

Arrow Financial Corporation
Consolidated Financial Information
(\$ in thousands, except per share amounts)
Unaudited

	Three Months		Twelve Months	
	Ended December 31,		Ended December 31,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Income Statement				
Interest and Dividend Income	\$22,169	\$22,719	\$86,857	\$89,508
Interest Expense	<u>6,522</u>	<u>7,541</u>	<u>26,492</u>	<u>32,277</u>
Net Interest Income	15,647	15,178	60,365	57,231
Provision for Loan Losses	<u>435</u>	<u>880</u>	<u>1,783</u>	<u>1,671</u>
Net Interest Income After Provision for Loan Losses	<u>15,212</u>	<u>14,298</u>	<u>58,582</u>	<u>55,560</u>
Net Gain on Transfer of Merchant Bank Card Processing	---	---	2,966	---
Net Gain on Securities Transactions	28	412	357	383
Other-Than-Temporary Impairment Write-down on Securities	(375)	(400)	(375)	(1,610)
Gain on Visa Stock Redemption	---	---	---	749
Net Gain on Sales of Loans	92	51	418	106
Income from Restitution Payment	---	---	450	---
Gain on Sale of Premises	---	---	---	115
Income From Fiduciary Activities	1,272	1,279	5,009	5,463
Fees for Other Services to Customers	2,114	2,244	8,051	8,562
Insurance Commissions	590	491	2,412	2,066
Other Operating Income	<u>84</u>	<u>75</u>	<u>304</u>	<u>435</u>
Total Noninterest Income	<u>3,805</u>	<u>4,152</u>	<u>19,592</u>	<u>16,269</u>
Salaries and Employee Benefits	7,122	6,640	27,042	24,551
Occupancy Expenses of Premises, Net	700	863	3,316	3,479
Furniture and Equipment Expense	771	826	3,264	3,211
Amortization of Intangible Assets	77	89	324	360
FDIC Special Assessment	---	---	787	---
FDIC & FICO Assessments	463	194	1,783	644
Reversal of Visa Related Litigation Exposure	---	---	---	(306)
Other Operating Expense	<u>2,566</u>	<u>2,661</u>	<u>10,076</u>	<u>10,454</u>
Total Noninterest Expense	<u>11,699</u>	<u>11,273</u>	<u>46,592</u>	<u>42,393</u>
Income Before Taxes	7,318	7,177	31,582	29,436
Provision for Income Taxes	<u>2,201</u>	<u>2,165</u>	<u>9,790</u>	<u>8,999</u>
Net Income	<u>\$ 5,117</u>	<u>\$ 5,012</u>	<u>\$21,792</u>	<u>\$20,437</u>
Share and Per Share Data ¹				
Period-End Shares Outstanding	10,917	10,863	10,917	10,863
Basic Average Shares Outstanding	10,910	10,840	10,904	10,882
Diluted Average Shares Outstanding	10,959	10,906	10,953	10,941
Basic Earnings Per Share	\$ 0.47	\$ 0.46	\$ 2.00	\$ 1.88
Diluted Earnings Per Share	0.47	0.46	1.99	1.87
Cash Dividends	0.25	0.24	0.98	0.95
Book Value	12.90	11.58	12.90	11.58
Tangible Book Value ²	11.37	10.07	11.37	10.07
Key Earnings Ratios				
Return on Average Assets	1.09%	1.18%	1.24%	1.24%
Return on Average Equity	14.42	15.68	16.16	16.26
Return on Tangible Equity ²	16.35	18.01	18.40	18.73
Net Interest Margin ³	3.68	3.92	3.76	3.84

¹ **Share and Per Share Data** have been restated to reflect the September 2009 3% stock dividend.

² **Tangible Book Value** per share is the ratio of Total Equity less Intangible Assets to Period-End Shares Outstanding.

³ **Net Interest Margin** includes a tax-equivalent upward adjustment for the fourth quarter of 19 basis points in 2009 and 18 basis points in 2008 and an upward adjustment for the twelve-month period of 19 basis points in both 2009 and 2008.

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	<u>December 31, 2009</u>			<u>December 31, 2008</u>		
	Period End	Fourth Quarter Average	Year-to- Date Average	Period End	Fourth Quarter Average	Year-to- Date Average
Balance Sheet						
Cash and Due From Banks	\$ 44,386	\$ 28,281	\$ 28,096	\$ 37,239	\$ 28,149	\$ 32,505
Federal Funds Sold	---	---	---	---	457	17,472
Interest-Bearing Bank Balances	22,730	59,859	56,920	21,099	21,859	5,997
Securities Available-for-Sale	446,641	443,041	376,453	325,090	351,938	353,616
Securities Held-to-Maturity	168,931	169,068	153,322	133,976	131,008	120,208
Loans	1,112,150	1,109,496	1,101,759	1,109,812	1,109,978	1,071,384
Allowance for Loan Losses	(14,014)	(13,933)	(13,626)	(13,272)	(12,921)	(12,658)
Net Loans	<u>1,098,136</u>	<u>1,095,563</u>	<u>1,088,133</u>	<u>1,096,540</u>	<u>1,097,057</u>	<u>1,058,726</u>
Premises and Equipment, Net	18,756	18,034	17,722	17,602	17,440	16,819
Goodwill and Intangible Assets, Net	16,712	16,621	16,477	16,378	16,416	16,520
Other Assets	25,335	25,709	23,883	17,162	23,042	22,347
Total Assets	<u>\$1,841,627</u>	<u>\$1,856,176</u>	<u>\$1,761,006</u>	<u>\$1,665,086</u>	<u>\$1,687,366</u>	<u>\$1,644,210</u>
Demand Deposits	\$ 198,025	\$ 199,116	\$ 191,504	\$ 182,613	\$ 188,638	\$ 189,999
Nonmaturity Interest-Bearing Deposits	852,540	849,561	767,229	688,752	692,192	648,559
Time Deposits of \$100,000 or More	148,511	155,588	155,378	157,187	165,725	172,055
Other Time Deposits	244,490	248,455	249,575	246,511	244,155	243,247
Total Deposits	<u>1,443,566</u>	<u>1,452,720</u>	<u>1,363,686</u>	<u>1,275,063</u>	<u>1,290,710</u>	<u>1,253,860</u>
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	72,020	64,035	58,290	59,339	61,386	57,711
Short-Term Borrowings	1,888	1,535	1,276	617	1,625	762
Federal Home Loan Bank Advances	140,000	153,152	158,274	160,000	160,261	161,406
Other Long-Term Debt	20,000	20,000	20,000	20,000	20,000	20,000
Other Liabilities	23,335	23,948	24,590	24,265	26,248	24,818
Total Liabilities	<u>1,700,809</u>	<u>1,715,390</u>	<u>1,626,116</u>	<u>1,539,284</u>	<u>1,560,230</u>	<u>1,518,557</u>
Common Stock	15,170	15,170	14,883	14,729	14,729	14,729
Surplus	178,192	177,529	168,673	163,215	162,665	162,124
Undivided Profits	24,100	22,956	27,344	25,454	24,540	20,604
Unallocated ESOP Shares	(2,204)	(2,204)	(2,236)	(2,572)	(2,572)	(2,215)
Accumulated Other Comprehensive Loss	(6,640)	(5,346)	(7,337)	(9,404)	(6,624)	(5,299)
Treasury Stock	(67,800)	(67,319)	(66,437)	(65,620)	(65,602)	(64,290)
Total Shareholders' Equity	<u>140,818</u>	<u>140,786</u>	<u>134,890</u>	<u>125,802</u>	<u>127,136</u>	<u>125,653</u>
Total Liabilities and Shareholders' Equity	<u>\$1,841,627</u>	<u>\$1,856,176</u>	<u>\$1,761,006</u>	<u>\$1,665,086</u>	<u>\$1,687,366</u>	<u>\$1,644,210</u>
Assets Under Trust Administration And Investment Management	\$867,154			\$755,378		
Capital Ratios						
Tier 1 Leverage Ratio	8.43%			8.45%		
Tier 1 Risk-Based Capital Ratio	14.18			13.05		
Total Risk-Based Capital Ratio	15.44			14.27		

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	December 31,	
	<u>2009</u>	<u>2008</u>
<u>Fourth Quarter Ended December 31:</u>		
Loan Portfolio		
Commercial, Financial and Agricultural	\$ 89,222	\$ 86,872
Real Estate – Commercial	200,916	202,812
Real Estate – Residential	492,177	459,947
Indirect and Other Consumer Loans	329,835	360,181
Total Loans	<u>\$1,112,150</u>	<u>\$1,109,812</u>
Allowance for Loan Losses, Fourth Quarter		
Allowance for Loan Losses, Beginning of Quarter	\$13,841	\$12,785
Loans Charged-off, Quarter-to-Date	(376)	(466)
Recoveries of Loans Previously Charged-off, Quarter-to-Date	114	73
Net Loans Charged-off, Quarter-to-Date	<u>(262)</u>	<u>(393)</u>
Provision for Loan Losses, Quarter-to-Date	435	880
Allowance for Loan Losses, End of Quarter	<u>\$14,014</u>	<u>\$13,272</u>
Nonperforming Assets		
Nonaccrual Loans	\$4,390	\$3,469
Loans Past Due 90 or More Days and Accruing	270	457
Total Nonperforming Loans	4,660	3,926
Reposessed Assets	59	64
Other Real Estate Owned	53	581
Nonaccrual Investments	---	400
Total Nonperforming Assets	<u>\$4,772</u>	<u>\$4,971</u>
Key Asset Quality Ratios		
Allowance for Loan Losses to Period-End Loans	1.26%	1.20%
Allowance for Loan Losses to Period-End Nonperforming Loans	300.73	338.05
Nonperforming Loans to Period-End Loans	0.42	0.35
Nonperforming Assets to Period-End Assets	0.26	0.30
Net Loans Charged-off to Average Loans, Three Months Annualized	0.09	0.14
Provision for Loan Losses to Average Loans, Three Months Annualized	0.16	0.32
	December 31,	
	<u>2009</u>	<u>2008</u>
<u>Year Ended December 31:</u>		
Allowance for Loan Losses, Twelve Months		
Allowance for Loan Losses, Beginning of Year	\$13,272	\$12,401
Loans Charged-off	(1,430)	(1,291)
Recoveries of Loans Previously Charged-off	389	491
Net Loans Charged-off	<u>(1,041)</u>	<u>(800)</u>
Provision for Loan Losses	1,783	1,671
Allowance for Loan Losses, End of Year	<u>\$14,014</u>	<u>\$13,272</u>
Key Asset Quality Ratios		
Net Loans Charged-off to Average Loans, Twelve Months	0.09%	0.07%
Provision for Loan Losses to Average Loans, Twelve Months	0.16	0.16