



**Arrow Financial Corporation**



**AROW NASDAQ**

**Banks**

Market Capitalization USD:

**\$260.32 mm**

**CONCERN LEVEL: LOW**

- 1 The CEO's total remuneration is within the typical market range for the relevant industry and market cap.
- 2 The ratio between the CEO's pay and the median pay of the other named executive officers is 3X or less.
- 3 The CEO's annual cash incentives rose or fell in line with annual performance.
- 4 The CEO received no more than one annual cash bonus this fiscal year.
- 5 The CEO's equity remuneration reflected the company's share price movement over the last five years.
- 6 The company only pays long-term incentives to the CEO for above median performance against a peer group.
- 7 The company's dilution from equity incentives is 10 percent or less.
- 8 Unvested equity lapses when the CEO's employment is terminated. 
- 9 The CEO's potential cash severance payment is capped at two times annual cash remuneration.
- 10 The accrued benefits of the CEO's post-retirement income are within the typical market range for the relevant market cap bracket. 

**CEO: Thomas L. Hoy**

**Age: 63**

**CEO Since: 1997**

	2009	2010	2011
<b>Base Salary</b>	\$388,500	\$400,000	\$415,000
<b>Discretionary Bonus</b>	\$167,350	\$138,655	\$0
<b>Annual Cash Incentive</b>	\$0	\$0	\$147,582
<b>Benefits and Perquisites</b>	\$21,727	\$21,946	\$22,401
<b>TOTAL ANNUAL COMPENSATION</b>	<b>\$577,577</b>	<b>\$560,601</b>	<b>\$584,983</b>
<b>Increase in Post-Retirement Benefits</b>	\$440,385	\$369,260	\$259,094
<b>Stock Option Awards</b>	\$57,625	\$82,750	\$80,375
<b>Stock Awards</b>	\$0	\$0	\$0
<b>TOTAL COMPENSATION</b>	<b>\$1,075,587</b>	<b>\$1,012,611</b>	<b>\$924,452</b>
<b>Median of Other Named Executive Officers Total Compensation</b>	\$239,416	\$257,047	\$276,489
<b>Value Realized on Exercise of Stock Option</b>	\$160,292	\$193,219	\$26,214
<b>Value Realized on Vesting of Stock</b>	\$0	\$0	\$0
<b>TOTAL REALIZED EQUITY COMPENSATION</b>	<b>\$160,292</b>	<b>\$193,219</b>	<b>\$26,214</b>

**Proxy Date:** 15 Mar 2012

**Annual Meeting Date:** 25 Apr 2012

**Equity Reserves:** 9.46%

**Stock Option Run Rate:** 0.43%

# Arrow Financial Corporation

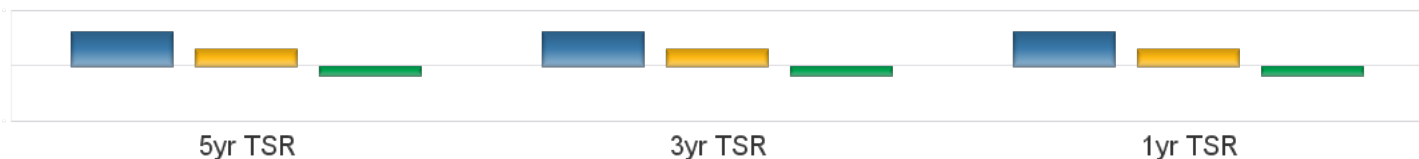
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## Performance Comparison

■ vs S&P500    ■ vs Industry    ■ AROW



## Peer Comparisons (TRBC) =Banks

### Total Summary CEO Compensation

Ticker	Company Name	2009	2010	2011	Market Cap
<b>AROW</b>	<b>Arrow Financial Corporation</b>	<b>\$1,075,587</b>	<b>\$1,012,611</b>	<b>\$924,452</b>	<b>\$260,322,508</b>
STSA	Sterling Financial Corporation		\$669,129	\$1,656,646	\$767,017,991
AF	Astoria Financial Corporation	\$3,508,329	\$3,124,467		\$757,823,023
BXS	BancorpSouth, Inc.	\$4,512,771	\$2,764,108	\$2,303,989	\$733,033,095
OZRK	Bank of the Ozarks, Inc.	\$1,127,407	\$2,196,523	\$2,639,224	\$716,978,080
SUSQ	Susquehanna Bancshares, Inc.	\$1,211,729	\$1,479,760		\$710,168,954
GBCI	Glacier Bancorp, Inc.	\$411,411	\$376,210		\$673,844,234

To insure consistency, peer comparisons are based on a combination of TRBC Industry and Sector classifications and company market caps. Missing peer pay figures for 2011 are due to differences in company filing schedules.

### Pay Peer Group

Alliance Financial Corporation, First Chester County Corporation, Peapack-Gladstone Financial Corporation, Bancorp Rhode Island, Inc., First National Community Bancorp, Inc., Suffolk Bancorp, Berkshire Hills Bancorp, Inc., Lakeland Bancorp, Inc., Tompkins Financial Corporation, Citizens & Northern Corporation, Merchants Bancshares, Inc., Uninvest Corporation of Pennsylvania, ESB Financial Corporation, Metro Bancorp, Inc., VIST Financial Corp., Financial Institutions, Inc., OceanFirst Financial Corp., Washington Trust Bancorp, Inc.

### Performance Peer Group

NA

## COMPENSATION COMMITTEE MEMBERS

Director	Membership	Age	Gender	Tenure	Independence
John J. Carusone	Chairman	70	Male	16	Outside Related
David G. Kruczlnicki	Member	59	Male	23	Outside Related
Elizabeth O'C. Little	Member	71	Female	11	Outside Related
Garv C. Dake	Member	51	Male	9	Outside Related
Michael B. Clarke	Member	65	Male	6	Outside

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