

ORRSTOWN FINANCIAL SERVICES INC

Form FWP

March 16, 2010

Free Writing Prospectus

Filed Pursuant to Rule 433

Registration No. 333-164780

March 16, 2010

Orrstown Financial Services, Inc.
Orrstown Financial Services, Inc.
Follow-on Offering of Common Shares
\$40,000,000
March 2010
NASDAQ: ORRF
Jeffrey
Jeffrey
W.
W.
Embly
Embly
EVP, Chief Credit Officer
EVP, Chief Credit Officer
Bradley
Bradley
S.
S.
Everly
Everly
SVP, Chief Financial Officer
SVP, Chief Financial Officer
Thomas R. Quinn, Jr.
Thomas R. Quinn, Jr.
President & Chief Executive Officer
President & Chief Executive Officer

2
Safe Harbor Regarding Forward-Looking Statements
This
presentation
may
contain
forward-looking
information

about
Orrstown
Financial
Services,
Inc.
that
is
intended
to
be
covered
by
the
safe
harbor
for
forward-looking
statements
provided
by
the
Private
Securities
Litigation
Reform
Act
of
1995.
Actual
results
and
trends
could
differ
materially
from
those
set
forth
in
such
statements
due
to
various
risks,
uncertainties
and
other
factors.

Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected 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, and of changes in laws

and
regulations,
including
industry
consolidation
and
development
of
competing
financial
products
and
services;
interest
rate
movements;
changes
in
credit
quality;
volatilities
in
the
securities
markets;
and
deteriorating
economic
conditions,
and
other
risks
and
uncertainties,
including
those
detailed
in
Orrstown
Financial
Services,
Inc. s
filings
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.
Free Writing Prospectus Statement
The
Company
has
filed
a
registration
statement
(including
a
prospectus)
with
the
SEC
(File
No.
333-164780)
for
the
offering
to
which
this
communication
relates.
Before
you
invest,
you

should
read
the
prospectus
in
that
registration
statement,
the
preliminary
prospectus
supplement
and
other
documents
that
the
Company
has
filed
with
the
SEC
for
more
complete
information
about
the
Company
and
the
offering.
You
may
obtain
these
documents
without
charge
by
visiting
EDGAR
on
the
SEC
website
at
www.sec.gov.
Alternatively,

copies
of
the
preliminary
prospectus
supplement
and
the
prospectus
relating
to
the
offering
may
be
obtained
from
Sandler
O'Neill
+
Partners,
L.P.,
919
Third
Avenue,
6th
Floor,
New
York,
NY
10022,
(800)
635-6859
or
from
Janney
Montgomery
Scott
LLC
at
60 State St. 35th Floor, Boston, MA
02109, (617) 557-2971, or by email at prospectus@janney.com.
Legal Disclaimers

3

Issuer:

Orrstown Financial Services, Inc.

Type of Offering:

Follow-on Public Offering

Type of Security:

Common Stock

Ticker Symbol:

ORRF

Exchange:

NASDAQ Capital Market

Offering Size:

Gross Proceeds of \$40 Million

Over-Allotment Option:

15%

Use of Proceeds:

General corporate purposes including organic growth and strategic acquisitions

Sole Book-Running Manager:

Sandler O'Neill + Partners, L.P.

Co-Lead Manager:

Janney Montgomery Scott

Offering Details

4

Regional
community
bank
with
operations
presence

in
South
Central
Pennsylvania
and
Western
Maryland

Deep
and
experienced
management
team
with
strong
community
ties,
operational
ability
and
proven
track
record
of
acquisition
integration

Significant
market
share
position
and
critical
mass
in
its
primary
markets
of
operation

Opportunity
to
enhance
position
by
taking
advantage
of
market

dislocation
to
expand
franchise
through
continued
new
hires,
local
franchise
acquisitions
and
FDIC
assisted
transactions

Track
record
of
strong
profitability
and
delivery
of
value
to
shareholders

five
year
average
ROAA
of
1.5%
and
ROAE
of
14.6%

Solid
pre-offering
capital
position
without
having
taken
TARP
funds

7.6%

TCE

/

TA

(1)

and

11.3%

Total

Risk-Based

Capital

Ratio

Conservative

lending

practices

have

resulted

in

strong

asset

quality

metrics

in

a

difficult

credit

environment

(NPAs

/

Assets

of

0.44%

as

of

December

31,

2009)

Offering Highlights & Rationale

Source: Company Documents

(1)

The ratio of tangible common equity, or TCE, to tangible assets, or TA, is a non-GAAP-based financial measure. In order to compare common equity and tangible assets, the Company's management subtracts intangible assets from both common equity and assets. A comparable GAAP-based measure is the ratio of stockholders' equity to assets. Please see the Appendix for a reconciliation of non-GAAP measures.

5

2009 Achievements

Achieved record earnings in a challenging environment

Added 7,499 new customers as deposit base grew by more than 20%

12 net new hires, primarily in customer facing positions (including 14 sales-related

positions), bringing total headcount to nearly 300

Significant investment in technology, including consumer and mortgage lending initiatives

Trust and brokerage assets under management grew 24%

Increased
dividends
for
over
20
consecutive
years,
10
year
annual dividend
CAGR
(1)
of
15.8%

Listed on the NASDAQ Capital Market and added to Russell 2000 and 3000 indices

Net charge-offs to average loans for 2009 of 11 basis points

(1) Compound Annual Growth Rate

6
Franchise Overview

Headquartered in Shippensburg, PA

Founded in 1919

21 branches in Pennsylvania and Maryland

8 branches in Cumberland County, PA

7 branches in Franklin County, PA

4 branches in Perry County, PA

2 branches in Washington County, MD

\$1.2 billion in assets and \$915 million in deposits as of December 31, 2009

In addition to community banking services, provides trust and investment services to individuals, businesses, non-profits and municipalities (\$740 million of trust and brokerage assets under management)

Ranked as one of the top 200 best performing community banks in the nation since 2006 (based on 3 year average ROAE of publicly traded commercial banks)

(1)

(1)

Based

on

reports

published

by

U.S.

Banker

in

June

2006

-

2009.

7
Experienced Management Team
Executive
Title
Years with ORRF
Banking Experience
Thomas R. Quinn, Jr.
President / CEO

1 Year

20 Years

Jeffrey W. Embly

Executive Vice President / Chief Credit Officer

13 Years

18 Years

Bradley S. Everly

Senior Vice President / Chief Financial Officer

12 Years

32 Years

Philip E. Fague

Executive Vice President / Mortgage & Consumer Business

22 Years

22 Years

Jeffrey S. Gayman

Senior Vice President / Chief Commercial Officer

14 Years

15 Years

Barbara E. Brobst

Senior Vice President, Senior Trust Officer, Orrstown Financial Advisors

10 Years

29 Years

Gary R. Holder

Senior Vice President / Chief Retail Officer

7 Years

17 Years

Michelle N. Paulnock

Senior Vice President of Operations

1 Year

33 Years

Benjamin S. Stoops

Senior Vice President / Chief Technology Officer

12 Years

39 Years

Mark G. Bayer

Vice President & Director of Marketing

3 Years

23 Years

Stephen C. Caldwell

Vice President & Director of Human Resources

8 Years

8 Years

8
\$601,460
\$809,031
\$884,979
\$1,051,783
\$1,196,432
\$460,386
\$618,827

\$701,964
\$820,468
\$881,074
\$462,822
\$638,719
\$646,356
\$757,368
\$915,170

2005

2006¹

2007

2008

2009

2005

2006¹

2007

2008

2009

2005

2006¹

2007

2008

2009

Note: Dollar values in thousands

Source: Company Documents

Track Record of Strong Growth

Assets

Loans

Deposits

CAGR: 17.6%

CAGR: 18.5%

CAGR: 18.8%

(1) 2006 reflects the acquisition of the First National Bank of Newport (\$120mm of assets and \$106mm of deposits)

9

Favorable Performance Relative
to Regional Peers

(1)

(1) Includes publicly-traded Mid-Atlantic commercial banks with assets between \$1bn and \$2bn as identified in the Appendix.

23.22%

5

47.35%

6.71%
 Non-Interest Income / Revenue
 (0.01%)
 3
 1.36%
 (3.98%)
 2009 ROAA
 (1.20%)
 5
 18.30%
 (53.81%)
 2009 ROAE
 0.00%
 17.79%
 0.84%
 5.65%
 1.95%
 55.42%
 2.43%
 0.69%
 5
 2.68%
 NCOs / Average Loans
 106.96%
 3
 426.42%
 Reserves / NPAs
 1.42%
 6
 3.56%
 Reserves / Gross Loans
 12.87%
 16
 17.89%
 Total Risk-Based Capital Ratio
 6.63%
 6
 13.15%
 Tangible
 Common
 Equity
 Ratio
 (2)
 68.92%
 2
 105.85%
 Efficiency Ratio
 3.56%
 10
 4.72%

Net Interest Margin

Metric

Range

Rank/19

Peer AVG.

3.66%

58.85%

7.6%

11.3%

1.26%

207.56%

12.48%

1.19%

0.11%

30.74%

Source: Company Documents; SNL Financial

(2) See note on page 4 regarding non-GAAP financial measures.

10

Summary Financial Highlights

(2) See note on page 4 regarding non-GAAP financial measures.

Source: Company Documents; SNL

Year Ended December 31,

(Dollar Values in Thousands)

2005

2006

2007
2008
2009
Total Assets
\$601,460
\$809,031
\$884,979
\$1,051,783
\$1,196,432
Gross Loans
\$460,386
\$618,827
\$701,964
\$820,468
\$881,074
Total Deposits
\$462,822
\$638,719
\$646,356
\$757,368
\$915,170
Total Shareholder's Equity
\$57,310
\$89,388
\$96,124
\$103,347
\$110,886
Net Income
\$9,987
\$11,632
\$12,558
\$13,103
\$13,373
Diluted Earnings Per Share
\$1.69
\$1.79
\$1.86
\$1.94
\$1.98
Return on Average Assets
1.81%
1.61%
1.50%
1.38%
1.19%
Return on Average Equity
18.69%
15.10%
13.64%
13.20%

12.48%

Return

on

Average

Tangible

Equity

(1)

19.28%

18.98%

18.02%

17.02%

15.73%

Net Interest Margin

4.55%

4.32%

4.08%

3.93%

3.66%

Efficiency Ratio

52.86%

53.98%

55.58%

56.73%

58.85%

Non-Interest Expense / Avg. Assets

3.15%

2.99%

2.97%

2.98%

2.87%

Tang.

Common

Equity

/

Tang.

Assets

(2)

9.2%

8.6%

8.7%

8.0%

7.6%

Total Risk-Based Capital Ratio

12.8%

12.0%

11.6%

10.9%

11.3%

Non-Performing Assets / Assets

0.30%

0.05%

0.04%

0.09%

0.44%

Loan Loss Reserves / Gross Loans

0.96%

0.89%

0.87%

0.87%

1.26%

(1) Return on average tangible equity is a non-GAAP-based financial measure calculated using non-GAAP-based amounts, including tangible assets and tangible common equity. The most directly comparable GAAP-based measure is return on average equity. See reconciliation of non-GAAP financial measures.

11
Pro Forma Capital Ratios
7.6%
10.5%
7.6%
10.5%
10.1%
14.0%

11.3%

15.3%

0.00%

6.00%

12.00%

18.00%

TCE / TA

(1)

Tier

1

Leverage

(2)

Tier 1 RBC

(2)

Total RBC

(2)

31-Dec-09

Pro Forma

(1) See note on page 4 regarding non-GAAP financial measures.

(2) Calculated in accordance with bank regulatory requirements.

Note: Assumes a \$40 million offering with an underwriting spread of 5.50% and other expenses of \$250,000. Net proceeds are

Source: Company Documents

12
0
10,000
20,000
30,000
40,000
50,000
60,000

70,000
80,000
03/07
06/07
09/07
12/07
03/08
06/08
09/08
12/08
03/09
06/09
09/09
12/09
03/10
30%
40%
50%
60%
70%
80%
90%
100%
110%
120%
Volume
ORRF
NASDAQ Bank Index
Regional Peers¹
Stock Performance & Liquidity
Three Year Stock Price Performance
(44.22%)
(15.49%)
3.28%
ORRF Listed on NASDAQ
April 28, 2009
(1) Includes publicly-traded Mid-Atlantic commercial banks with assets between \$1bn and \$2bn as identified in the Appendix.
Source: SNL Financial
Average Daily Volume -
Pre and Post NASDAQ Listing
Feb. 23, 2007 -
April 27, 2009
1,063 shares
April 28, 2009 -
March. 12, 2010
12,978 shares
Price Performance Since NASDAQ Listing
48.16%

13

Targeted Market Area

Currently operating 21 full-service locations along the Route 81 corridor from Washington County, Maryland through Franklin, Cumberland and Perry Counties, Pennsylvania

The combined population of the current market area is approximately 573,000 as of June 30, 2009

The current combined market has over \$8.6 billion in total deposits as of June 30, 2009

Orrstown has \$915 million deposits as of December 31, 2009 or approximately 10.6% of the total market share in its market area

(1)

Source: SNL Financial; Company Documents

(1) Based on June 30, 2009 total deposits in market.

14
Key Saturation Markets
2.50%
12.90%
57.89%
Deposit Growth
Year-Over-Year
(2)

(%)

Market

Population

Branches

2009

Deposits

(\$000)

(1)

2009

Total Market

(1)

Deposits (\$000)

Market Share

Market

Rank

Shippensburg

5,586

2 + 2 ATMs

\$232,393

\$380,911

61.01%

1

Carlisle

17,970

4

\$174,082

\$847,553

20.54%

2

Chambersburg

17,862

3

\$120,320

\$840,830

14.31%

3

(1) As of June 30, 2009

(2) June 30, 2008

June 30, 2009

Source: FDIC; National Census Bureau

15
Market Share & Demographics
(1)
Data
as
of
September
30,
2009
(2)
Based
on
FDIC
data
as
of
June
30,
2009
Source:
SNL
Financial;
Federal
Housing
Finance

Agency
 Home
 Price
 Index
 Perry
 Cumberland
 Washington
 Franklin
 Adams
 York
 Dauphin
 ORRF Market Share²
 2009
 Pop. Growth
 Household Inc. Growth
 Household Price Appreciation¹
 Unemploy.
 Deposits
 Mkt. Share
 County
 Population
 '00 -
 '09
 08 -
 '14 Est.
 '00 -
 '09
 08 -
 '14 Est.
 1YR
 5YR
 Rate
 (\$000)
 Branches
 (%)
 Rank
 Current
 Counties
 of
 Operations
 Cumberland, PA
 232,724
 8.9%
 4.1%
 31.8%
 6.4%
 (3.5%)
 40.6%
 6.2%
 \$419,719

8
 9.95
 4
 Franklin, PA
 145,306
 12.4%
 5.9%
 27.9%
 4.3%
 (7.7%)
 (3.8%)
 7.2%
 \$265,171
 7
 14.08
 5
 Perry, PA
 45,728
 4.9%
 2.1%
 22.4%
 5.2%
 -
 -
 8.1%
 \$100,782
 4
 17.40
 2
 Washington, MD
 148,968
 12.9%
 5.8%
 22.0%
 7.9%
 -
 -
 7.8%
 \$23,588
 2
 1.21
 11
 Aggregate / Median
 572,726
 10.6%
 4.9%
 25.2%
 5.8%
 (5.6%)
 18.4%

7.5%
 \$809,260
 21
 Contiguous
 Counties
 Total In Market
 Adams, PA
 103,380
 13.2%
 5.3%
 26.2%
 3.0%
 -
 -
 6.7%
 \$1,176,372
 30
 York, PA
 258,263
 2.6%
 1.1%
 32.3%
 5.0%
 (5.7%)
 22.2%
 7.1%
 \$6,204,185
 100
 Dauphin, PA
 431,670
 13.1%
 6.4%
 30.6%
 3.9%
 -
 -
 6.8%
 \$4,611,726
 153
 Aggregate / Median
 793,313
 13.1%
 5.3%
 30.6%
 3.9%
 (5.7%)
 22.2%
 6.8%
 \$11,992,283
 283

Maryland

5,733,229

8.3%

3.1%

26.9%

4.2%

(7.5%)

16.0%

7.2%

Pennsylvania

12,598,860

2.6%

0.8%

32.7%

4.9%

(1.4%)

22.3%

8.5%

US

309,731,508

10.1%

4.6%

29.8%

4.1%

(3.8%)

4.6%

9.7%

16

Deposit Composition

Source: Company Documents

(Dollars in Thousands)

December 31, 2007

December 31, 2008

December 31, 2009

Deposit Type

Amount
% of Total
Amount
% of Total
Amount
% of Total
Period End Balances
Non-Interest Bearing DDA
\$91,365
14.1%
\$84,261
11.1%
\$90,676
9.9%
Interest Bearing DDA
231,413
35.8%
272,372
36.0%
353,428
38.6%
Savings deposits
64,292
9.9%
60,846
8.0%
60,032
6.6%
Time deposits < \$100,000
147,211
22.9%
211,354
27.9%
179,362
19.6%
Time deposits > \$100,000
112,075
17.3%
128,535
17.0%
231,672
25.3%
Total
\$646,356
100.0%
\$757,368
100.0%
\$915,170
100.0%
Annual Growth

1.2%

17.2%

20.8%

Average Total Deposit Cost

2.89%

2.07%

1.52%

17
Investment Portfolio
Gov't
Agency
60.0%
CMO
4.0%
Municipal

19.0%

Cert. of Dep.

2.0%

MBS

15.0%

Current Par Distribution

Source: Company Documents

As of December 31, 2009, the market value of the investment portfolio was approximately \$203 million

Duration of 3.4 years and average life of 4.0 years

Investment portfolio is comprised of 97% A or better rated securities

Currently do not hold any corporate or high-yield instruments

AAA

83.5%

A

3.3%

NR

1.4%

BB

0.3%

BBB

1.3%

AA

10.1%

Debt Portfolio Breakdown by Rating

18
Historical Credit Cycle Analysis
NCOs/Average Loans
0.0%
0.1%
0.2%
0.3%
0.4%

0.5%

ORRF

Regional Peers¹

0.06%

0.54%

0.26%

0.11%

Non-Performing Assets/Total Assets

0.0%

0.5%

1.0%

1.5%

2.0%

ORRF

Regional Peers¹

0.09%

1.28%

0.63%

0.44%

(1) Includes publicly-traded Mid-Atlantic commercial banks with assets between \$1bn and \$2bn as identified in the Appendix

Source: Company Documents; SNL Financial

19
Disciplined Credit Culture

Created
the
position
of
Chief

Credit
Officer
in
September
2009
to
further
strengthen
the
approval
process
and
provide
independence
between
sales
and
credit

Conservative
Loan
Approval
Authorities:

No
individual
commercial
lender
has
a
maximum
aggregate
approval
authority
over
\$350,000

Chief
Commercial
Officer s
maximum
aggregate
approval
authority
of
\$500,000

Chief
Credit
Officer s

maximum
aggregate
approval
authority
of
\$1
million,
with
any
single
loan
approved
of
\$500,000 or
greater
reviewed
and
ratified
by
Executive
Loan
Committee

Maximum
joint
authority
of
\$1.5
million
with
required
ratification
by
Executive
Loan
Committee

Global
credit
oversight
by
the
Bank's
Credit
Administration
Committee,
which
is
comprised
of

four
independent
directors

Annual
review
process
that
focuses
on
the
review
of:

All
loan
relationships
with
aggregate
committed
exposure
greater
than
or
equal
to
\$750,000,
all
Reg
O
loans,
a
sample
of
5%
of
loan
relationships
under
the
threshold
and
any
credits
determined
by
the
Committee
to
be

deserving
of
special
attention

Additionally,
all
loan
relationships
with
aggregate
committed
exposure
less
than
or
equal
to
\$1
million
are
rated,
with
committee
ratification
and
approval
of
all
gradings

20
Proactive & Thorough Approach
to Credit

In
November
2009,
the

Bank
undertook
an
expanded
review
of
the
commercial
loan
portfolio
which
covered
\$526
million
in
outstanding
and
committed
balances

This
review
was
in
addition
to
the
normal
loan
review
process
conducted
by
loan
review
officers
and
the
Bank's
Credit
Administration
Committee

The
specific
review
process
included:

employees
and
2
contract
employees

Review
of
all
commercial
loan
relations
with
an
aggregate
committed
exposure
greater
than
or
equal
to
\$750,000

Review
focused
on
global
cash
flow
and
debt
service
coverage
ratios
of
the
borrower,
LTV
ratios
shocked
10
and
20%,
and
borrowers
and
guarantors
cash
flow

and
liquidity

Reserves
increased
from
0.87%
to
1.26%
as
a
percentage
of
gross
loans
(aggregate
2009
provision
of
\$4.9
million
(\$3.6
million
Q4
2009)
versus
\$938,000
of
net
charge
offs)

21
Commercial
75%
Consumer
1%
Residential
Mortgage
11%

Home Equity

Loans & Lines

13%

C&I, Term and

Other

37%

Construction &

Land

Development

17%

Owner Occupied

23%

Multifamily

4%

Non-Owner

Occupied

19%

Loan Portfolio Overview

Loans Stratification by Purpose

Gross Loans: \$881 million

Most

Recent

Quarter

Yield:

5.46%

Commercial Loans by Purpose

Source: Company Documents

Commercial

22

Loan Portfolio Overview

Geographic Distribution¹

Commercial Loans by Industry

Cumberland,

PA

41%

Washington,

MD
13%
Other
13%
Franklin, PA
27%
Perry, PA
6%
(1) Based on location where the borrower resides
Source: Company Documents
CRE - Owner-
Occ. and Non
Owner-Occ.
39%
Public Admin.
5%
Non-profit
2%
Other
4%
Transport
1%
Service &
Entertainment
9%
Healthcare
2%
Professional
8%
Finance
2%
Retail Trade
4%
Agriculture
2%
Wholesale Trade
1%
C&D
19%
Manufacturing
2%

23
1.27%
Asset Quality Summary
Source: Company Documents, SNL
For the Quarter ended,
(Dollars in Thousands)
12/31/2008
03/31/2009

06/30/2009
 09/30/2009
 12/31/2009
 30-89 Days Past Due
 12,178
 13,824
 16,563
 12,702
 19,043
 90 Days Past Due and Still Accruing
 6,176
 6,506
 6,324
 8,186
 6,155
 Total Non-Performing Loans and Leases
 341
 562
 1,905
 4,710
 4,267
 ORE and Repossessed Assets
 608
 558
 939
 920
 1,065
 NPAs
 & 90 Day Delinquent
 7,125
 \$
 7,626
 \$
 9,168
 \$
 13,816
 \$
 11,487
 \$
 Non-Performing Loans / Total Loans
 0.04%
 0.07%
 0.23%
 0.54%
 0.48%
 Non-Performing Assets / Total Assets
 0.09%
 0.10%
 0.26%
 0.49%

0.44%

Loan Loss Reserve

7,140

\$

7,174

\$

7,413

\$

7,963

\$

11,067

\$

Loan Loss Reserves / Gross Loans

0.87%

0.87%

0.88%

0.92%

1.26%

Reserves / NPLs

2,094%

1,277%

389%

169%

259%

Net Charge-Offs

226

181

61

200

496

Net Charge-Offs / Average Loans (Annualized)

0.11%

0.09%

0.03%

0.09%

0.23%

Provision / Net Charge-Offs

344%

119%

492%

375%

726%

24
Commercial
85%
Res.
Mortgage
14%
Installment
1%

Nonperforming Assets

NPAs

by Type

NPAs

by

Market

1

(1) Based on location where the borrower resides

Source: Company Documents

(Dollar Values in Thousands)

Non-Acc.

Total

Gross

NPAs

/

County

Loans

OREO

NPAs

Loans

Loans+REO

Cumberland, PA

\$14

\$59

\$73

\$363,533

0.02%

Franklin, PA

\$1,892

\$565

\$2,457

\$239,512

1.02%

Perry, PA

\$1,188

\$233

\$1,421

\$49,822

2.84%

Washington, MD

\$1,173

\$98

\$1,271

\$111,195

1.14%

Other

\$0

\$110

\$110

\$117,012

0.09%

Total

\$4,267

\$1,065

\$5,332

\$881,074

0.60%

25

Home Price Appreciation (PA)

(2.00%)

0.00%

2.00%

4.00%

6.00%

8.00%

10.00%

12.00%

14.00%

2004

2005

2006

2007

2008

2009-Q3

Pennsylvania (5Yr Avg.)

Harrisburg - Carlisle, PA (5Yr Avg.)

Source: Federal Housing Finance Agency; Freddie Mac

26

Credit Quality Trends

Net Charge-Offs / Average Loans

Non-Performing Assets / Total Assets

Reserves / Loans

Delinquencies / Loans

0.30%

0.05%

0.04%
 0.09%
 0.44%
 0.00%
 0.25%
 0.50%
 0.75%
 1.00%
 1.25%
 1.50%
 2005
 2006
 2007
 2008
 2009
 ORRF
 Regional Peers¹
 0.96%
 0.89%
 0.87%
 0.87%
 1.26%
 0.85%
 0.95%
 1.05%
 1.15%
 1.25%
 2005
 2006
 2007
 2008
 2009
 ORRF
 Regional Peers¹
 0.11%
 0.06%
 0.02%
 0.00%
 0.01%
 0.00%
 0.10%
 0.20%
 0.30%
 0.40%
 0.50%
 0.60%
 2005
 2006
 2007
 2008

2009

ORRF

Regional Peers¹

3.34%

2.30%

1.90%

1.40%

1.00%

0.50%

1.00%

1.50%

2.00%

2.50%

3.00%

3.50%

4.00%

4.50%

5.00%

2005

2006

2007

2008

2009

ORRF

Regional Peers¹

(1) Includes publicly-traded Mid-Atlantic commercial banks with assets between \$1bn and \$2bn as identified in the Appendix

Source: Company Documents; SNL Financial

27

Continue
to
diversify
-
add
additional

consumer
retail
products
and
services
and
expand
delivery
channels

Technology
enhancements
to
support
consumer
retail
growth,
diversification,
and
non-
interest
income
goals:

Implementing
centralized
consumer
loan
underwriting
system

Mortgage
Builder®
end-to-end
mortgage
origination
software
launched
in
March

MCIF/CRM
system
implemented
in
2010

New
web
site

in
2010
(will
provide