



News---For Immediate Release

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ONLINE RESOURCES RECOGNIZES \$13.7 MILLION TAX BENEFIT TO FOURTH QUARTER AND FULL YEAR 2005 EARNINGS

CHANTILLY, Va., March 17, 2006 -- Online Resources Corporation (Nasdaq: ORCC), a leading provider of Internet financial services, today announced that it has recognized a \$13.7 million benefit to its fourth quarter and full year 2005 earnings from the realization of a portion of its deferred tax asset. As anticipated, the Company has adjusted its previously disclosed results for the periods and filed its 2005 Annual Report on Form 10-K with the Securities and Exchange Commission.

Once a determination is made that a company is more likely than not to use some or all of its tax-loss carry forwards, SFAS No. 109, *Accounting for Income Taxes*, requires that valuation allowance be released against the related deferred tax asset and the corresponding benefit be taken into income.

Based on a review of both its earnings history and its expected earnings over the next two years, the Company has determined that it should release valuation allowance against its deferred tax asset representing \$36 million of its remaining \$81 million in net operating loss carry forwards. This results in an unreserved deferred tax asset of \$13.7 million on the Company's balance sheet at December 31, 2005.

The following summarizes the changes to previously announced fourth quarter and 2005 results, and provides core net income for the periods:

	Fourth Quarter 2005		Full Year 2005	
	Preliminary	Final	Preliminary	Final
Net Income (\$mil)	\$2.9	\$16.5	\$9.0	\$22.7
Per share	\$0.10	\$0.60	\$0.35	\$0.88
Core Net Income (a)(d)(e)	n/a	\$3.0	n/a	\$9.4
Per share	n/a	\$0.11	n/a	\$0.36

(more)

2006 Business Outlook

With the realization of a portion of its deferred tax asset, the Company will begin reporting its earnings as though it was a taxpayer, even though it will continue to use remaining net operating loss carry forwards. As such, net income and core net income guidance has been updated to reflect a non-cash provision for taxes at a 38 percent rate. The guidance assumes no further release of valuation allowance in 2006, though the Company may do so.

As set forth below, the Company's guidance for first quarter and full year 2006 remains unchanged except for the effect of the tax provision on net income and core net income. However, with increased visibility into the first quarter, the Company now expects to be at the low range of its first quarter guidance. The amounts are stated in millions, except when stated on a per share basis.

	First Quarter 2006		Full Year 2006	
	Prior Guidance	Revised Guidance	Prior Guidance	Revised Guidance
Revenue	\$16.5-17.0	No change	\$72.0-75.0	No change
EBITDA (a)(b)	\$3.1-3.5	No change	\$17.9-18.9	No change
Per share	\$0.11-0.13	No change	\$0.64-0.68	No change
Net Income (c)	\$1.3-1.7	\$0.8-1.1	\$9.8-10.8	\$6.1-6.7
Per share	\$0.05-0.06	\$0.03-0.04	\$0.35-0.39	\$0.22-0.24
Core Net Income (a)(d)(e)	\$1.9-2.3	\$1.4-1.7	\$12.4-13.4	\$8.7-9.1
Per share	\$0.07-0.08	\$0.05-0.06	\$0.44-0.48	\$0.31-0.33
Fully Diluted Shares	27.8	No change	28.0	No change

- (a) The Company uses Non-GAAP (Generally Accepted Accounting Principles) financial measures, including EBITDA and core net income, to evaluate performance and establish goals. It believes that these measures are valuable to investors in assessing the Company's operating results when viewed in conjunction with GAAP results.
- (b) EBITDA is a pro forma measure defined as earnings before interest, taxes, depreciation, amortization and equity compensation expense.
- (c) Taxes on net income and net income per share are accrual for 2006, but not in prior years. Actual cash outlay for taxes in 2006 is not expected to be significant.
- (d) Core net income is a pro forma measure defined as net income before the amortization of acquisition-related intangible assets, equity compensation expense, merger-related charges, restructuring-related charges, impairment charges, cumulative effect of change in accounting methods, income tax benefit from the release of valuation allowance and non-recurring tax charges, all net of any related tax impact. Some or all of these items may not be applicable in any given reporting period.
- (e) Excludes amortization of acquisition-related intangible assets of approximately \$0.1 million for the first quarters of 2006 and 2005, and \$0.5 and \$0.4 million for the years 2006 and 2005, respectively. Excludes equity compensation expense of approximately \$0.5 million for the first quarter 2006 and \$2.1 million for the year 2006.

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About Online Resources

Online Resources powers Internet financial services for over 800 firms nationwide. The Company's proprietary account presentation, payment, relationship management and professional services are branded to its client banks, credit unions, card issuers and payment acquirers. The Company serves over 4 million consumer end-users and processes \$15 billion in payments annually. Founded in 1989, Online Resources (Nasdaq: ORCC, Website: www.orcc.com) is a recognized leader in financial technology services.

This news release contains statements about future events and expectations, which are "forward-looking statements." Any statement in this release that is not a statement of historical fact may be deemed to be a forward-looking statement. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Specifically factors that might cause such a difference include, but are not limited to: the company's history of losses and anticipation of future losses; the company's dependence on the marketing efforts of third parties; the potential fluctuations in the company's operating results; the company's potential need for additional capital; the company's potential inability to expand the company's services and related products in the event of substantial increases in demand for these services and related products; the company's competition; the company's ability to attract and retain skilled personnel; the company's reliance on the company's patents and other intellectual property; the early stage of market adoption of the services it offers; consolidation of the banking and financial services industry; and those risks and uncertainties discussed in filings made by the company with the Securities and Exchange Commission, including those risks and uncertainties contained under the heading "Risk Factors" in the company's Form 10-K, latest 10-Q, and S-3 as filed with the Securities and Exchange Commission. These factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements.

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Online Resources Corporation Consolidated Statement of Operations

(In thousands, except per share data)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	DECEMBER 31,		DECEMBER 31,	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)		
Revenues:				
Account presentation services	\$ 1,902	\$ 740	\$ 8,826	\$ 3,030
Payment services	9,730	7,801	35,841	28,277
Relationship management services	1,908	2,014	7,716	7,895
Professional services and other	2,227	848	8,118	3,084
Total revenues	<u>15,767</u>	<u>11,403</u>	<u>60,501</u>	<u>42,286</u>
Expenses:				
Cost of revenues	6,440	4,666	24,517	18,059
Gross profit	<u>9,327</u>	<u>6,737</u>	<u>35,984</u>	<u>24,227</u>
General and administrative	3,164	2,826	13,126	9,107
Selling and marketing	2,609	2,017	10,174	7,416
Systems and development	1,294	953	4,788	3,793
Total expenses	<u>7,067</u>	<u>5,796</u>	<u>28,088</u>	<u>20,316</u>
Income from operations	<u>2,260</u>	<u>941</u>	<u>7,896</u>	<u>3,911</u>
Other income (expense)				
Interest income	522	64	1,303	147
Interest expense	-	(6)	(4)	(3)
Other income	8	5	3	38
Total other income	<u>530</u>	<u>63</u>	<u>1,302</u>	<u>182</u>
Income before taxes	2,790	1,004	9,198	4,093
Income tax (benefit) provision	(13,738)	75	(13,465)	146
Net income	<u>\$ 16,528</u>	<u>\$ 929</u>	<u>\$ 22,663</u>	<u>\$ 3,947</u>
Net income per share				
Basic	\$ 0.66	\$ 0.05	\$ 0.97	\$ 0.22
Diluted	\$ 0.60	\$ 0.05	\$ 0.88	\$ 0.20
Shares used in calculation of net income per share:				
Basic	25,124	18,208	23,434	18,057
Diluted	27,588	20,195	25,880	20,128
Reconciliation of net income to Core net income (See Note 1):				
Net income	\$ 16,528	\$ 929	\$ 22,663	\$ 3,947
Amortization of intangible assets	138	-	433	-
Deferred tax benefit	(13,665)	-	(13,665)	-
Core net income (See Note 1)	<u>\$ 3,001</u>	<u>\$ 929</u>	<u>\$ 9,431</u>	<u>\$ 3,947</u>
Reconciliation of net income to EBITDA (See Note 2):				
Net income	\$ 16,528	\$ 929	\$ 22,663	\$ 3,947
Depreciation and amortization	1,643	921	5,959	3,665
Other income	(530)	(63)	(1,302)	(182)
Income tax provision	(13,738)	75	(13,465)	146
EBITDA (See Note 2)	<u>\$ 3,903</u>	<u>\$ 1,862</u>	<u>\$ 13,855</u>	<u>\$ 7,576</u>

Notes:

- Core net income is a pro forma measure defined as net income before the amortization of acquisition-related intangible assets, equity compensation expense, merger-related charges, restructuring-related charges, impairment charges, cumulative effect of change in accounting methods, income tax benefit from the release of valuation allowance and non-recurring tax charges, all net of any related tax impact. Some or all of these items may not be applicable in any given reporting period.
- EBITDA represents earnings before interest, taxes, depreciation and amortization.

Online Resources Corporation Condensed Consolidated Balance Sheets

(In thousands)

	DECEMBER 31, 2005	DECEMBER 31, 2004
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 55,864	\$ 4,640
Restricted cash	2,220	1,651
Accounts receivable, net	7,262	8,433
Deferred implementation costs	609	461
Deferred tax asset, current portion	2,030	-
Prepaid expenses and other current assets	1,034	2,635
Total current assets	69,019	17,820
Property and equipment, net	15,242	13,100
Goodwill	16,322	11,273
Intangible assets	2,330	1,570
Deferred implementation costs, less current portion	521	420
Deferred tax asset, less current portion	11,635	-
Other assets	527	351
Total assets	\$ 115,596	\$ 44,534
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 4,524	\$ 4,972
Deferred revenues	2,638	973
Deferred rent obligation	161	158
Capital lease obligation	8	11
Total current liabilities	7,331	6,114
Deferred revenues, less current portion	1,213	379
Deferred rent obligation, less current portion	1,796	1,525
Other long-term liabilities	2,220	1,745
Total liabilities	12,560	9,763
Stockholders' equity	103,036	34,771
Total liabilities and stockholders' equity	\$ 115,596	\$ 44,534

Online Resources Corporation
Condensed Consolidated Statement of Cash Flows
(In thousands)

	TWELVE MONTHS ENDED	
	DECEMBER 31,	
	2005	2004
Operating activities:		
Net income	\$ 22,663	\$ 3,947
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred tax benefit	(13,665)	-
Depreciation and amortization	5,855	3,665
Loss on impairment of assets	104	38
Provision for losses on accounts receivable	2	-
Net realized gain on investments	-	13
Amortization of discount premium	(1)	(38)
Changes in assets and liabilities, net of acquisitions	3,487	182
Net cash provided by operating activities	<u>18,445</u>	<u>7,807</u>
Investing activities:		
Purchases of property and equipment	(7,481)	(9,158)
Net purchases of available-for-sale securities	1,300	4,704
Acquisition payments, net of cash acquired	(3,317)	(8,199)
Net cash used by operating activities	<u>(9,498)</u>	<u>(12,653)</u>
Financing activities:		
Proceeds from the issuance of common stock	43,602	1,230
Repayment of capital lease obligations	(27)	(97)
Net cash provided by financing activities	<u>43,575</u>	<u>1,133</u>
Net increase in cash and cash equivalents	52,522	(3,713)
Cash and cash equivalents at beginning of year	3,342	7,055
Cash and cash equivalents at end of year	<u>\$ 55,864</u>	<u>\$ 3,342</u>