

Arrow Financial Corporation

Corporate Governance Guidelines

The Board of Directors of Arrow Financial Corporation (the "Company") has adopted these Corporate Governance Guidelines to provide the framework within which the Company's directors and senior executives shall manage the business and affairs of the Company.

1. Director Responsibilities

The Company's business is managed under the direction and oversight of the Board. The Board appoints the Company's Chief Executive Officer and other senior executives who are responsible for the day-to-day operation of the Company's business. The Board's primary responsibilities, thereafter, are to oversee management and to exercise its business judgment to act in what it reasonably believes to be the best interests of the Company and its shareholders. In discharging these obligations, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors.

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and to meet as frequently as necessary to properly discharge their responsibilities. Materials and information that are important for the directors to review in preparation for Board or committee meetings are normally distributed or made available to the directors prior to the meeting, and directors are expected to review such materials in advance of the meeting.

The Chairman, in consultation with the Company's Chief Executive Officer, if different, will set the agenda for each Board meeting. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. At least once each year, the Board will review the Company's long-term strategic plans and the principal issues that it will face in the future.

In order to facilitate open discussion, the proceedings and deliberations of the Board and its committees shall be confidential with respect to all outside parties, including, as the Board shall so determine, officers and employees of the Company who are not directors of the Company and honorary or emeritus directors or directors of subsidiaries of the Company, who are not also full directors of the Company. Directors who are members of a committee of the Board should share information received by them and decisions made by them as a committee with Company directors who are not members of such committee only as provided under the procedures adopted by the committee or the full Board. Each director shall maintain the confidentiality of information received in connection with his or her service as a director for so long as such information remains confidential, including beyond his or her service as a director.

The Board of Directors of the Company may elect a lead director from the independent directors of the Company to serve as a liaison between the Chairman and the independent or non-management directors ("outside directors") and to have such other duties and responsibilities as shall be determined by the Board of Directors.

The outside directors will meet in executive session at least twice a year. Executive sessions, when held, will normally be held in conjunction with regular Board meetings. The directors will also have an opportunity to meet in executive session, even if not scheduled, in conjunction with each regular Board meeting or at any other time.

The Board believes that management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. It is expected, however, that Board members would do this with the knowledge of the Chairman and management, except as may otherwise be contemplated by the committee charters or the Company's policy on shareholder access to Board members.

2. Director Qualifications

The Board will have a majority of directors who meet the criteria for independence required by NASDAQ and any other applicable laws, rules and regulations regarding director independence in effect from time to time. The Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of all Board members, as well as nominees, and the composition of the Board as a whole. This assessment will include members' qualification as independent under applicable law and guidelines, as well as consideration of diversity, age, skills, and experience in the context of the needs of the Board.

3. Nomination Procedure and Criteria

The Board is divided into three classes, one class to be elected each year by the Company's shareholders for a term of three years. The total number of directors is fixed from time to time by the Board by resolution of the Board. Board vacancies and newly created director positions may be filled by the affirmative vote of a majority of the directors then in office, although less than a quorum, at any meeting of the Board duly called and held, or by a plurality of the votes cast by the shareholders entitled to vote in an election at an annual meeting of shareholders or a special meeting of shareholders called for such purpose.

The Governance Committee in accordance with the policies and principles in its charter will identify and recommend to the Board suitable candidates for nomination for directorship. In making its recommendations, the Committee will consider any proposals properly received by it from shareholders for director nominees. Shareholders may propose director candidates for the Committee's consideration by submitting in writing to the Committee the names of candidates, together with biographical data and qualifications, in accordance with the Company's By-Laws and other policies on shareholder access to the nomination process. The Committee's recommendations of candidates for nomination will be based on its determination as to the suitability of the particular individuals, and the slate as a whole, to serve as directors of the Company, taking into account the membership criteria discussed below.

In addition to individuals proposed for consideration by the Governance Committee as candidates for nomination for directorship, shareholders may also place individuals directly into nomination for director at annual or appropriate special meetings of shareholders without Committee or Board endorsement by following the direct nomination procedures set forth in the Company's By-Laws and applicable laws, rules and regulations.

The criteria for selecting individual directors will include the individual's knowledge, experience, skill, expertise and diversity of backgrounds, occupations, viewpoints and gender, as well as a balance among age groups from those who are in mid-career to those nearing or recently entered into retirement, such as may enhance the Board's management and direction of the affairs and business of the Company. In addition, individual directors will be evaluated upon their personal character and integrity and will be expected to have sound personal finances. For those candidates having prior experience as directors of the Company or one or more of its affiliated companies or banks, including entities acquired by the Company, the candidate's record of service will be an important, but not the exclusive factor in evaluating the candidate's fitness for continuing service as a director.

4. Voting for Directors

The affirmative vote of a plurality of the shares present or represented at the meeting and voting is required for the election of directors. Any nominee for director in an uncontested election as to whom a majority of the shares of the Company that are outstanding and entitled to vote in such election are designated to be “withheld” from his or her election, shall tender his or her resignation as director for consideration by the Governance Committee of the Board and the full Board. The Governance Committee, with the subject director not voting if a member of such Committee, shall evaluate the tendered resignation, and shall make a recommendation to the full Board regarding action to be taken with respect to such tendered resignation. The Board, with the subject director not voting, shall vote to take such action as it deems in its discretion appropriate with respect to such resignation, taking into account the recommendation of the Governance Committee and the best interests of the Company and its shareholders.

5. Service on Other Boards

Generally, directors may not serve on the boards of more than two (2) other public companies and may not serve on the board of any other public company whose principal business is financial services. Directors should advise the Chairman of the Board and the Chairman of the Governance Committee in advance of accepting an invitation to serve on another public company board and should consult with them concerning the effect of such additional board service on the performance of the director's service to the Company. The Governance Committee will consider a director's or potential nominee's service on boards of companies not affiliated with the Company, including on boards of non-profit and private companies, in connection with its evaluation of the individual's qualifications to serve as a director of the Company.

The Board expects that any director who changes his or her principal business affiliation or occupation, experiences a substantial reduction in his or her current principal business position, or retires from his or her principal business occupation will notify the Chairman of the Board. The Board will determine, in light of the circumstances and recommendation of the Governance Committee, the appropriateness of any such director's continuing as a member of any committee of the Board on which such director then serves.

The Board does not believe that directors should be subject to term limits. While term limits may in some cases enhance the flow of fresh ideas and viewpoints in the Boardroom, they

may also result in the loss of knowledgeable and experienced directors, who have been able to develop, over a period of time, increasing insight into the Company and its operations. The Governance Committee will apply, however, the same general principles of suitability, character, experience and background to incumbent directors who are up for re-election as it applies to new candidates for director, with due consideration for the prior performance record of any such incumbent director. Additionally, in keeping with the Company's By-Laws, directors will be required to retire from the Board at the first annual meeting of shareholders held on or after they attain the age of 75.

6. Board Committees

The Board at all times will have an Audit Committee, Compensation Committee and Governance Committee. All of the members of these committees will be independent directors under criteria established by NASDAQ and any other applicable laws, rules and regulations regarding the independence of the members of such committees. Committee members will be appointed by the Board upon the recommendation of the Governance Committee with consideration of the qualifications and preferences of individual directors. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not believe that rotation should be mandated as policy.

Each committee will have its own charter. The charter will set forth the purposes, goals and responsibilities of the committee as well as the qualifications for committee membership, procedures for appointing or remaining committee members, committee structure and operations, and policies for the committee's reporting to the Board, subject in each case to the approval of the full Board regarding the committee charters generally and such policies and procedures, specifically.

The Chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairman of each committee, in consultation with appropriate members of the committee and management, will develop the committee's agenda.

Each committee will have the power to hire, at the Company's expense, independent legal, financial, accounting, compensation or other consultants, as the members may deem necessary and appropriate, consistent with the overall authority to retain such advisors as set forth in the committee's charter, including budgeting or professional conditions and limitations. Management approval will not be required for engagement of consultants, although management normally will be advised and consulted prior to any such engagement to avoid, among other things, conflicts of interest.

The Board may from time to time, establish or maintain additional committees, as it deems necessary or appropriate.

7. Director Access to Officers and Employees; Independent Advisors

Directors shall have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer or the Secretary or directly by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company or its internal controls and procedures. To the extent not inappropriate, it is expected that directors who engage in direct contact with employees will copy senior management on any written communications involved.

The Board welcomes regular attendance at each Board meeting of senior officers of the Company and its subsidiaries. As the Board sees fit, however, any such attendees will be asked to excuse themselves from Board deliberations, discussions or determinations that it believes should be conducted in private.

The Board has the ability to retain, at the Company's expense, independent, legal, financial, accounting, compensation or other consultants, experts or advisors, as it deems necessary in the performance of its duties, with sole authority to determine the terms and conditions of any such retention, including fees.

8. Director Compensation

The Compensation Committee will regularly review the form and amount of director compensation and make recommendations to the Board regarding any changes in compensation. In its review, the Committee will consider many factors, including market and peer group practices. The Committee also will consider that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated. The Company will make no substantial charitable contribution to any organization with which a director has a significant affiliation (e.g., the director or a family member is an executive officer or a director of such charitable organization) unless the Board approves. In considering any such contribution, the Board will evaluate the impact of such contribution on the director's independence under applicable law and guidelines (the current NASDAQ threshold is not less than \$200,000).

9. Director Orientation; Continuing Education; Annual Performance Evaluation

All new directors must participate in the Company's Orientation Program, which is normally conducted for new directors shortly after being elected. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Business Code of Ethics, its principal officers and its internal and independent auditors. All other directors are encouraged to attend the Company's Orientation Programs on occasion.

Directors periodically attend Company-approved educational seminars designed to provide current, relevant information that will assist the directors in fulfilling their particular responsibilities, including their committee responsibilities.

The Board will review its own performance and the performance of individual directors annually, taking into account the directors' duties and responsibilities as members of the Board and any committee of the Board on which they serve. The Chairman of the Corporate Governance Committee will lead the annual performance evaluation.

10. Stock Ownership Guidelines

The Board strongly encourages directors and senior management to own a meaningful number of shares or share equivalents of Company common stock.

11. CEO Evaluation and Management Succession

The Compensation Committee, as part of its annual evaluation and determinations with respect to executive compensation, will review the CEO's performance and the Governance Committee, as part of its annual evaluation and determination with respect to the corporate structure and governance of the Company, will also evaluate each year the performance and suitability of the CEO. The Committee will submit these reports to the Board, which will evaluate its conclusions and, in this context, will itself evaluate the performance of the CEO in the long- and short-term.

Senior management will periodically review with the Board the issue of management succession planning, including interim succession in the event of unanticipated incapacitation or departure of the Chief Executive Officer.

*Approved by Governance Committee
June 23, 2010*