



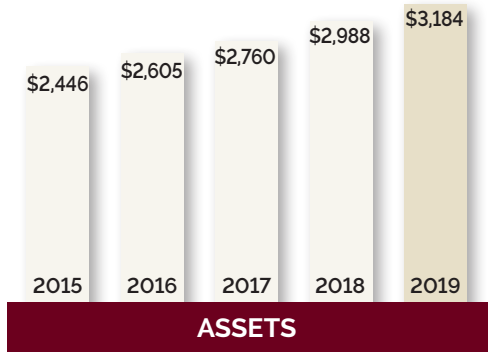
— 2019 —
ANNUAL REVIEW

Performance Comparisons



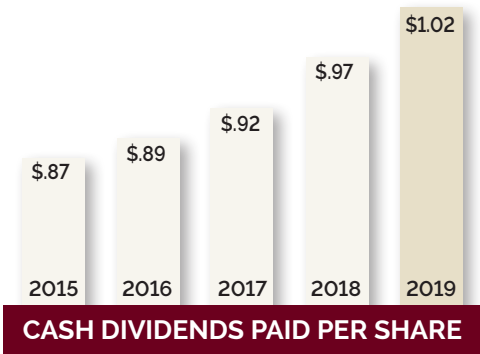
DILUTED EARNINGS PER SHARE

For the 12 Months Ended December 31*



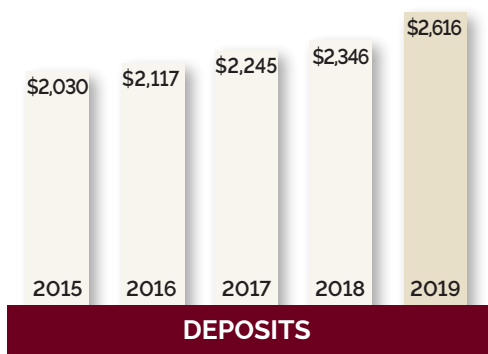
ASSETS

As of December 31
(\$ in Millions)



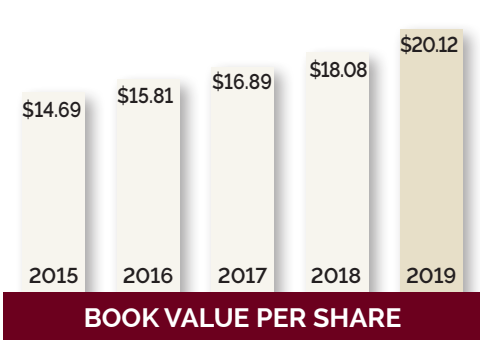
CASH DIVIDENDS PAID PER SHARE

For the 12 Months Ended December 31*



DEPOSITS

As of December 31
(\$ in Millions)



BOOK VALUE PER SHARE

As of December 31*



SHAREHOLDERS' EQUITY

As of December 31
(\$ in Millions)

*Per share amounts have been restated for stock dividends distributed.

Fellow Shareholders:



Like most financial institutions, we navigated a challenging interest rate environment and other economic pressures in 2019. Yet I am proud to share that we once again delivered record earnings, steady growth, sustained

profitability and excellent credit quality. We remain committed to living our mission for our customers, employees, shareholders and the communities we serve. Our measured and thoughtful approach keeps us focused on long-term opportunities that will help us continue to grow in the future.

Some highlights from 2019 include:

- Surpassed \$3 billion in assets for the first time
- Net income reached a record high of \$37.5 million
- Total loan balances grew to a record \$2.4 billion
- Total deposits grew to a record \$2.6 billion
- Wealth Management Division reached a record \$1.5 billion in assets under management
- Continued to optimize our Glens Falls National Bank branch network in Plattsburgh and Queensbury
- Expanded the Saratoga National Bank Capital Region footprint by opening a Rotterdam location, and announced plans for a Latham branch
- Wealth Management Division and Upstate Agency moved into new and updated headquarters
- Enhanced our customer experience, including upgrades for online loan payments and Business Online Banking
- Named to top-performing lists by *American Banker* magazine, *Bank Director* magazine and Seifried & Brew, LLC

2019 FINANCIAL HIGHLIGHTS

Net Income: \$37.5 million, up 3.3%

Total Loans: \$2.4 billion, up 8.6%

Total Deposits: \$2.6 billion, up 11.5%

Total Assets: \$3.18 billion, up 6.6%

Return on Average Equity: 13.17%

Return on Average Assets: 1.24%

Return on Tangible Equity: 14.36%

Stock Dividend: 3% distributed in Sept.

Current Quarterly Cash Dividend: \$0.26

Book Value Per Share: Increase of 11.2%

Shareholders' Equity: Increase of 11.9%

➤ Glens Falls National and Saratoga National maintained 5-Star "Superior" ratings from BauerFinancial

➤ Saratoga National Bank was named "Top Small Community Lender" by the U.S. Small Business Administration in the Capital Region for the sixth consecutive year

The Arrow team's dedication is the driving force behind our accomplishments, and I want to thank our employees for everything they do. Their commitment to improving our customer experience, serving our communities, and delivering value for the organization keeps us competitive and strong.

Additionally, our commitment to giving back helps our communities remain strong. We are proud to share that the Arrow Family of Companies contributed more than \$4 million and countless volunteer hours over the past decade to nonprofit organizations that make our region a great place to live.

Thank you for your continued investment in Arrow Financial Corporation. We value your trust, support and partnership.

Tom Murphy
President and Chief Executive Officer

Consolidated Statements of Income (Unaudited)

Years Ended December 31

(in thousands, except per-share amounts)	2015	2016	2017	2018	2019
Interest and Dividend Income	\$ 70,738	\$ 76,915	\$ 84,657	\$ 96,503	\$109,759
Interest Expense	4,813	5,356	7,006	12,485	21,710
Net Interest Income	65,925	71,559	77,651	84,018	88,049
Provision for Loan Losses	1,347	2,033	2,736	2,607	2,079
Net Interest Income after Provision for Loan Losses	64,578	69,526	74,915	81,411	85,970
Total Noninterest Income	28,124	27,832	27,645	28,949	28,555
Total Noninterest Expense	57,430	59,609	62,705	65,055	67,450
Income Before Taxes	35,272	37,749	39,855	45,305	47,075
Provision for Income Taxes	10,610	11,215	10,529	9,026	9,600
Net Income	\$ 24,662	\$ 26,534	\$ 29,326	\$ 36,279	\$ 37,475
Share and Per Share Data					
Diluted Average Shares					
Outstanding	14,566	14,725	14,838	14,922	14,983
Diluted Earnings Per Share	\$ 1.69	\$ 1.81	\$ 1.98	\$ 2.43	\$ 2.50
Cash Dividends Per Share	\$.87	\$.89	\$.92	\$.97	\$ 1.02
Book Value Per Share	\$ 14.69	\$ 15.81	\$ 16.89	\$ 18.08	\$ 20.12
Tangible Book Value Per Share	\$ 12.98	\$ 14.14	\$ 15.26	\$ 16.49	\$ 18.55
Key Earnings Ratios					
Return on Average Assets	1.05%	1.06%	1.09%	1.27%	1.24%
Return on Average Equity	11.86%	11.79%	12.14%	13.96%	13.17%
Return on Tangible Equity	13.50%	13.25%	13.51%	15.38%	14.36%
Net Interest Margin	2.97%	3.00%	3.02%	3.07%	3.05%
Capital Ratios					
Tier 1 Leverage Ratio	9.25%	9.47%	9.49%	9.61%	9.98%
Total Risk-Based Capital Ratio	15.09%	15.15%	14.98%	14.86%	14.78%
Asset Quality Ratios					
Nonperforming Assets to Period-End Assets	0.36%	0.28%	0.28%	0.23%	0.18%
Allowance for Loan Losses to Period-End Loans	1.02%	0.97%	0.95%	0.92%	0.89%

Consolidated Balance Sheets (Unaudited)

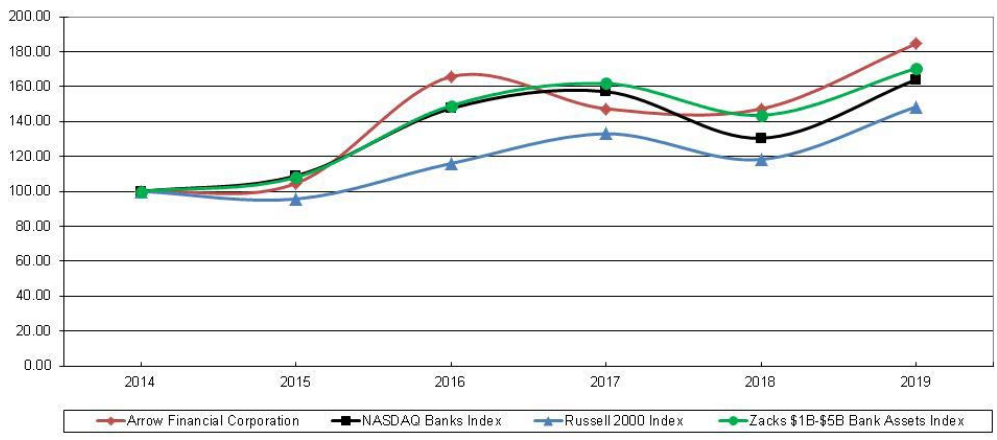
As of December 31

(in thousands)

	2015	2016	2017	2018	2019
Assets					
Cash and Due from Banks	\$ 34,816	\$ 43,024	\$ 42,562	\$ 56,529	\$ 47,035
Interest-Bearing Deposits at Banks	16,252	14,331	30,276	27,710	23,186
Investment Securities	731,759	703,335	646,056	618,291	614,779
Loans	1,573,952	1,753,268	1,950,770	2,196,215	2,386,120
Allowance for Loan Losses	(16,038)	(17,012)	(18,586)	(20,196)	(21,187)
Net Loans	1,557,914	1,736,256	1,932,184	2,176,019	2,364,933
Premises and Equipment, Net	27,440	26,938	27,619	30,446	40,629
Goodwill and Intangible Assets, Net	24,980	24,569	24,162	23,725	23,534
Other Assets	53,027	56,789	57,606	55,614	70,179
Total Assets	\$2,446,188	\$2,605,242	\$2,760,465	\$2,988,334	\$3,184,275
Liabilities and Shareholders' Equity					
Noninterest-Bearing Deposits	\$ 358,751	\$ 387,280	\$ 441,945	\$ 472,768	\$ 484,944
Interest-Bearing Checking and Savings Deposits	1,481,855	1,529,953	1,601,888	1,608,829	1,735,789
Time Deposits	189,817	199,313	201,283	263,987	395,321
Total Deposits	2,030,423	2,116,546	2,245,116	2,345,584	2,616,054
Short-Term Borrowings	105,173	158,836	169,966	288,659	181,099
Federal Home Loan Bank Term Advances	55,000	55,000	55,000	45,000	30,000
Other Long-Term Debt	20,000	20,000	20,000	20,000	20,000
Other Liabilities	21,621	22,008	20,780	19,507	35,394
Total Liabilities	2,232,217	2,372,390	2,510,862	2,718,750	2,882,547
Total Shareholders' Equity	213,971	232,852	249,603	269,584	301,728
Total Liabilities and Shareholders' Equity	\$2,446,188	\$2,605,242	\$2,760,465	\$2,988,334	\$3,184,275

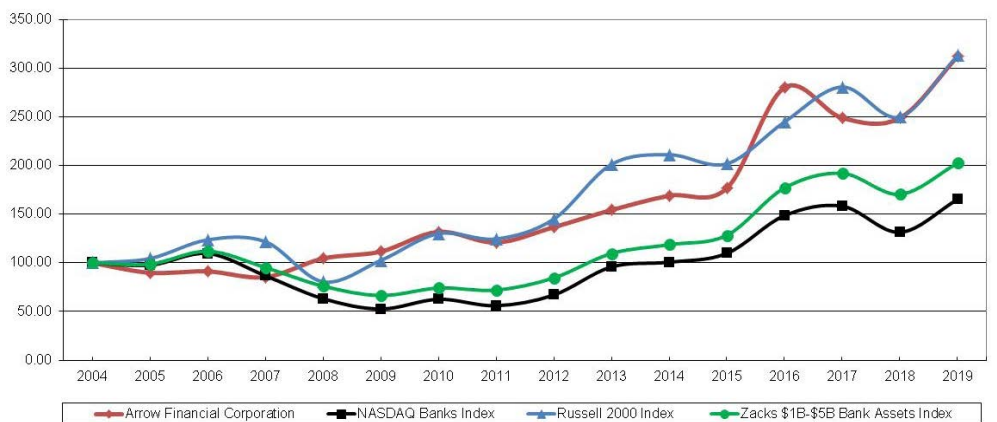
Total Return Performance

Comparison of Five-Year Cumulative Total Return • Assumes Initial Investment of \$100



	2014	2015	2016	2017	2018	2019
Arrow Financial Corporation	100.00	104.55	165.68	147.29	147.21	184.59
NASDAQ Banks Index	100.00	108.91	147.47	157.10	130.44	163.99
Russell 2000 Index	100.00	95.59	115.95	132.94	118.30	148.49
Zacks \$1B-\$5B Bank Assets Index	100.00	108.06	149.08	161.73	143.59	170.48

Comparison of 15-Year Cumulative Total Return • Assumes Initial Investment of \$100



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Arrow Financial Corporation	100.00	89.88	91.25	85.41	104.52	111.57	131.92	120.93	136.71	154.26	169.05	176.74	280.07	249.00	248.87	312.06
NASDAQ Banks Index	100.00	97.68	109.68	86.80	63.28	52.66	62.62	56.01	67.00	95.90	100.77	109.75	148.60	158.31	131.45	165.25
Russell 2000 Index	100.00	104.51	123.71	121.77	80.62	102.53	130.06	124.62	145.00	201.28	211.13	201.81	244.82	280.69	249.78	313.54
Zacks \$1B-\$5B Bank Assets Index	100.00	98.79	111.96	95.27	76.13	66.49	74.17	72.08	84.55	109.61	118.73	128.30	177.00	192.02	170.48	202.41

Arrow Financial Corporation

Board of Directors

Thomas L. Hoy (Chairman)
Retired President and CEO
Arrow/Glens Falls National Bank

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President
Behan Communications, Inc.

Tenéé R. Casaccio, AIA
President
JMZ Architects and Planners, P.C.

Michael B. Clarke
Retired President and CEO
Lone Star Industries

Gary C. Dake
President
Stewart's Shops Corp.

David G. Kruczynski
Retired President and CEO
Glens Falls Hospital

Elizabeth A. Miller
President and CEO
Miller Mechanical Services, Inc.

Thomas J. Murphy
President and CEO
Arrow/Glens Falls National Bank

Raymond F. O'Connor
Chairman and Retired President
and CEO
Saratoga National Bank

William L. Owens, Esq.
Partner
Stafford, Owens, Piller, Murnane,
Kelleher & Trombley, PLLC

Colin L. Read, PhD
Mayor, City of Plattsburgh
Professor of Economics
and Finance
SUNY Plattsburgh

Richard J. Reisman, DMD
Chairman - Section of Dentistry
Glens Falls Hospital

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Mary-Elizabeth T. FitzGerald

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Elizabeth O'Connor Little
Michael F. Massiano
(Chairman Emeritus)

David L. Moynihan
John J. Murphy
Doris E. Ornstein

Corporate Officers

Thomas J. Murphy
President and CEO

Edward J. Campanella
Senior Vice President, Treasurer
and Chief Financial Officer

David S. DeMarco
Senior Vice President
and Chief Banking Officer

David D. Kaiser
Senior Vice President

Andrew J. Wise
Senior Vice President
and Chief Operating Officer

Shareholder Information

Arrow Stock

Arrow's common stock trades on the NASDAQ Global Select MarketSM under the symbol "AROW."

Dividend Reinvestment Plan

The Arrow Financial Corporation Dividend Reinvestment Plan offers participants a convenient and economical way to acquire common stock of Arrow Financial Corporation without payment of any brokerage commission or service charge.

Participants may reinvest all cash dividends in additional shares as well as make optional cash contributions to buy shares.

Since the Plan is entirely voluntary, you may join at any time and terminate whenever you wish.

For more information, please contact:

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Tel: (888) 444-0058 or astfinancial.com

ARROW

Financial Corporation

Our Family of Companies

Glens Falls National
Bank and Trust Company

SARATOGA
BANK & TRUST COMPANY
NATIONAL

 **UPSTATE**
AGENCY
INSURANCE

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Glens Falls, NY 12801
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Aerial view of Glens Falls,
New York, home of
Arrow headquarters.