

## Arrow Financial Corporation

### **Business Code of Ethics**

#### **I. Introduction**

This Business Code of Ethics covers a wide range of business practices and procedures. It does not cover every issue or situation that may arise, but it sets out basic principles to guide us in the conduct of our business. The Code applies to all directors, officers and employees of Arrow Financial Corporation and its subsidiaries and affiliates ("Arrow" or the "Company"), and any other persons who render services for us that the Board of Directors determines should be covered by the Code ("associates"). All of our directors, officers, employees and associates must conduct themselves accordingly and seek to avoid even the appearance of improper behavior.

This Code is intended to meet the requirements for a code of conduct set forth in the corporate governance listing standards issued by the National Association of Securities Dealers, Inc., through its subsidiary, The Nasdaq Stock Market, Inc. In addition to the principles contained in this Code, our employees are subject to a wide range of detailed rules of conduct contained in our Employee Handbook, which deal with the specifics of workplace behavior and other technical employment matters. Moreover, the Chief Executive Officer, the Chief Financial Officer, the principal accounting officer (if different), and any other senior financial officers that the Board may designate, are also subject to a separate code of ethics dealing exclusively with financial matters, designated the Financial Code of Ethics. Finally, because Arrow is a large and diversified financial services organization that includes a variety of specialized businesses, there are a number of specific codes of conduct that apply to our employees and associates who work in these specialized areas; you may be one of these people.

*If you are involved in or aware of a situation that you believe may constitute or lead to a violation of this Code or our other codes or policies or a violation of law, follow the guidelines described under Section IV, below, "Reporting Violations."*

#### **II. Basic Principles**

##### **1. Conflicts of Interest**

Generally, you should avoid taking any action or accepting or acquiring any position or interest that conflicts or gives the appearance of conflicting with the Company's interests, except where you have disclosed the conflict of interest to the Company and the Company does not object. A "conflict of interest" exists when your private interest interferes or conflicts in any way (or even appears to interfere or conflict) with the interests of the Company. Some conflicts of interest will almost never be permitted, such as your working for or owning a direct competitor of ours. Other conflicts of interest, such as volunteer positions with certain types of organizations or limited outside work, may be permitted under certain circumstances. In essence, however, if you take any action or any position or interest that may make it difficult for you to perform your work for the Company, objectively and effectively, we will regard it as a conflict of interest, which you must not undertake without our consent.

Loans by us to you or your family members, or to businesses which you or your family control or in which you hold a significant position, also may constitute conflicts of interest. The same is true of other business transactions between our Company and you or your family or family businesses. Despite the conflicts, you may be able to enter into the loans or other transactions. We encourage you to utilize the Company's products and services, including loan and deposit products. Generally, however, you may obtain loans and do other business with us or our subsidiaries only on an arm's length basis, with full disclosure of your conflict of interest to appropriate Company personnel. Importantly, you must not be involved in representing or making decisions for the Company in these conflict-of-interest transactions.

It is almost always a conflict of interest for you to serve simultaneously as an officer, employee or director of one of our competitors, including a competitor of any of our financial subsidiaries, or for you to own or have a controlling interest in a competitor. You must disclose to appropriate persons in the Company any such relationship with a competitor, and if the Company so requests, you must discontinue your relationship either with the competitor or with us. Even your serving as a supplier or consultant to one of our competitors may create a conflict of interest. In such cases, you will be expected to disclose the conflict to us, and if requested to do so, to discontinue your relationship either with the competitor or with us.

Generally, we expect that you will not accept any employment or position with any other business or enterprise, including those not in competition with the Company, whether on a full- or part-time basis, if your doing so will interfere in any significant way with your ability to perform your duties and responsibilities for us, or may expose the Company to any risk of reputational or business damage. Your serving as a volunteer for charitable, civic, educational or not-for-profit organizations is generally permitted and encouraged, including your serving as a director or counselor, except in cases where doing so interferes with your performance of your duties for us or exposes the Company to reputational or business risk. In all cases where you undertake significant other employment or positions, whether with other business enterprises or with charitable, civic, educational or not-for-profit organizations, your disclosure of this fact to appropriate persons in the Company is required, and if the Company so requests, you must discontinue your relationship either with such other organization or with us.

Conflicts of interest may not always be obvious, and the appropriate action for you to take may not always be clear. If you have any questions on conflict matters, you should consult with the Human Resources Manager or other members of management. When in doubt about a conflict, disclose the circumstances to us. Moreover, if you become aware of a conflict or potential conflict of interest on the part of any other individual associated with the Company, including directors, officers, employees and those performing services for us under contract, you should bring it to the attention of an appropriate person in the Company. *See Section IV, below, "Reporting Violations."*

## **2. Corporate Opportunity**

The corporate opportunity doctrine is a long-standing principle of business law. It means that you, as a director, officer, employee or associate of the Company, may not take for your own benefit any opportunity for personal gain that you discover as a result of your position with the Company, including through your contacts with our customers, your use of Company property or

information or your attendance at Company-sponsored functions, except to the extent you are expressly authorized to do so by us after full disclosure. You owe a duty to Arrow to advance Arrow's legitimate interests when the opportunity to do so arises.

### **3. Confidentiality**

You, like all of our other Company directors, officers, employees and associates, must keep confidential all non-public information received by you as a result of your affiliation with the Company, including information about our business and our customers, except to the extent that you are specifically permitted or required to disclose such information to certain people under certain circumstances. Generally, you must protect the confidentiality of non-public customer information, in accordance with our customer privacy policies and applicable law. In addition, occasionally you may become aware of non-public information about the Company, including our business plans or undisclosed financial developments. You may not disclose this information, even to close acquaintances or other employees, unless authorized to do so by the Company.

Knowing what types of confidential information may or must be disclosed by you to certain people at certain times, and what types of confidential information you may not disclose, is sometimes a difficult and uncertain question. *However, proper handling of confidential information is an extremely important part of your affiliation with us.* We expect you to learn and remember the rules of confidentiality that apply to your job or position, to follow these rules, and to ask questions of qualified Company personnel, including our Human Resources Manager, if you are unsure. When in doubt, do not disclose confidential information to anyone, including confidential information about our suppliers and our competitors, as well as our customers and our own business.

Your obligation to observe our rules on confidentiality continues even after your affiliation with the Company ends.

### **4. Fair Dealing; Gifts**

We seek to outperform our competition fairly and honestly. We seek competitive advantage through superior performance, never through unethical or illegal business practices. Stealing proprietary information that belongs to our competitors, including their plans and trade secrets, or inducing past or present employees of our competitors to disclose such information to us, is prohibited. The same rules apply to your dealing with our suppliers and customers. They too must be treated fairly and may not be subjected to unethical or illegal business practices, including by using to the Company's advantage information you obtain about them other than through normal and appropriate channels of communication. You should endeavor to respect the rights of our customers, competitors and suppliers. You should not take unfair advantage of anyone by manipulating, concealing, or misusing privileged or confidential information, misrepresenting material facts, or engaging in any other unfair business practices.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships. Neither you nor any of your family members should ever offer or give any personal gift or favor to any existing or potential customer or supplier of the

Company, or accept any personal gift or favor from any such person, except where doing so is consistent with customary business practices and does not violate any laws or regulations, and then only if the gift or favor is not excessive in value. Any cash gifts given or received by you, in a business or potential business context, are almost never permissible. Any gift or favor of any kind that constitutes or might appear to be a bribe or a payoff is never permitted. Basically, you should never solicit or accept gifts intended to influence or reward you in connection with a business decision or transaction.

Of course, if you have family or long-standing personal relationships with individuals who also happen to be our customers or suppliers, your exchange of customary gifts and favors and your social interaction with these individuals is not affected by this Code, as long as there is no actual or apparent impact on the business they have or may decide to undertake with us.

## **5. Protection and Proper Use of Company Assets**

The resources and assets of the Company are to be used for legitimate business purposes and for the benefit of the Company. You should endeavor to protect the Company's assets and property and ensure their efficient use. Theft, carelessness, and waste have a direct impact on our profitability. Any suspected theft or misuse of Company assets should be reported to the appropriate persons in the Company. *See Section IV, below, "Reporting Violations."*

## **6. Good Financial Reporting and Accounting Practices; Books and Records**

It is the policy of the Company to promote full, fair, accurate, timely and understandable disclosure in reports and documents filed with, or submitted to the Securities and Exchange Commission and other regulatory authorities and the Company's public statements. To the extent your work for the Company involves financial, accounting or auditing matters or affects our disclosure of our financial results or condition or our business operations, you are expected to observe and comply with our system of internal controls over financial reporting and auditing, our internal disclosure controls and procedures, and, to the extent of your belief and understanding, generally accepted accounting principles. If you are responsible directly or indirectly for the maintenance of any of our corporate books and records, you are expected to take appropriate steps to ensure that the books and records under your control or influence are accurate and complete.

## **III. Compliance with Laws, Regulations, Policies and Procedures**

Obedying the law, both in letter and in spirit, is the foundation on which our ethical standards are built. You, as a director, officer, employee or associate of the Company, must understand, respect and comply with the laws, regulations, policies and procedures that apply to you in your position with the Company.

Depending on your position or relationship with us, the laws that affect you in the performance of your duties may vary considerably. However, our employees generally must comply with a wide range of laws applicable to financial service companies and their affiliates. Many of these laws of general applicability are described in detail in our Employee Handbook. Employees and associates involved in specialized functions or businesses within the organization may be required to observe special laws and regulations applicable uniquely to them, which

typically are described in separate codes of conduct that these employees and associates receive from us. Moreover, directors and principal officers of the Company are subject to additional legal and regulatory requirements, including special securities laws, which they are expected to review on a regular basis.

Banks and financial institutions are among the most heavily regulated businesses, and as a publicly-traded company, we also must observe a wide range of securities laws. Some of the principal laws that we, and you as a result of your affiliation with us, are required to follow include:

- ❖ National banking laws and regulations
- ❖ The Federal Reserve Act and Federal Reserve regulations
- ❖ The Federal Deposit Insurance Act and FDIC Regulations
- ❖ The Bank Bribery Act
- ❖ Equal employment opportunity and harassment laws
- ❖ Federal and state securities laws, including insider trading laws
- ❖ The Gramm Leach Bliley Act (financial modernization)
- ❖ The USA PATRIOT Act and other know-your-customer laws
- ❖ The Sarbanes-Oxley Act (good corporate governance)
- ❖ The provisions of the Internal Revenue Code applicable to banks
- ❖ Federal and state laws regarding political contributions

Although we do not expect you to know all the details of all these laws, it is important to familiarize yourself with the laws and regulations you need to know in performing your duties for the Company. You should always seek advice from your supervisors, managers or other appropriate personnel on legal compliance issues, if you are uncertain regarding your responsibilities and duties under law.

The Company holds information and training sessions to promote compliance with laws, regulations, policies and procedures. You are expected to attend all training sessions that apply to you, or to make alternate arrangements if you are unable to attend.

#### **IV. Reporting Violations**

##### **1. General Duty to Report Violations**

If you suspect or know of any violations of this Code, any other codes or policies of the Company, or applicable laws and regulations, you have an obligation to contact appropriate persons inside the Company and report the matter. This is in addition to any right or duty that

you may have under applicable law to report suspected violations of law to appropriate law enforcement authorities.

The identity of the person inside the Company to whom you should report violations of this Code, our other codes or policies, or applicable laws and regulations may vary depending on the nature of the violation you are reporting. The procedure for complaints about accounting or auditing matters is discussed briefly in Section 2, below. Appropriate reporting channels for certain other types of complaints or violations are discussed in the Employee Handbook or in our other codes or policies.

Violations of this Code may always be reported to the Company's Human Resources Manager. In addition, if you have reported a violation or possible violation to other persons inside the Company and they are not responsive, you should contact the Human Resources Manager. Normally, your communications to the Company will be kept confidential, to the extent appropriate and feasible, but it may not always be possible or suitable for the Company to keep confidential the information you report or your identity. Complaints and information about violations reported by you become and remain the property of the Company. You are expected to cooperate fully in internal investigations of misconduct.

## **2. Accounting or Auditing Complaints**

Arrow's policy is to comply with all applicable financial reporting and accounting regulations. If you have concerns or complaints regarding questionable accounting or auditing practices at the Company, you are encouraged to submit your concerns or complaints to the Audit Committee of the Board of Directors or its designated ombudsperson. Complaints may be submitted on an anonymous basis. The specific steps you should follow in submitting any concerns or complaints are set forth in our Employee Integrity Procedures.

## **3. Non-Retaliation**

Arrow prohibits retaliation of any kind against individuals who have made good faith reports or complaints of violations of this Code, any other codes or policies of the Company, or applicable laws and regulations.

## **V. Amendment, Modification and Waiver**

This Code may be amended or modified by the Board of Directors of Arrow Financial Corporation. In addition, only the Board of Directors may grant waivers of this Code for executive officers or directors of Arrow Financial Corporation, and any such waivers will be promptly disclosed to shareholders as required by the Securities Exchange Act of 1934 and the rules thereunder and the applicable rules of The Nasdaq Stock Market, Inc.