Arrow Financial Corporation (AROW)

Updated May 19th, 2026, by Josh Arnold

Key Metrics

Current Price:	$36	**5 Year CAGR Estimate:**	11.9%	**Market Cap:**	$582 M
Fair Value Price:	$46	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	08/12/26[1]
% Fair Value:	78%	**5 Year Valuation Multiple Estimate:**	5.1%	**Dividend Payment Date:**	08/26/26
Dividend Yield:	3.3%	**5 Year Price Target**	$56	**Years Of Dividend Growth:**	30
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	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 $582 million, and it produces about $210 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 first quarter earnings on April 30th, 2026, and results were better than expected on both the top and bottom lines. Adjusted earnings came to 85 cents per share, which was six cents ahead of estimates. On a dollar basis, earnings were down from $14 million to $13.5 million. Net income fell due to a $1.1 million tax expense and an increase in noninterest expense of $1.1 million.

Revenue was up 14.2% year-over-year to $4.76 million, beating estimates by about $1 million. Net interest income was $36.1 million, rising 2.8% from the fourth quarter. Total interest and dividend income was $53.8 million, down from $54.6 million in Q4. Interest expense was $17.7 million, down from $19.5 million in the prior quarter.

Net interest margin was 3.48%, up nicely from 3.25% in the prior quarter. The increase was due primarily to continued yield expansion on earning assets, combined with the reduced cost of interest-bearing liabilities. The efficiency ratio was 58.13% on an adjusted basis.

We see $3.70 in adjusted earnings-per-share for this year after Q1 results.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.58	$1.80	$2.28	$2.35	$2.56	$3.10	$2.95	$1.77	$2.05	$2.74	***$3.70***	***$4.50***
DPS	$0.78	$0.84	$0.91	$0.97	$0.99	$1.01	$1.03	$1.06	$1.09	$1.14	***$1.20***	***$1.46***
Shares[2]	14.3	14.4	14.5	15.0	15.5	16.0	16.6	16.9	16.7	16.4	***16.2***	***15.7***

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.

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[1] Estimated date

[2] 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
Avg. P/E	15.7	17.2	15.5	13.3	11.5	11.3	11.5	15.6	14.0	11.5	***9.7***	***12.5***
Avg. Yld.	3.3%	2.9%	2.8%	3.1%	3.4%	2.9%	3.2%	3.8%	3.8%	3.6%	***3.3%***	***2.6%***

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 $3.70, Arrow Financial Corporation is trading at a current price-to-earnings ratio of 9.7. We therefore continue to see a sizable positive impact from the valuation.

Safety, Quality, Competitive Advantage, & Recession Resiliency

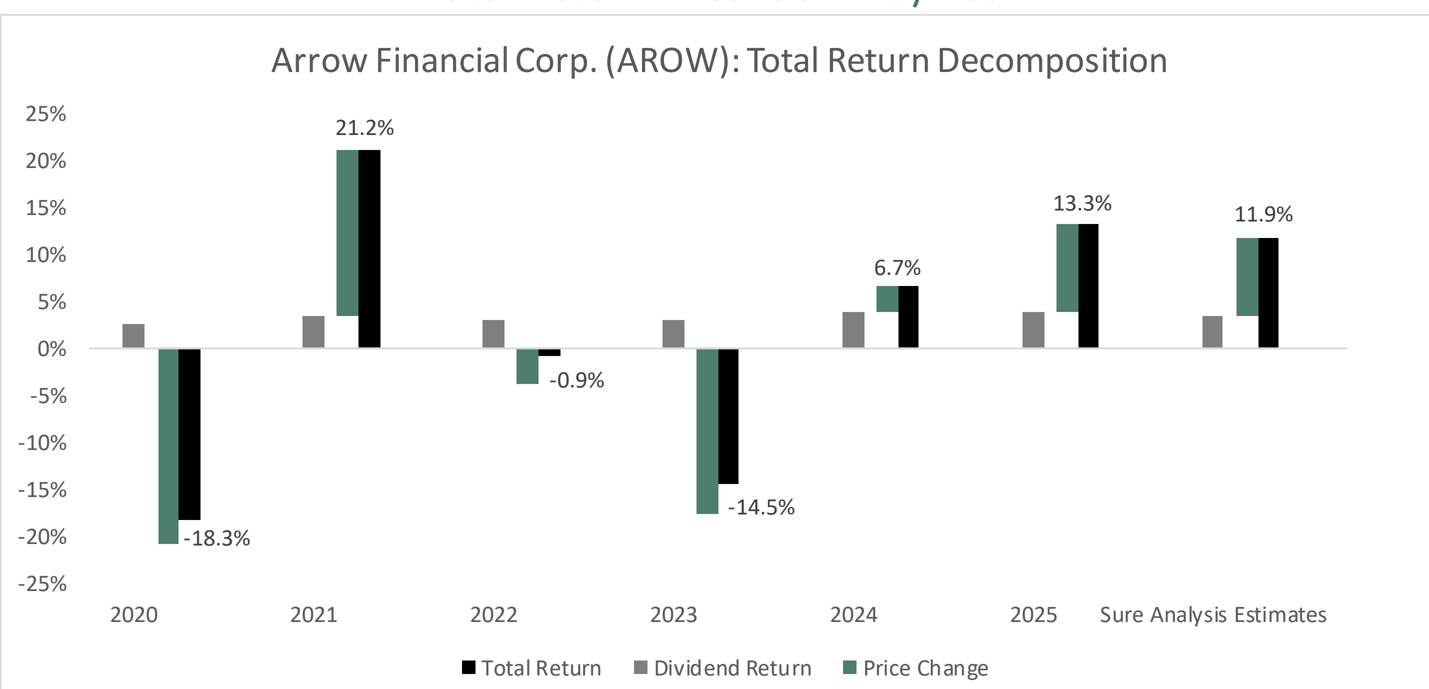
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	49%	47%	40%	41%	39%	33%	35%	60%	53%	42%	***32%***	***32%***

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 11.9% total returns to shareholders over the next five years. The 3.3% dividend yield, 4% earnings growth, and a 5.1% 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 reiterate the stock at a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

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

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	2605	2760	2988	3184	3689	4028	3970	4170	4306	4446
Cash & Equivalents	57	73	84	70	381	458	65	143	155	29
Goodwill & Int. Ass.	25	24	24	24	24	24	23	23	26	26
Total Liabilities	2372	2511	2719	2883	3354	3657	3616	3790	3905	4014
Long-Term Debt	198	180	299	180	65	65	75	47	29	29
Shareholder's Equity	233	250	270	302	334	371	354	380	401	432
LTD/E Ratio	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
Return on Assets	1.1%	1.1%	1.3%	1.2%	1.2%	1.3%	1.2%	0.7%	0.7%	1.0%
Return on Equity	11.9%	12.2%	14.0%	13.1%	12.8%	14.1%	13.5%	8.2%	7.6%	10.6%
ROIC	6.6%	6.8%	7.3%	7.1%	9.3%	11.9%	11.3%	7.0%	6.9%	9.8%
Shares Out.	14.3	14.4	14.5	15.0	15.5	16.1	16.6	17.0	16.75	16.51
Revenue/Share	6.55	6.89	7.35	7.56	8.52	8.88	9.01	7.86	8.35	14.69
FCF/Share	2.19	2.30	2.40	2.34	2.40	3.8	2.67	0.79	1.72	2.19

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