareholders, Customers, and Friends:

As our industry continues to evolve and market disruption creates additional strategic opportunities for Orrstown Financial Services, Inc., I am pleased to report that 2018 was a year of solid performance, rapid transition, and financial success for our company.

From a financial standpoint, net income reached \$12.8 million in 2018, increasing 58.3% year-over-year. Diluted earnings per share grew 53.1%, and dividends per share rose 21.4%. Our total assets now exceed \$1.9 billion, which is a 24.1% increase over the prior year.

Loans surged 23.5% over year-end 2017, reaching in excess of \$1.2 billion at the end of 2018. Deposit growth was exceptionally strong as well, with total deposits reaching a milestone at year-end 2018 of \$1.6 billion, or a growth rate of 27.8%. Our ability to attract core deposits through relationship lending, robust cash management offerings, and the execution of our “white glove service” approach has been a key differentiator for Orrstown and should benefit the bank going forward as we expand into new markets.

Throughout 2018, we focused a great deal of energy on the continued expansion of our footprint, beginning with the announcement in May of our intent to acquire Mercersburg Financial Corporation (Mercersburg), parent company of First Community Bank of Mercersburg. After successfully completing the necessary legal, shareholder, and regulatory requirements, we officially closed the acquisition in October and successfully converted the systems and facilities in February of this year. We were pleased to welcome Robert J. (Bob) Fignar, the former President and CEO of Mercersburg, as our Market President for Franklin and Perry Counties in Pennsylvania and Washington County, Maryland, and many of Mercersburg’s associates and customers to the Orrstown family.

In September, we opened a new full-service facility at 500 Olde Hickory Road in Lancaster County, Pennsylvania. Located along the heavily-traveled, highly-visible Oregon Pike, this office also serves as the base for our wealth management affiliate, Wheatland Advisors, Inc., and is already off to a very strong start.

Shortly thereafter, in October, we continued our Lancaster expansion with the opening of a full-service office inside the Shady Maple Farm Market, which is the largest grocery store in Lancaster County. Located at 1324 Main Street, East Earl, in the popular Shady Maple shopping and dining complex, our associates at this facility are meeting the financial needs of the residents of the nearby communities, as well as the employees of the Shady Maple family of companies.

And finally in October, we announced our intent to acquire Hamilton Bancorp, Inc., the parent company of Hamilton Bank, which will expand our reach into the greater Baltimore, Maryland market. We believe that our approach to community banking will be well-received in this diverse market and will provide us with substantial opportunities for growth in our retail, commercial, and wealth management lines of business. We anticipate closing this transaction in the second quarter of this year and converting systems in the third quarter.

By most any measure, 2018 was a successful year for us. As detailed further in the enclosed 10-K, our financial results and key industry metrics for 2018 were solid.

- We continued to refine our processes, procedures, and enterprise risk management culture at the bank commensurate with the increasing size and complexity of the organization.
- We demonstrated our ability to effectively acquire and integrate other financial institutions and we believe the market will afford additional opportunities for strategic expansion in the future.
- With the Hamilton transaction, we will extend our footprint southward into a new market with highly-favorable demographics for commercial lending, consumer banking, trust and wealth management, and our mortgage business.
- As a community bank, we continued to invest a great deal of time, energy, and resources by providing funding and volunteer hours for the organizations that contribute to making the communities we serve great places in which to live, work, and play.
- Our legacy markets, including Shippensburg, Chambersburg, and Carlisle, continued to grow at a solid rate as we deepened relationships with existing customers and attracted new business, contributing to our overall success.
- As the costs of regulatory compliance and technology investments necessary to meet constantly evolving consumer preferences continue to increase, economies of scale become more important. The two acquisitions announced last year will increase our total assets by nearly \$700 million, enabling us to continue to make strategic investments in these areas.
- Although the acquisition of First Community Bank of Mercersburg and the announcement of our upcoming acquisition of Hamilton Bank were highlights in 2018, we remained focused on organic growth, too, and continued to build out our customer-facing teams throughout our footprint.

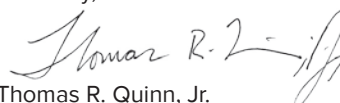
During 2018, we experienced several changes to the membership of our boards of directors. Michael J. (Mike) Rice became our newest board member in October following the acquisition of Mercersburg. Shortly after, Dr. Anthony F. Ceddia retired from the boards following 22 years of dedicated service to the organization.

We are grateful for Tony’s wise counsel and generous spirit and wish him all the best. Finally, we were saddened by the passing of long-time director, Jeffrey W. (Jeff) Coy, whose service is highlighted later in this report.

In closing, our 2018 results clearly demonstrate the continued successful execution of our strategic plan, which we launched in 2014 and which will continue to guide us as we move forward. Our industry continues to experience rapid change and the leadership provided by our Board of Directors and Management team will ensure that we are well-prepared to meet any challenges that come our way. We are grateful for their service and thank them for their commitment to the organization.

On behalf of all of us associated with Orrstown Financial Services, Inc. and Orrstown Bank, thank you for your investment and continued confidence in our efforts.

Sincerely,



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

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FINANCIAL HIGHLIGHTS

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL RESULTS

AT OR FOR THE YEARS ENDED DECEMBER 31

(Dollars in thousands, except per share information)

	2018	2017
• Interest income	\$ 64,837	\$ 51,015
• Interest expense	13,467	7,644
• Net interest income	51,370	43,371
• Provision for loan losses	800	1,000
• Noninterest income (excluding securities gains)	20,848	19,197
• Securities gains	1,006	1,190
• Noninterest expenses	57,979	50,330
• Pre-tax income	14,445	12,428
• Income tax expense	1,640	4,338
• Net income	12,805	8,090

AT YEAR END

• Assets	\$ 1,934,388	\$ 1,558,849
• Loans	1,247,657	1,010,012
• Deposits	1,558,756	1,219,515
• Shareholders' equity	173,433	144,765
• Total assets under management	1,330,595	1,370,950

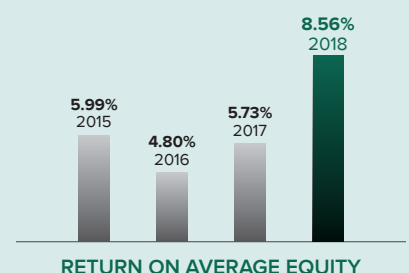
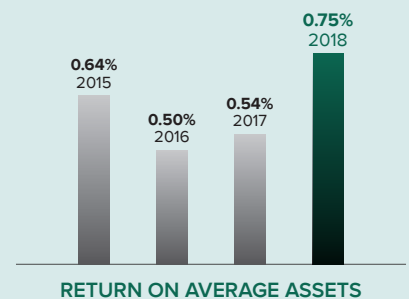
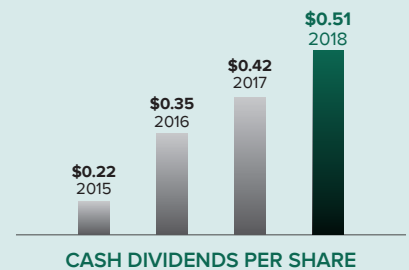
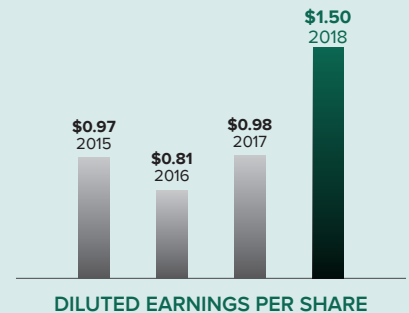
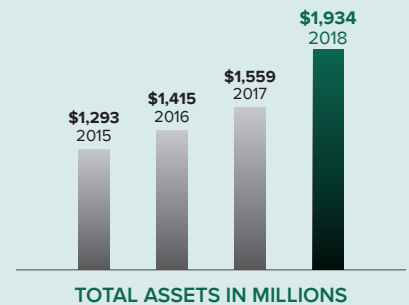
PER SHARE INFORMATION

• Basic earnings per share	\$ 1.53	\$ 1.00
• Diluted earnings per share	1.50	0.98
• Dividends paid per share	0.51	0.42
• Book value at year end	18.39	17.34

FINANCIAL RATIOS

• Return on average equity	8.56%	5.73%
• Return on average assets	0.75%	0.54%
• Average equity to average assets	8.75%	9.49%

With over \$1.9 billion in assets, Orrstown Financial Services, Inc. and its wholly-owned subsidiaries, Orrstown Bank and Wheatland Advisors, Inc., provide a wide range of consumer and business financial services through banking and financial advisory offices in Berks, Cumberland, Dauphin, Franklin, Lancaster, Perry, and York Counties, Pennsylvania and Washington County, Maryland. Orrstown Bank is an Equal Housing Lender and its deposits are insured up to the legal maximum by the FDIC. Orrstown Financial Services, Inc.'s common stock is traded on Nasdaq (ORRF). For more information about Orrstown Financial Services, Inc. and Orrstown Bank, visit Orrstown.com. For more information about Wheatland Advisors, Inc., visit WheatlandAdvisors.com.





Community Connections

CARING FOR OUR COMMUNITY

While Orrstown Bank generously provides financial support for many non-profit organizations throughout the markets we serve, our associates are also actively engaged in the community by volunteering their time, talents, and energy to many worthy causes. Whether sorting and packing food at the food bank, helping to train service dogs, or running in races and plunging into the icy Susquehanna River for fundraising events, our associates demonstrate their commitment to the towns where they live, work, and play.

HURRICANE RELIEF

When Hurricane Florence stormed through the Carolinas in September, causing devastating flood damage throughout the region, no one anticipated that months later some areas would still be without running water and electricity. Such was the case in rural Burgaw, North Carolina. This small agricultural community was ravaged by flooding from the Cape

Fear River, with water levels reaching as high as chimney-level on some homes.

In response, Orrstown Bank associates, customers, and the communities we serve joined together to collect enough food, water, clothing, household items, and personal hygiene products to fill a 53-foot tractor trailer that



was delivered to the Sand Hill AME Church, which is serving as a local distribution point for those in need in the Burgaw community. This is another example of how Orrstown Bank engages with the communities it serves to help others in need, even if those needs extend beyond our back yard.

JEANS WITH MEANING

Throughout the year, our associates are excited to participate in special casual days to raise much-needed funds for organizations throughout our footprint. Known as Jeans With Meaning Day, associates who make a contribution to the selected organizations are able to wear jeans and sneakers for the day. In 2018, our associates raised over \$25,000 to help others through this special program.



MAKING THINGS JUST DUCKIE!

The Schreiber Center for Pediatric Development serves more than 4,000 children with unique needs every year in our area by providing outpatient and in-home pediatric therapy services, including occupational, physical and speech-language therapy, for children birth to age 21. Schreiber also offers high-quality early education preschool and child care services, recreation programs, summer camps and specialized classes for parents.



For many years, one of Orrstown Bank's competitors served as the primary sponsor of the annual Rubber Duckie Race and Festival, which is the primary fundraiser of the year for the Schreiber Center for Pediatric Development in Lancaster County. When this large bank decided to redirect its funds elsewhere, Orrstown Bank saw a need and responded accordingly.

Our associates sold rubber ducks in our Lancaster County offices and volunteered their time on the day of the event, which was, unfortunately, negatively impacted by the weather. Orrstown Bank stepped in and provided additional funding to make up for the lost sponsorship and event revenue. This is yet another example of how our community banking model is meeting the needs of those who provide important services in our community.



JOIN THE CELEBRATION!

There is a road that travels from Shippensburg, Pennsylvania, going west through an idyllic central Pennsylvania valley. Along the way lies the small village of Orrstown. In its early days, the population was sparse, consisting mostly of farmers, a carriage factory, and a few small businesses. It became clear to the community that one thing was missing, and that was a bank.

In 1919, a group of Orrstown's citizens joined together to raise \$25,000 in capital and form a bank. They had one mission, and that was to meet the financial needs of their neighbors. With that, Orrstown Bank was born and first opened its doors on May 24, 1919.

This year, as we commemorate the 100th anniversary of Orrstown Bank, we invite you to join us in the celebration! We have many special events and activities planned throughout the year and hope that you will be a part of them. Watch our website and social media pages for additional information on how you can get involved.



Are You Following Us?

We are actively engaged in social media and love interacting with our online communities. If you have not yet followed our social media pages, we would encourage you to do so today to receive the latest news, information about events, and other items of interest to you.



Providing our associates with access to educational opportunities to advance their skills and knowledge is important to us, and that is why we were excited to launch Orrstown University in 2018. Under the leadership of our Learning and Development area, Orrstown University provides a wide range of online and classroom courses on various topics of importance to our industry. Throughout 2019, we plan to expand these efforts by delivering financial literacy programming to our customer base, students, and non-profit organizations throughout our markets.

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 February 28, 2019, there were 2,980 shareholders of record, with a total of 9,481,969 shares outstanding.

INVESTOR INFORMATION

Annual Meeting: The Annual Meeting of Shareholders of Orrstown Financial Services, Inc. is scheduled for April 30, 2019, at 9 am 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, 2018, 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 CSTproxy.com/orrstown/2019.

Transfer Agent: The transfer agent for Orrstown Financial Services, Inc. is Continental Stock Transfer & Trust Company, Orrstown Financial Services Inc. – Investor Services, 1 State Street, 30th Floor, New York, NY 10004-1561. 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. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "potential," "believe," "expect," "continue," "intend," "plan," "project," "goal," "target," "and," "would," or negative variations of those or other comparable words. Actual results and trends could differ materially from those set forth in such statements. 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; inability to achieve merger-related cost-savings and synergies; inability to successfully complete the Hamilton acquisition; 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, 2018 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.

BOARD OF DIRECTORS



JOEL R. ZULLINGER

Chairman, Orrstown Financial Services, Inc. Of Counsel, Zullinger-Davis-Trinh, PC



THOMAS R. QUINN, JR.

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



CINDY J. JOINER, CPA

Chief Financial Officer, The Bowman Group, LLC



MARK K. KELLER

PA State Representative 86th District



THOMAS D. LONGENECKER

Chief Operating Officer, Chief Executive Officer-Elect, Commonwealth Charter Academy

Adjunct Professor at Shippensburg University and Wilkes University



ANDREA PUGH

President and Sole Member, PharmCare Consultants LLC



MICHAEL J. RICE

Vice President, Manager, Mt. Parnell Fisheries, Inc.



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.



JEFFREY W. COY

Vice Chairman, Orrstown Financial Services, Inc.

Former Commissioner, PA Gaming Control Board — 2005-2011

Former State Representative 89th District — 1983-2004



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

DIRECTORS EMERITI

Dr. Anthony F. Ceddia
Frank S. Heberlig
William O. Hykes
Galen L. Myers
Raymond I. Pugh
Kenneth R. Shoemaker
Denver L. Tuckey
John S. Ward
Peter C. Zimmerman

EXECUTIVE OFFICERS Orrstown Financial Services, Inc. / Orrstown Bank



LUKE M. BERNSTEIN

Executive Vice President, Chief Retail Officer and Corporate Communications Officer



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



ROBERT J. FIGNAR

Executive Vice President, Market President



JEFFREY S. GAYMAN

Executive Vice President, Market President



DAVID T. HORNBERGER

Executive Vice President, Market President



ADAM L. METZ

Executive Vice President, Chief Revenue Officer

Remembering Our Friend

In June, Orrstown Financial Services, Inc. and Orrstown Bank lost a leader, mentor, and friend when our former Vice Chairman, Jeffrey W. Coy, passed away after a period of illness. Jeff served our company from 1984 until his retirement in May of 2018. His steady leadership, common sense, and tremendous sense of humor helped guide our company through periods of challenge as well as success, and we greatly miss his presence today.