



# Arrow Financial Corporation (AROW)

Updated February 10<sup>th</sup>, 2026, by Josh Arnold

## Key Metrics

<b>Current Price:</b>	\$36	<b>5 Year CAGR Estimate:</b>	12.1%	<b>Market Cap:</b>	\$586 M
<b>Fair Value Price:</b>	\$47	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	02/11/26
<b>% Fair Value:</b>	77%	<b>5 Year Valuation Multiple Estimate:</b>	5.4%	<b>Dividend Payment Date:</b>	02/25/26
<b>Dividend Yield:</b>	3.3%	<b>5 Year Price Target</b>	\$57	<b>Years Of Dividend Growth:</b>	30
<b>Dividend Risk Score:</b>	B	<b>Sector:</b>	Financials	<b>Rating:</b>	Buy

## Overview & Current Events

Arrow Financial Corporation is a multi-bank holding company based in Glen Falls, New York. The company operates through two main subsidiary banks, the Glens Falls National Bank and Trust Company, and the Saratoga National Bank and Trust Company. Arrow Financial Corporation is also the parent company of North Country Investment Advisers and Update Agency, an insurance agency. The company is a small cap with a market capitalization of just \$586 million, and it produces about \$180 million in annual revenue. Arrow Financial has increased its dividend for 30 consecutive years and is a member of the Dividend Champions list, as it is too small to be considered a Dividend Aristocrat.

Arrow posted fourth quarter and full-year earnings on January 29<sup>th</sup>, 2026, and results were strong, capping what was a nice recovery for the bank in 2025. Earnings for the quarter came to 85 cents per share, while Q4 revenue was \$43.41 million. The bank posted quarterly net interest income of \$35.1 million, which was a record. Net interest margin was also a record for the quarter, coming in at 3.25% on an adjusted basis, up slightly from the prior quarter. The bank noted elevated average municipal deposits negatively impacted net interest margin by four basis points. For the full year, NIM came to 3.19% on an adjusted basis, which was up sharply from 2024's 2.74%.

Net charge-offs for the year were 0.19%, while they were just 0.08% in the fourth quarter, signifying exemplary credit quality. Tangible book value ended the quarter at \$24.71 per share, which was up 3.6% from the prior quarter.

Arrow boosted its dividend by 3.4% to a new payout of \$1.20 annually, which would be its 30<sup>th</sup> consecutive year of dividend increases. We start 2026 with an estimate of \$3.75 in adjusted earnings-per-share, which would comfortably be a record, if achieved.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$1.58	\$1.80	\$2.28	\$2.35	\$2.56	\$3.10	\$2.95	\$1.77	\$2.05	\$2.74	<b>\$3.75</b>	<b>\$4.56</b>
<b>DPS</b>	\$0.78	\$0.84	\$0.91	\$0.97	\$0.99	\$1.01	\$1.03	\$1.06	\$1.09	\$1.14	<b>\$1.20</b>	<b>\$1.46</b>
<b>Shares<sup>1</sup></b>	14.3	14.4	14.5	15.0	15.5	16.0	16.6	16.9	16.7	16.4	<b>16.2</b>	<b>15.7</b>

Arrow Financial Corporation has compounded its diluted earnings-per-share at a rate of ~5% per year over the last decade. While we note that the company's per-share financial performance could have been significantly better if it were not for the 3% annual stock dividend, it is important to recognize that management does not seem to have any plans to discontinue this policy. We estimate growth at 4% annually. Credit quality is outstanding with negligible charge-offs, margins are improving slightly, and the loan book is growing. Unless we see material changes with any of those, we expect to see earnings grow strongly in the coming years.

The dividend should also continue to rise, and we see it moving from the current \$1.20 per share to \$1.46 by 2031 as management continues to boost the payout despite the ever-rising share count. Investors still get the stock dividend each year as well.

<sup>1</sup> Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
<b>Avg. P/E</b>	15.7	17.2	15.5	13.3	11.5	11.3	11.5	15.6	14.0	11.5	<b>9.6</b>	<b>12.5</b>
<b>Avg. Yld.</b>	3.3%	2.9%	2.8%	3.1%	3.4%	2.9%	3.2%	3.8%	3.8%	3.6%	<b>3.3%</b>	<b>2.6%</b>

Arrow Financial Corporation has traded at an average price-to-earnings ratio of more than 13 over the last decade. We view this valuation as a bit rich relative to its peers in the financial sector. Instead, we peg fair value for a small-cap regional bank like Arrow Financial around 12.5 times earnings. Using the company's current stock price and our 2026 earnings-per-share estimate of \$3.75, Arrow Financial Corporation is trading at a current price-to-earnings ratio of 9.6. We therefore see a sizable positive impact from the valuation.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

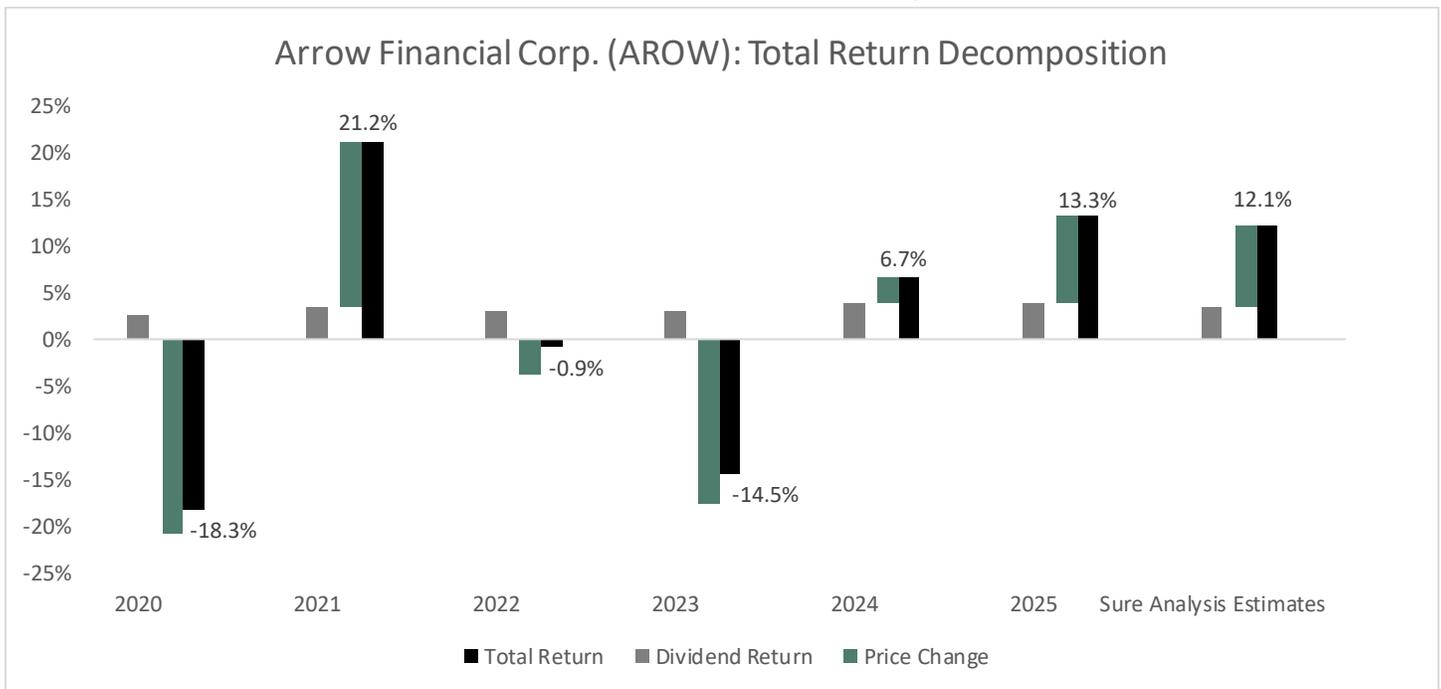
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>Payout</b>	49%	47%	40%	41%	39%	33%	35%	60%	53%	42%	<b>32%</b>	<b>32%</b>

As a small-cap regional bank, Arrow Financial Corporation's only potential competitive advantage is the willingness to pursue small markets where its larger competitors (such as Wells Fargo or Bank of America) have no interest in operating. While this advantage may seem slim, it is clearly working – the company is one of few banks to have increased its dividend for 30 consecutive years. Arrow Financial is also very recession resistant. Its earnings-per-share declined by just -5% during the 2007-2009 financial crisis while many other financial institutions were going out of business.

## Final Thoughts & Recommendation

Arrow Financial Corporation could deliver 12.1% total returns to shareholders over the next five years. The 3.3% dividend yield, 4% earnings growth, and a 5.4% valuation tailwind combine to create strong prospective total returns for potential shareholders. This company is small and illiquid, but offers investors good annual total return potential. Given the dividend history and prospects, as well as total return, we are upgrading the stock from hold to buy.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	99	105	113	117	132	147	149	134	140	166
<b>SG&amp;A Exp.</b>	44	41	43	42	46	49	48	50	55	---
<b>D&amp;A Exp.</b>	6	5	5	6	7	8	8	7	5	---
<b>Net Profit</b>	27	29	36	37	41	50	49	30	30	44
<b>Net Margin</b>	26.7%	27.9%	32.1%	32.1%	31.0%	34.0%	32.9%	22.4%	21.3%	26.5%
<b>Free Cash Flow</b>	33	35	37	36	37	61	45	13	29	---
<b>Income Tax</b>	11	11	9	10	11	15	14	7	8	11

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	2605	2760	2988	3184	3689	4028	3970	4170	4306	4446
<b>Cash &amp; Equivalents</b>	57	73	84	70	381	458	65	143	155	29
<b>Goodwill &amp; Int. Ass.</b>	25	24	24	24	24	24	23	23	26	26
<b>Total Liabilities</b>	2372	2511	2719	2883	3354	3657	3616	3790	3905	4014
<b>Long-Term Debt</b>	198	180	299	180	65	65	75	47	29	29
<b>Shareholder's Equity</b>	233	250	270	302	334	371	354	380	401	432
<b>LTD/E Ratio</b>	0.85	0.72	1.11	0.60	0.19	0.18	0.21	0.12	0.07	0.07

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	1.1%	1.1%	1.3%	1.2%	1.2%	1.3%	1.2%	0.7%	0.7%	1.0%
<b>Return on Equity</b>	11.9%	12.2%	14.0%	13.1%	12.8%	14.1%	13.5%	8.2%	7.6%	10.6%
<b>ROIC</b>	6.6%	6.8%	7.3%	7.1%	9.3%	11.9%	11.3%	7.0%	6.9%	9.8%
<b>Shares Out.</b>	14.3	14.4	14.5	15.0	15.5	16.1	16.6	17.0	16.75	16.51
<b>Revenue/Share</b>	6.55	6.89	7.35	7.56	8.52	8.88	9.01	7.86	8.35	14.69
<b>FCF/Share</b>	2.19	2.30	2.40	2.34	2.40	3.8	2.67	0.79	1.72	---

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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### Disclaimer

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