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DELTA REPORT

10-Q

AROW - ARROW FINANCIAL CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1436
CHANGES	488
DELETIONS	491
ADDITIONS	457

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2023March 31, 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 0-12507

ARROW FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

New York	22-2448962
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

250 Glen Street	Glens Falls	New York	12801
	(Address of principal executive offices)		(Zip Code)
	Registrant's telephone number, including area code:		518 745-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, Par Value $1.00 per share	AROW	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☑
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standard provided pursuant to Section 13(a) of the Exchange Act. __ ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of October 27, 2023 April 30, 2024
Common Stock, par value $1.00 per share	17,055,266 16,698,141

ARROW FINANCIAL CORPORATION
FORM 10-Q
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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

ARROW FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Amounts)
(Unaudited)

	September 30, 2023	December 31, 2022	September 30, 2022	March 31, 2024	December 31, 2023	March 31, 2023
ASSETS						
Cash and Due From Banks	$ 39,778	$ 31,886	$ 44,872			
Interest-Bearing Deposits at Banks	254,961	32,774	328,557			
Investment Securities:						
Available-for-Sale at Fair Value	519,240	573,495	575,054			
Held-to-Maturity (Fair Value of $134,811 at September 30, 2023; $171,623 at December 31, 2022; and $175,800 at September 30, 2022)	140,577	175,364	182,178			
Held-to-Maturity (Fair Value of $124,861 at March 31, 2024; $128,837 at December 31, 2023; and $164,439 at March 31, 2023)						
Equity Securities	1,960	2,174	2,126			
FHLB and Federal Reserve Bank Stock	5,110	6,064	4,720			
Other Investments						
Loans	3,138,617	2,983,207	2,924,794			
Allowance for Credit Losses	(31,112)	(29,952)	(29,232)			
Net Loans	3,107,505	2,953,255	2,895,562			
Premises and Equipment, Net	60,311	56,491	54,015			
Goodwill	21,873	21,873	21,873			
Other Intangible Assets, Net	1,205	1,500	1,604			
Other Assets	120,391	114,633	122,217			

Total Assets	Total Assets	$4,272,911	$3,969,509	$4,232,778
LIABILITIES	**LIABILITIES**			**LIABILITIES**
Noninterest-Bearing Deposits	Noninterest-Bearing Deposits	$ 798,392	$ 836,871	$ 910,221
Interest-Bearing Checking Accounts	Interest-Bearing Checking Accounts	920,250	997,694	1,113,850
Savings Deposits	Savings Deposits	1,496,193	1,454,364	1,584,373
Time Deposits over $250,000	Time Deposits over $250,000	167,614	76,224	59,059
Other Time Deposits	Other Time Deposits	284,036	133,211	127,602
Total Deposits	Total Deposits	3,666,485	3,498,364	3,795,105
Borrowings	Borrowings	174,300	54,800	25,000
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	20,000	20,000	20,000
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts				
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts				
Finance Leases	Finance Leases	5,080	5,119	5,131
Other Liabilities	Other Liabilities	47,032	37,688	41,992
Total Liabilities	Total Liabilities	3,912,897	3,615,971	3,887,228
STOCKHOLDERS' EQUITY	**STOCKHOLDERS' EQUITY**			**STOCKHOLDERS' EQUITY**
Preferred Stock, $1 Par Value and 1,000,000 Shares Authorized at September 30, 2023, December 31, 2022 and September 30, 2022		—	—	—
Common Stock, $1 Par Value; 30,000,000 Shares Authorized (22,066,559 Shares Issued at September 30, 2023 and 21,423,992 Shares Issued at December 31, 2022 and September 30, 2022)		22,067	21,424	21,424
Preferred Stock, $1 Par Value and 1,000,000 Shares Authorized at March 31, 2024, December 31, 2023 and March 31, 2023				
Common Stock, $1 Par Value; 30,000,000 Shares Authorized (22,066,559 Shares Issued at March 31, 2024 and December 31, 2023 and 21,423,992 Shares Issued at March 31, 2023)				
Additional Paid-in Capital	Additional Paid-in Capital	412,397	400,270	399,461
Retained Earnings	Retained Earnings	62,647	65,401	57,778
Accumulated Other Comprehensive Loss	Accumulated Other Comprehensive Loss	(52,584)	(49,655)	(49,070)
Treasury Stock, at Cost (5,017,063 Shares at September 30, 2023; 4,872,355 Shares at December 31, 2022 and 4,900,975 Shares at September 30, 2022)		(84,513)	(83,902)	(84,043)
Accumulated Other Comprehensive Loss				
Accumulated Other Comprehensive Loss				
Treasury Stock, at Cost (5,356,335 Shares at March 31, 2024; 5,124,073 Shares at December 31, 2023 and 4,870,935 Shares at March 31, 2023)				
Total Stockholders' Equity	Total Stockholders' Equity	360,014	353,538	345,550
Total Liabilities and Stockholders' Equity	Total Liabilities and Stockholders' Equity	$4,272,911	$3,969,509	$4,232,778

See Notes to Unaudited Interim Consolidated Financial Statements.

ARROW FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)
(Unaudited)

		Three Months Ended September 30		Nine Months Ended September 30,	
		2023	2022	2023	2022
INTEREST AND DIVIDEND INCOME	**INTEREST AND DIVIDEND INCOME**				
INTEREST AND DIVIDEND INCOME					
INTEREST AND DIVIDEND INCOME					

Interest and Fees on Loans					
Interest and Fees on Loans					
Interest and Fees on Loans	Interest and Fees on Loans	$ 36,699	$ 29,618	$ 103,203	$ 82,263
Interest on Deposits at Banks	Interest on Deposits at Banks	1,805	1,201	3,958	1,826
Interest on Deposits at Banks					
Interest on Deposits at Banks					
Interest and Dividends on Investment Securities:					
Interest and Dividends on Investment Securities:					
Interest and Dividends on Investment Securities:	Interest and Dividends on Investment Securities:				
Fully Taxable	Fully Taxable	2,924	2,603	8,823	7,236
Fully Taxable					
Fully Taxable					
Exempt from Federal Taxes					
Exempt from Federal Taxes					
Exempt from Federal Taxes	Exempt from Federal Taxes	689	785	2,256	2,422
Total Interest and Dividend Income	Total Interest and Dividend Income	42,117	34,207	118,240	93,747
Total Interest and Dividend Income					
Total Interest and Dividend Income					
INTEREST EXPENSE					
INTEREST EXPENSE					
INTEREST EXPENSE	**INTEREST EXPENSE**				
Interest-Bearing Checking Accounts	Interest-Bearing Checking Accounts	1,156	267	2,346	629
Interest-Bearing Checking Accounts					
Interest-Bearing Checking Accounts					
Savings Deposits					
Savings Deposits					
Savings Deposits	Savings Deposits	9,729	2,469	23,830	3,778
Time Deposits over $250,000	Time Deposits over $250,000	1,466	89	3,159	143
Time Deposits over $250,000					
Time Deposits over $250,000					
Other Time Deposits					
Other Time Deposits					
Other Time Deposits	Other Time Deposits	2,051	150	3,721	370
Borrowings	Borrowings	2,143	110	5,309	405
Borrowings					
Borrowings					
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts					
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts					
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	173	173	513	513
Interest on Financing Leases	Interest on Financing Leases	46	48	143	145
Interest on Financing Leases					
Interest on Financing Leases					
Total Interest Expense					
Total Interest Expense					
Total Interest Expense	Total Interest Expense	16,764	3,306	39,021	5,983
NET INTEREST INCOME	**NET INTEREST INCOME**	25,353	30,901	79,219	87,764
NET INTEREST INCOME					
NET INTEREST INCOME					

Provision for Credit Losses					
Provision for Credit Losses					
Provision for Credit Losses	Provision for Credit Losses	354	1,715	2,856	3,389
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	**NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES**	24,999	29,186	76,363	84,375
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES					
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES					
NON-INTEREST INCOME					
NON-INTEREST INCOME					
NON-INTEREST INCOME	**NON-INTEREST INCOME**				
Income From Fiduciary Activities	Income From Fiduciary Activities	2,378	2,341	7,081	7,454
Income From Fiduciary Activities					
Income From Fiduciary Activities					
Fees for Other Services to Customers					
Fees for Other Services to Customers					
Fees for Other Services to Customers	Fees for Other Services to Customers	2,761	3,071	8,073	8,916
Insurance Commissions	Insurance Commissions	1,695	1,650	4,775	4,783
Insurance Commissions					
Insurance Commissions					
Net Gain (Loss) on Securities					
Net Gain (Loss) on Securities					
Net Gain (Loss) on Securities	Net Gain (Loss) on Securities	71	95	(214)	379
Net Gain on Sales of Loans	Net Gain on Sales of Loans	21	18	25	80
Net Gain on Sales of Loans					
Net Gain on Sales of Loans					
Other Operating Income					
Other Operating Income					
Other Operating Income	Other Operating Income	1,124	652	1,893	2,121
Total Non-Interest Income	Total Non-Interest Income	8,050	7,827	21,633	23,733
Total Non-Interest Income					
Total Non-Interest Income					
NON-INTEREST EXPENSE					
NON-INTEREST EXPENSE					
NON-INTEREST EXPENSE	**NON-INTEREST EXPENSE**				
Salaries and Employee Benefits	Salaries and Employee Benefits	11,988	12,427	35,974	35,400
Salaries and Employee Benefits					
Salaries and Employee Benefits					
Occupancy Expenses, Net					
Occupancy Expenses, Net					
Occupancy Expenses, Net	Occupancy Expenses, Net	1,517	1,521	4,728	4,721
Technology and Equipment Expense	Technology and Equipment Expense	4,371	4,049	13,150	11,802
Technology and Equipment Expense					
Technology and Equipment Expense					
FDIC Assessments					
FDIC Assessments					
FDIC Assessments	FDIC Assessments	515	295	1,478	893
Other Operating Expense	Other Operating Expense	5,088	3,156	14,528	7,922
Other Operating Expense					
Other Operating Expense					
Total Non-Interest Expense					
Total Non-Interest Expense					

Total Non-Interest Expense	Total Non-Interest Expense	23,479	21,448	69,858	60,738
INCOME BEFORE PROVISION FOR INCOME TAXES	**INCOME BEFORE PROVISION FOR INCOME TAXES**	9,570	15,565	28,138	47,370
INCOME BEFORE PROVISION FOR INCOME TAXES					
INCOME BEFORE PROVISION FOR INCOME TAXES					
Provision for Income Taxes					
Provision for Income Taxes					
Provision for Income Taxes	Provision for Income Taxes	1,827	3,402	5,786	10,658
NET INCOME	**NET INCOME**	$ 7,743	$ 12,163	$ 22,352	$ 36,712
NET INCOME					
NET INCOME					
Average Shares Outstanding [1]:					
Average Shares Outstanding [1]:					
Average Shares Outstanding [1]:	**Average Shares Outstanding [1]:**				
Basic	Basic	17,050	17,007	17,049	17,001
Basic					
Basic					
Diluted					
Diluted					
Diluted	Diluted	17,050	17,054	17,049	17,050
Per Common Share:	**Per Common Share:**				
Per Common Share:					
Per Common Share:					
Basic Earnings					
Basic Earnings					
Basic Earnings	Basic Earnings	$ 0.46	$ 0.72	$ 1.31	$ 2.16
Diluted Earnings	Diluted Earnings	0.46	0.72	1.31	2.15
Diluted Earnings					
Diluted Earnings					

[1] 2022 2023 Share and Per Share Amounts have been restated for the September 26, 2023 3% stock dividend.
See Notes to Unaudited Interim Consolidated Financial Statements.

ARROW FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In Thousands)
(Unaudited)

	Three Months Ended September 30:		Nine Months Ended September 30	
	2023	2022	2023	2022
Net Income	$ 7,743	$ 12,163	$ 22,352	$ 36,712
Other Comprehensive Income (Loss), Net of Tax:				
Net Unrealized Securities Holding Loss Arising During the Period	(5,786)	(20,801)	(3,536)	(52,808)
Net Unrealized Gain on Cash Flow Hedge Agreements	625	778	91	2,781
Reclassification of Net Unrealized Gain on Cash Flow Hedge Agreements to Interest Expense	181	55	491	42
Amortization of Net Retirement Plan Actuarial (Gain) Loss	(30)	420	(90)	441
Amortization of Net Retirement Plan Prior Service Cost	39	42	115	127
Other Comprehensive Loss	(4,971)	(19,506)	(2,929)	(49,417)
Comprehensive Income (Loss)	$ 2,772	$ (7,343)	$ 19,423	$ (12,705)

Three Months Ended March 31:

	2024	2023
Net Income	$ 7,660	$ 8,562
Other Comprehensive (Loss) Income, Net of Tax:		
Net Unrealized Securities Holding (Loss) Gain Arising During the Period	(1,530)	6,099
Net Unrealized Gain (Loss) on Cash Flow Hedge Agreements	2,390	(593)
Reclassification of Net Unrealized (Gain) Loss on Cash Flow Hedge Agreements to Interest Expense	(158)	147
Amortization of Net Retirement Plan Actuarial Gain	(50)	(18)
Amortization of Net Retirement Plan Prior Service Cost	50	37
Other Comprehensive Income	702	5,672
Comprehensive Income	$ 8,362	$ 14,234

See Notes to Unaudited Interim Consolidated Financial Statements.

ARROW FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Thousands, Except Share and Per Share Amounts)
(Unaudited)

	Nine Month Period Ended September 30, 2023					
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumu-lated Other Com-prehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2022	$ 21,424	$ 400,270	$ 65,401	$ (49,655)	$ (83,902)	$ 353,538
Net Income	—	—	22,352	—	—	22,352
Other Comprehensive Loss	—	—	—	(2,929)	—	(2,929)
3% Stock Dividend (642,567 Shares)	643	11,058	(11,701)	—	—	—
Cash Dividends Paid, $.786 per Share [1]	—	—	(13,405)	—	—	(13,405)
Stock Options Exercised, Net (3,772 Shares)	—	50	—	—	33	83
Shares Issued Under the Directors' Stock Plan (3,418 Shares)	—	85	—	—	29	114
Shares Issued Under the Employee Stock Purchase Plan (3,872 Shares)	—	87	—	—	33	120
Shares Issued for Dividend Reinvestment Plans (17,753 Shares)	—	330	—	—	142	472
Stock-Based Compensation Expense	—	517	—	—	—	517
Purchase of Treasury Stock (27,395 Shares)	—	—	—	—	(848)	(848)
Balance at September 30, 2023	$ 22,067	$ 412,397	$ 62,647	$ (52,584)	$ (84,513)	$ 360,014

	Three Month Period Ended September 30, 2023					
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumu-lated Other Com-prehensive Loss	Treasury Stock	Total
Balance at June 30, 2023	$ 21,424	$ 401,069	$ 71,076	$ (47,613)	$ (84,513)	$ 361,443
Net Income	—	—	7,743	—	—	7,743
Other Comprehensive Loss	—	—	—	(4,971)	—	(4,971)
3% Stock Dividend (642,567 Shares)	643	11,058	(11,701)	—	—	—
Cash Dividends Paid, $.262 per Share	—	—	(4,471)	—	—	(4,471)
Stock-Based Compensation Expense	—	270	—	—	—	270
Balance at September 30, 2023	$ 22,067	$ 412,397	$ 62,647	$ (52,584)	$ (84,513)	$ 360,014

Nine Month Period Ended September 30, 2022

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumu-lated Other Com-prehensive Loss	Treasury Stock	Total
Balance at December 31, 2021	$ 20,800	377,996	54,078	$ 347	$ (82,035)	$ 371,186
Net Income	—	—	36,712	—	—	36,712
Other Comprehensive Loss	—	—	—	(49,417)	—	(49,417)
3% Stock Dividend (623,848 Shares)	624	19,408	(20,032)	—	—	—
Cash Dividends Paid, $.764 per Share [1]	—	—	(12,980)	—	—	(12,980)
Stock Options Exercised, Net (17,284 Shares)	—	215	—	—	151	366
Shares Issued Under the Directors' Stock Plan (8,693 Shares)	—	210	—	—	75	285
Shares Issued Under the Employee Stock Purchase Plan (11,416 Shares)	—	261	—	—	100	361
Shares Issued for Dividend Reinvestment Plans (43,673 Shares)	—	1,033	—	—	387	1,420
Stock-Based Compensation Expense	—	338	—	—	—	338
Purchase of Treasury Stock (79,881 Shares)	—	—	—	—	(2,721)	(2,721)
Balance at September 30, 2022	$ 21,424	$ 399,461	$ 57,778	$ (49,070)	$ (84,043)	$ 345,550

	Three Month Period Ended September 30, 2022					
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumu-lated Other Com-prehensive Loss	Treasury Stock	Total
Balance at June 30, 2022	$ 20,800	$ 379,423	$ 69,980	$ (29,564)	$ (84,141)	$ 356,498
Net Income	—	—	12,163	—	—	12,163
Other Comprehensive Loss	—	—	—	(19,506)	—	(19,506)
3% Stock Dividend (623,848 Shares)	624	19,408	(20,032)	—	—	—
Cash Dividends Paid, $.255 per Share [1]	—	—	(4,333)	—	—	(4,333)
Stock Options Exercised, Net (1,406 Shares)	—	27	—	—	13	40
Shares Issued Under the Directors' Stock Plan (2,923 Shares)	—	67	—	—	25	92
Shares Issued Under the Employee Stock Purchase Plan (3,855 Shares)	—	85	—	—	34	119
Shares Issued for Dividend Reinvestment Plans (14,521 Shares)	—	337	—	—	134	471
Stock-Based Compensation Expense	—	114	—	—	—	114
Purchase of Treasury Stock (3,329 Shares)	—	—	—	—	(108)	(108)
Balance at September 30, 2022	$ 21,424	$ 399,461	$ 57,778	$ (49,070)	$ (84,043)	$ 345,550

	Three Month Period Ended March 31, 2024					
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumu-lated Other Com-prehensive Loss	Treasury Stock	Total
Balance at December 31, 2023	$ 22,067	$ 412,551	$ 65,792	$ (33,416)	$ (87,222)	$ 379,772
Net Income	—	—	7,660	—	—	7,660
Other Comprehensive Income	—	—	—	702	—	702
Cash Dividends Paid, $.27 per Share	—	—	(4,565)	—	—	(4,565)
Stock Options Exercised, Net (6,060 Shares)	—	67	—	—	49	116
Shares Issued Under the Directors' Stock Plan (4,887 Shares)	—	89	—	—	39	128
Shares Issued Under the Employee Stock Purchase Plan (2,271 Shares)	—	33	—	—	18	51

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumu-lated Other Com-prehensive Loss	Treasury Stock	Total
Compensation expense related to Employee Stock purchase Plan	—	5	—	—	—	5
Stock-Based Compensation Expense	—	78	—	—	—	78
Purchase of Treasury Stock (245,480 Shares)	—	—	—	—	(5,961)	(5,961)
Balance at March 31, 2024	$ 22,067	$ 412,823	$ 68,887	$ (32,714)	$ (93,077)	$ 377,986

	Three Month Period Ended March 31, 2023					
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumu-lated Other Com-prehensive Loss	Treasury Stock	Total
Balance at December 31, 2022	$ 21,424	400,270	65,401	$ (49,655)	$ (83,902)	$ 353,538
Net Income	—	—	8,562	—	—	8,562
Other Comprehensive Income	—	—	—	5,672	—	5,672
Cash Dividends Paid, $.262 per Share [1]	—	—	(4,464)	—	—	(4,464)
Stock Options Exercised, Net (3,772 Shares)	—	50	—	—	33	83
Shares Issued Under the Directors' Stock Plan (3,418 Shares)	—	85	—	—	29	114
Shares Issued Under the Employee Stock Purchase Plan (3,872 Shares)	—	87	—	—	33	120
Shares Issued for Dividend Reinvestment Plans (17,753 Shares)	—	330	—	—	142	472
Stock-Based Compensation Expense	—	122	—	—	—	122
Purchase of Treasury Stock (27,395 Shares)	—	—	—	—	(848)	(848)
Balance at March 31, 2023	$ 21,424	$ 400,944	$ 69,499	$ (43,983)	$ (84,513)	$ 363,371

[1] Cash dividends paid per share have been adjusted for the September 26, 2023 3% stock dividend.

See Notes to Unaudited Interim Consolidated Financial Statements.

ARROW FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

		Nine Months Ended September 30,				
	Three Months Ended March 31					Three Months Ended March 31
Cash Flows from Operating Activities:	**Cash Flows from Operating Activities:**	2023	2022	**Cash Flows from Operating Activities:**	2024	2023
Net Income	Net Income	$ 22,352	$ 36,712			
Provision for Credit Losses						
Provision for Credit Losses						
Provision for Credit Losses	Provision for Credit Losses	2,856	3,389			
Depreciation and Amortization	Depreciation and Amortization	4,962	5,845			
Net Loss (Gain) on Securities Transactions		214	(379)			
Net (Gain) Loss on Securities Transactions						
Net (Gain) Loss on Securities Transactions						
Net (Gain) Loss on Securities Transactions						
Loans Originated and Held-for-Sale	Loans Originated and Held-for-Sale	491	(626)			
Proceeds from the Sale of Loans Held-for-Sale	Proceeds from the Sale of Loans Held-for-Sale	25	1,377			
Net Gain on the Sale of Loans	Net Gain on the Sale of Loans	(25)	(80)			
Net Loss on the Sale of Premises and Equipment, Other Real Estate Owned and Repossessed Assets	Net Loss on the Sale of Premises and Equipment, Other Real Estate Owned and Repossessed Assets	135	136			
Contributions to Retirement Benefit Plans	Contributions to Retirement Benefit Plans	(400)	(478)			
Deferred Income Tax Benefit		—	(670)			

Deferred Income Tax (Benefit) Expense			
Shares Issued Under the Directors’ Stock Plan	Shares Issued Under the Directors’ Stock Plan	114	285
Stock-Based Compensation Expense	Stock-Based Compensation Expense	517	338
Tax Benefit from Exercise of Stock Options	Tax Benefit from Exercise of Stock Options	11	22
Net Decrease in Other Assets			
Net Decrease in Other Assets			
Net Decrease in Other Assets	Net Decrease in Other Assets	(1,338)	(1,076)
Net Decrease in Other Liabilities	Net Decrease in Other Liabilities	6,985	3,415
Net Cash Provided By Operating Activities	**Net Cash Provided By Operating Activities**	36,899	48,210
Cash Flows from Investing Activities:	**Cash Flows from Investing Activities:**		
Proceeds from the Maturities and Calls of Securities Available-for-Sale	Proceeds from the Maturities and Calls of Securities Available-for-Sale	48,499	61,620
Purchases of Securities Available-for-Sale		—	(149,674)
Proceeds from the Maturities and Calls of Securities Available-for-Sale			
Proceeds from the Maturities and Calls of Securities Available-for-Sale			
Proceeds from the Maturities and Calls of Securities Held-to-Maturity			
Proceeds from the Maturities and Calls of Securities Held-to-Maturity			
Proceeds from the Maturities and Calls of Securities Held-to-Maturity	Proceeds from the Maturities and Calls of Securities Held-to-Maturity	41,919	24,231
Purchases of Securities Held-to-Maturity	Purchases of Securities Held-to-Maturity	(7,490)	(10,293)
Net Increase in Loans	Net Increase in Loans	(159,518)	(260,179)
Net Increase in Loans			
Net Increase in Loans			
Proceeds from the Sales of Premises and Equipment, Other Real Estate Owned and Repossessed Assets	Proceeds from the Sales of Premises and Equipment, Other Real Estate Owned and Repossessed Assets	1,978	1,055
Purchase of Premises and Equipment	Purchase of Premises and Equipment	(6,474)	(10,913)
Net Decrease in FHLB and Federal Reserve Bank Stock		954	660
Purchase of Bank Owned Life Insurance		(692)	—
Net Decrease (Increase) in FHLB and Federal Reserve Bank Stock			
Net Decrease (Increase) in FHLB and Federal Reserve Bank Stock			
Net Decrease (Increase) in FHLB and Federal Reserve Bank Stock			
Net Cash Used By Investing Activities			
Net Cash Used By Investing Activities			
Net Cash Used By Investing Activities	**Net Cash Used By Investing Activities**	(80,824)	(343,493)
Cash Flows from Financing Activities:	**Cash Flows from Financing Activities:**		
Net Increase in Deposits	Net Increase in Deposits	168,121	244,608
Net Increase in Deposits			
Net Increase in Deposits			
Net (Decrease) Increase in Short-Term Federal Home Loan Bank Borrowings			
Finance Lease Payments			
Finance Lease Payments			
Finance Lease Payments	Finance Lease Payments	(39)	(38)
Other Borrowings - Advances	Other Borrowings - Advances	256,500	—
Other Borrowings - Paydowns	Other Borrowings - Paydowns	(137,000)	(20,000)
Net Cash Collateral Received from Derivative Counterparties			
Purchase of Treasury Stock	Purchase of Treasury Stock	(848)	(2,721)
Stock Options Exercised, Net	Stock Options Exercised, Net	83	366
Shares Issued Under the Employee Stock Purchase Plan	Shares Issued Under the Employee Stock Purchase Plan	120	361
Shares Issued for Dividend Reinvestment Plans	Shares Issued for Dividend Reinvestment Plans	472	1,420
Shares Issued for Dividend Reinvestment Plans			
Shares Issued for Dividend Reinvestment Plans			
Cash Dividends Paid	Cash Dividends Paid	(13,405)	(12,980)

Cash Dividends Paid			
Cash Dividends Paid			
Net Cash Provided By Financing Activities	**Net Cash Provided By Financing Activities**	274,004	211,016
Net Increase (Decrease) in Cash and Cash Equivalents		230,079	(84,267)
Net Increase in Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Period	Cash and Cash Equivalents at Beginning of Period	64,660	457,696
Cash and Cash Equivalents at End of Period	**Cash and Cash Equivalents at End of Period**	$ 294,739	$ 373,429
Supplemental Disclosures to Statements of Cash Flow Information:	**Supplemental Disclosures to Statements of Cash Flow Information:**		
Supplemental Disclosures to Statements of Cash Flow Information:			
Supplemental Disclosures to Statements of Cash Flow Information:			
Interest on Deposits and Borrowings			
Interest on Deposits and Borrowings			
Interest on Deposits and Borrowings	Interest on Deposits and Borrowings	$ 31,976	$ 5,911
Income Taxes	Income Taxes	5,819	8,918
Transfer of Loans to Other Real Estate Owned and Repossessed Assets	Transfer of Loans to Other Real Estate Owned and Repossessed Assets	1,921	1,217
Transfer of Loans to Other Real Estate Owned and Repossessed Assets			
Transfer of Loans to Other Real Estate Owned and Repossessed Assets			

See Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. RISKS AND UNCERTAINTIES

Nature of Operations - Arrow Financial Corporation, a New York corporation ("Arrow," the "Company," "we," or "us"), was incorporated on March 21, 1983 and is registered as a bank holding company within the meaning of the Bank Holding Company Act of 1956. The banking subsidiaries are Glens Falls National Bank and Trust Company ("GFNB") whose main office is located in Glens Falls, New York, and Saratoga National Bank and Trust Company ("SNB") whose main office is located in Saratoga Springs, New York. The two subsidiary banks provide a full range of services to individuals and small to mid-size businesses in northeastern New York State from Albany, the State's capitol, to the Canadian border. Both banks have wealth management departments which provide investment management and administrative services. An active subsidiary of GFNB is Upstate Agency LLC, offering insurance services including property and casualty insurance, group health insurance and individual life insurance products. North Country Investment Advisers, Inc., a registered investment adviser that provides investment advice to our proprietary mutual fund, and Arrow Properties, Inc., a real estate investment trust (REIT), are subsidiaries of GFNB. Arrow also owns directly two subsidiary business trusts, organized in 2003 and 2004 to issue trust preferred securities (TRUPs), which are still outstanding.

Concentrations of Credit - With the exception of some indirect auto lending, Arrow's loans are primarily with borrowers in upstate New York. Although the loan portfolios of the subsidiary banks are well diversified, tourism has a substantial impact on the northeastern New York economy. The commitments to extend credit are fairly consistent with the distribution of loans presented in Note 5, "*Loans,*" generally have the same credit risk and are subject to normal credit policies. Generally, the loans are secured by assets and are expected to be repaid from cash flow or the sale of selected assets of the borrowers. Arrow evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Arrow upon extension of credit, is based upon Management's credit evaluation of the counterparty. The nature of the collateral varies with the type of loan and may include: residential real estate, cash and securities, inventory, accounts receivable, property, plant and equipment, income producing commercial properties and automobiles.

Liquidity -The objective of effective liquidity management is to ensure that Arrow has the ability to raise cash when needed at a reasonable cost. This includes the capability of meeting expected and unexpected obligations to Arrow's customers at any time. Given the uncertain nature of customer demands and the need to maximize earnings, Arrow must have available reasonably priced sources of funds, both on- and off-balance sheet, that can be accessed quickly in times of need. Arrow's liquidity position should provide the Company with the necessary flexibility to address any unexpected near-term disruptions such as reduced cash flows from the investment and loan portfolio, unexpected deposit runoff, or increased loan originations.

Arrow's primary sources of available liquidity are overnight investments in federal funds sold, interest-bearing interest bearing bank balances at the Federal Reserve Bank of New York ("FRBNY"), advances from the Federal Reserve Bank of New York FRBNY Bank Term Funding Program ("BTFP") and cash flow from investment securities and loans.

Note 2. ACCOUNTING POLICIES

In the opinion of the management of Arrow, the accompanying unaudited interim consolidated financial statements contain all of the adjustments necessary to present fairly the financial position as of September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023; the results of operations for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022; 2023; the consolidated statements of comprehensive income for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022; 2023; the changes in stockholders' equity for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022; 2023; and the cash flows for the nine three month periods ended September 30, 2023 March 31, 2024 and 2022. 2023. All such adjustments are of a normal recurring nature. The unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements of Arrow for the year ended December 31, 2022 December 31, 2023 included in Arrow's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (the "2022 "2023 Form 10-K").

Management's Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Management utilized estimates and assumptions in its evaluation of potential impairment of Arrow's right-of-use lease assets, goodwill and intangible assets. Our most significant estimate is the allowance for credit losses. Other estimates include the fair value of financial instruments, evaluation of pension and other post-retirement liabilities, an analysis of a need for a valuation allowance for deferred tax assets and a reserve for unfunded loan commitments recorded as an other liability. Actual results could differ from those estimates.

A material estimate that is particularly susceptible to significant change in the near term is the allowance for credit losses. In connection with the determination of the allowance for credit losses management obtains economic forecasts from reliable sources and appraisals for properties. The allowance for credit losses is management's best estimate of the life of loan losses as of the balance sheet date. While management uses available information to recognize losses on loans, future adjustments to the allowance for credit losses may be necessary based on changes in economic conditions.

Allowance for Credit Losses – Loans - Accounting Standards Update (ASU) 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL) approach requires an estimate of the credit losses expected over the life of a loan (or pool of loans). It replaces the incurred loss approach's threshold that required the recognition of a

credit loss when it was probable that a loss event was incurred. The allowance for credit losses is a valuation account that is deducted from, or added to, the loans' amortized cost basis to present the net lifetime amount expected to be collected on the loans. Credit losses are charged off against the allowance when management believes a loan balance is confirmed to be uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off.

Management estimates the allowance using relevant available information from internal and external sources related to past events, current conditions, and a reasonable and supportable single economic forecast. Historical credit loss experience provides the basis for the estimation of expected credit losses. Arrow's historical loss experience was supplemented with peer information when there was insufficient loss data for Arrow. Peer selection was based on a review of institutions with comparable loss experience as well as loan yield, bank size, portfolio concentration and geography. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in credit concentrations, delinquency level, collateral values and underwriting standards as well as changes in economic conditions or other relevant factors. Management judgment is required at each point in the measurement process.

Portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. Upon adoption of CECL, management revised the manner in which loans were pooled for similar risk characteristics. Management developed portfolio segments for estimating loss based on type of borrower and collateral as follows:

Commercial Loans
Commercial Real Estate Loans
Consumer Loans
Residential Loans

Further details related to loan portfolio segments is included in Note 5 Loans.

Historical credit loss experience for both Arrow and segment-specific peers provides the basis for the estimation of expected credit losses. Arrow utilized regression analyses of peer data, of which Arrow is included, where observed credit losses and selected economic factors were utilized to determine suitable loss drivers for modeling lifetime probability of default (PD) rates. Arrow uses the discounted cash flow (DCF) method to estimate expected credit losses for the commercial, commercial real estate, and residential segments. For each of these loan segments, Arrow generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speed, curtailments, time to recovery, PD, and segment-specific loss given default (LGD) risk factors. The modeling of expected prepayment speeds, curtailment rates, and time to recovery are based on historical internal data and adjusted, if necessary, based on the reasonable and supportable forecast of economic conditions.

For the loan segments utilizing the DCF method, (commercial, commercial real estate, and residential) management utilizes externally developed economic forecast of the following economic factors as loss drivers: national unemployment, gross domestic product and Case-Shiller U.S. National Home Price Index ("HPI"). The economic forecast is applied over a reasonable and supportable forecast period. Arrow utilizes a six quarter reasonable and supportable forecast period with an eight quarter reversion to the historic mean on a straight-line basis.

The combination of adjustments for credit expectations (default and loss) and timing expectations (prepayment, curtailment, and time to recovery) produces an expected cash flow stream at the instrument level. Instrument effective yield is calculated, net of the impacts of prepayment assumptions, and the instrument expected cash flows are then discounted at that effective yield to produce an instrument-level net present value (NPV) of expected cash flows. flows (NPV). An allowance for credit loss is established for the difference between the instrument's NPV and amortized cost basis. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring (TDR) will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by Arrow.

Arrow uses the vintage analysis method to estimate expected credit losses for the consumer loan segment. The vintage method was selected since the loans within the consumer loan segment are homogeneous, not just by risk characteristic, but by loan structure. Under the vintage analysis method, a loss rate is calculated based on the quarterly net charge-offs to the outstanding loan balance for each vintage year over the lookback period. Once this periodic loss rate is calculated for each quarter in the lookback period, the periodic rates are averaged into the loss rate. The loss rate is then applied to the outstanding loan balances based on the loan's vintage year. Arrow maintains, over the life of the loan, the loss curve by vintage year. If estimated losses computed by the vintage method need to be adjusted based on current conditions and the reasonable and supportable economic forecast, these adjustments would be incorporated over a six quarter reasonable and supportable forecast period, reverting to historical losses using a straight-line method over an eight quarter period. Based on current conditions and the reasonable and supportable economic forecast, no adjustment to the loss rate for each vintage is currently required.

The vintage and DCF models also consider the need to qualitatively adjust expected loss estimates for information not already captured in the quantitative loss estimation process. Qualitative considerations include limitations inherent in the quantitative model; trends experienced in nonperforming and delinquent loans; changes in value of underlying collateral; changes in lending policies and procedures; nature and composition of loans; portfolio concentrations that may affect loss experience across one or more components or the portfolio; the experience, ability and depth of lending management and staff; Arrow's credit review system; and the effect of external factors such as competition, legal and regulatory requirements. These qualitative factor adjustments may increase or decrease Arrow's estimate of expected credit losses so that the allowance for credit loss is reflective of the estimate of lifetime losses that exist in the loan portfolio at the balance sheet date.

All loans not included in the vintage analysis method that exceed $250,000 which are on nonaccrual, are evaluated on an individual basis. For collateral dependent financial assets where Arrow has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and Arrow expects repayment of the financial asset to be provided substantially through the operation or sale of the collateral, Arrow has elected a practical expedient to measure the allowance for credit loss as the difference between the fair value of the collateral less cost to sell, and the amortized cost basis of the asset as of the measurement date. In the event the repayment of a collateral dependent financial asset is expected to be provided substantially through the operating of the collateral, Arrow will use fair value of the collateral at the reporting date when recording the net carrying amount of the asset and determining the allowance for credit losses. When repayment is expected to be from the sale of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the financial asset exceeds the fair value of the underlying collateral less estimated cost to sell. The allowance for credit losses may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the financial asset.

As part of ASU No. 2022-02, "Troubled Debt Restructurings and Vintage Disclosures" ("ASU 2022-02"), was issued in March 2022 to provide updates on the accounting treatment for TDRs and related disclosures requirements, as well as modifying the disclosure requirement associated with the existing credit quality indicators "vintage" disclosure. With respect to TDRs, ASU 2022-02 eliminates the recognition and measurement guidance for TDRs under current GAAP and instead requires that Arrow evaluate evaluates whether the modification represents a new loan or a continuation of an existing loan, consistent with the current GAAP treatment for other loan modifications. In addition, ASU 2022-02 eliminates existing disclosure requirements on TDRs Arrow evaluates and replaces with enhanced disclosure requirements related to certain if necessary, discloses if loan modifications made to borrowers experiencing financial difficulty. ASU 2022-02 also provides an update to the existing credit quality indicators "vintage" tabular disclosure requiring current period gross write-offs to be disclosed by year of origination for each loan segment. The provisions of ASU

2022-02 were effective January 1, 2023 and Arrow adopted the provisions on difficulty contain a prospective basis. Historical disclosures on TDRs were removed from this report in accordance with the provisions of this ASU. The adoption of this ASU did not have a material impact on the consolidated financial statements. concession.

Estimated Credit Losses on Off-Balance Sheet Credit Exposures Recognized as Other Liabilities - Arrow estimates expected credit losses over the contractual period in which Arrow has exposure to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by Arrow. The allowance for credit losses on off-balance sheet credit exposures recognized in other liabilities, is adjusted as an expense in other non-interest expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated lives. Estimating credit losses on unfunded commitments requires Arrow to consider the following categories of off-balance sheet credit exposure: unfunded commitments to extend credit, unfunded lines of credit, and standby letters of credit. Each of these unfunded commitments is then analyzed for a probability of funding to calculate a probable funding amount. The life of loan loss factor by related portfolio segment from the loan allowance for credit loss calculation is then applied to the probable funding amount to calculate the estimated credit losses on off-balance sheet credit exposures recognized as other liabilities.

Accrued Interest Receivable - Upon adoption of CECL on January 1, 2021, Arrow has made the following elections regarding accrued interest receivable: (1) presented accrued interest receivable balances separately within the other assets balance sheet line item; (2) excluded interest receivable that is included in amortized cost of financing receivables from related disclosures requirements and (3) continued its policy to write off accrued interest receivable by reversing interest income. For loans, write off typically occurs upon becoming over 90 to 120 days past due and therefore the amount of such write offs are immaterial. Historically, Arrow has not experienced uncollectible accrued interest receivable on investment securities.

Allowance for Credit Losses – Held-to-Maturity (HTM) Debt Securities - Arrow's HTM debt securities are also required to utilize the CECL approach to estimate expected credit losses. Management measures expected credit losses on HTM debt securities on a collective basis by major security types that share similar risk characteristics, such as financial asset type and collateral type adjusted for current conditions and reasonable and supportable forecasts. Management classifies the HTM portfolio into the following major security types: U.S. government agency or U.S. government sponsored mortgage-backed and collateralized mortgage obligations securities, and state and municipal debt securities.

The mortgage-backed and collateralized mortgage obligations HTM securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government as to timely repayment of principal and interest, are highly rated by major rating agencies, and have a long history of no credit losses. Therefore, Arrow did not record a credit loss for these securities.

State and municipal bonds carry an investment grade from an accredited ratings agency, primarily with an investment grade rating. In addition, Arrow has a limited amount of New York state local municipal bonds that are not rated. The estimate of expected credit losses on the HTM portfolio is based on the expected cash flows of each individual CUSIP over its contractual life and utilized a municipal loss forecast model for determining PD and LGD rates. Management may exercise discretion to make adjustments based on environmental factors. A calculated expected credit loss for individual securities was determined using the PD and LGD rates. Arrow determined that the expected credit loss on its municipal bond portfolio was de minimis, and therefore, an allowance for credit losses was not recorded.

Allowance for Credit Losses – Available-for-Sale (AFS) Debt Securities - The impairment model for AFS debt securities differs from the CECL approach utilized by HTM debt securities since AFS debt securities are measured at fair value rather than amortized cost. For AFS debt securities in an unrealized loss position, Arrow first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, in making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, adverse conditions specifically related to the security, failure of the issuer of the debt security to make scheduled interest or principal payments, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. The cash flows are estimated using information relevant to the collectability of the security, including information about past events, current conditions and reasonable and supportable forecasts. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the

credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Investments in Federal Reserve Bank ("FRB") and Federal Home Loan Bank ("FHLB") stock are required for membership in those organizations and are carried at cost since there is no market value available. The FHLB New York ("FHLBNY") continues to pay dividends and repurchase stock. As such, the Company has not recognized any impairment on its holdings of FRB and FHLB stock.

Cybersecurity Risk Management, Strategy, Governance and Incident Disclosure:

In July 2023, the SEC adopted amendments intended to enhance and standardize disclosures related to cybersecurity. The amendments will be became effective December 18, 2023 and will require timely disclosure of material cybersecurity incidents and annual disclosures related to cybersecurity risk management, strategy, and governance. Under the new rules, a material cybersecurity incident will be is required to be disclosed on a Form 8-K within four business days after the learning of a material incident. The SEC has defined a cybersecurity incident to mean "an unauthorized occurrence, or a series of related unauthorized occurrences, on or conducted through a registrant's information systems that jeopardizes the confidentiality, integrity, or availability of a registrant's information systems or any information residing therein."

Risk management and strategy - Annually, Registrants will be are required to describe the processes, if any, for assessing, identifying,and managing material risks from cybersecurity threats in sufficient detail for a reasonable investor to understand those processes.

The registrant must also describe whether and how any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect the registrant, including its business strategy, results of operations, or financial condition.

Governance - Disclosure is required about management's and the board of directors' oversight of cybersecurity risk, including a description of the board of directors' oversight of risks from cybersecurity threats and a description of management's role in assessing and managing the registrant's material risks from cybersecurity threats.

The annual disclosure requirements will be became effective for the Company beginning with annual report for the year ending on December 31, 2023. 2023 Form 10-K.

Note 3. CASH AND CASH EQUIVALENTS (In Thousands)

The following table is the schedule of Cash and Cash Equivalents at September 30, 2023, December 31, 2022 and September 30, 2022:

		September 30, 2023	December 31, 2022	September 30, 2022
The following table is the schedule of Cash and Cash Equivalents at March 31, 2024, December 31, 2023 and March 31, 2023:				

The following table is the schedule of Cash and Cash Equivalents at March 31, 2024, December 31, 2023 and March 31, 2023:

	March 31, 2024				March 31, 2024	December 31, 2023	March 31, 2023
Cash and Due From Banks	Cash and Due From Banks	$ 39,778	$ 31,886	$ 44,872			
Interest-bearing Deposits at Banks	Interest-bearing Deposits at Banks	254,961	32,774	328,557			
Total Cash and Cash Equivalents	Total Cash and Cash Equivalents	$ 294,739	64,660	373,429			

The increase in cash from December 31, 2022 to September 30, 2023 reflects the strategic enhancement of the Company's liquidity position in light of recent industry events. The decline in cash from September 30, 2022 to December 31, 2022 was primarily the result of record loan growth in 2022 and a decrease in deposits in the fourth quarter of 2022.

Note 4. INVESTMENT SECURITIES (In Thousands)

The following table is the schedule of Available-For-Sale Securities at September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023:

Available-For-Sale Securities

		U.S. Government & Agency Obligations	State and Municipal Obligations	Mortgage-Backed Securities	Corporate and Other Debt Securities	Total Available-For-Sale Securities
September 30, 2023						

Available-For-Sale Securities

Available-For-Sale Securities

	U.S. Treasuries	U.S. Treasuries	U.S. Government & Agency Obligations	State and Municipal Obligations	Mortgage-Backed Securities	Corporate and Other Debt Securities	Total Available-For-Sale Securities
March 31, 2024							
Available-For-Sale Securities, at Amortized Cost							
Available-For-Sale Securities, at Amortized Cost							

		U.S. Government & Agency Obligations	State and Municipal Obligations	Mortgage-Backed Securities	Corporate and Other Debt Securities	Total Available-For-Sale Securities
Available-For-Sale Securities, at Amortized Cost	Available-For-Sale Securities, at Amortized Cost	$ 190,000	$ 280	$398,323	$ 1,000	$589,603

Gross Unrealized Gains	Gross Unrealized Gains		—		—		1		—	1
Gross Unrealized Losses	Gross Unrealized Losses		(13,579)		—		(56,585)		(200)	(70,364)
Available-For-Sale Securities, at Fair Value	Available-For-Sale Securities, at Fair Value		176,421		280		341,739		800	519,240
Available-For-Sale Securities, Pledged as Collateral, at Fair Value	Available-For-Sale Securities, Pledged as Collateral, at Fair Value									390,923
Maturities of Debt Securities, at Amortized Cost:	Maturities of Debt Securities, at Amortized Cost:									
Maturities of Debt Securities, at Amortized Cost:										
Maturities of Debt Securities, at Amortized Cost:										
Within One Year										
Within One Year										
Within One Year	Within One Year	$	15,000	$	—	$	586	$	—	$ 15,586
From 1 - 5 Years	From 1 - 5 Years		175,000		—		215,671		—	390,671
From 5 - 10 Years	From 5 - 10 Years		—		280		182,066		1,000	183,346
Over 10 Years	Over 10 Years		—		—		—		—	—
Maturities of Debt Securities, at Fair Value:	Maturities of Debt Securities, at Fair Value:									
Maturities of Debt Securities, at Fair Value:										
Maturities of Debt Securities, at Fair Value:										
Within One Year										
Within One Year										
Within One Year	Within One Year	$	14,736	$	—	$	569	$	—	$ 15,305
From 1 - 5 Years	From 1 - 5 Years		161,685		—		193,699		—	355,384

From 5 - 10 Years	From 5 - 10 Years	—	280	147,471	800	148,551
Over 10 Years	Over 10 Years	—	—	—	—	—
Securities in a Continuous Loss Position, at Fair Value:	Securities in a Continuous Loss Position, at Fair Value:					
Securities in a Continuous Loss Position, at Fair Value:						
Securities in a Continuous Loss Position, at Fair Value:						
Less than 12 Months						
Less than 12 Months						
Less than 12 Months	Less than 12 Months	$ 14,914	$ —	$ 11,262	$ —	$ 26,176
12 Months or Longer	12 Months or Longer	161,506	—	330,190	800	492,496
Total	Total	$ 176,420	$ —	$341,452	$ 800	$518,672
Number of Securities in a Continuous Loss Position	Number of Securities in a Continuous Loss Position	25	—	154	1	180
Unrealized Losses on Securities in a Continuous Loss Position:	Unrealized Losses on Securities in a Continuous Loss Position:					
Unrealized Losses on Securities in a Continuous Loss Position:						
Unrealized Losses on Securities in a Continuous Loss Position:						
Less than 12 Months						
Less than 12 Months						
Less than 12 Months	Less than 12 Months	$ 86	$ —	$ 317	$ —	$ 403
12 Months or Longer	12 Months or Longer	13,493	—	56,268	200	69,961
Total	Total	$ 13,579	$ —	$ 56,585	$ 200	$ 70,364
Disaggregated Details:						
Disaggregated Details:						
Disaggregated Details:						

US Treasuries,
at Amortized Cost

US Treasuries,
at Amortized Cost

US Treasuries,
at Amortized Cost

US Treasuries,
at Fair Value

US Treasuries,
at Fair Value

US Treasuries,
at Fair Value

US Agency
Obligations,
at Amortized Cost

US Agency
Obligations,
at Amortized Cost

US Agency
Obligations,
at Amortized Cost

US Agency
Obligations,
at Fair Value

US Agency
Obligations,
at Fair Value

US Agency
Obligations,
at Fair Value

Local Municipal
Obligations,
at Amortized Cost

Local Municipal
Obligations,
at Amortized Cost

Local Municipal
Obligations,
at Amortized Cost

Local Municipal
Obligations,
at Fair Value

Local Municipal
Obligations,
at Fair Value

Local Municipal
Obligations,
at Fair Value

US Government
Agency
Securities, at
Amortized Cost

US Government
Agency
Securities, at
Amortized Cost

US Government Agency Securities, at Amortized Cost

Available-For-Sale Securities

	U.S. Government & Agency Obligations	State and Municipal Obligations	Mortgage-Backed Securities	Corporate and Other Debt Securities	Total Available-For-Sale Securities
Disaggregated Details:					
US Agency Obligations, at Amortized Cost	$ 190,000				
US Agency Obligations, at Fair Value	176,421				
Local Municipal Obligations, at Amortized Cost		$ 280			
Local Municipal Obligations, at Fair Value		280			
US Government Agency Securities, at Amortized Cost			$ 7,416		

Available-For-Sale Securities

Available-For-Sale Securities

		U.S. Treasuries	U.S. Treasuries	U.S. Government & Agency Obligations	State and Municipal Obligations	Mortgage-Backed Securities	Corporate and Other Debt Securities	Total Available-For-Sale Securities
US Government Agency Securities, at Fair Value	US Government Agency Securities, at Fair Value	6,885						
Government Sponsored Entity Securities, at Amortized Cost	Government Sponsored Entity Securities, at Amortized Cost	390,907						
Government Sponsored Entity Securities, at Amortized Cost								
Government Sponsored Entity Securities, at Amortized Cost								
Government Sponsored Entity Securities, at Fair Value								
Government Sponsored Entity Securities, at Fair Value								
Government Sponsored Entity Securities, at Fair Value	Government Sponsored Entity Securities, at Fair Value	334,854						

Corporate Trust Preferred Securities, at Amortized Cost	Corporate Trust Preferred Securities, at Amortized Cost					$ 1,000	

Corporate Trust Preferred Securities, at Amortized Cost

Corporate Trust Preferred Securities, at Amortized Cost

Corporate Trust Preferred Securities, at Fair Value

Corporate Trust Preferred Securities, at Fair Value

Corporate Trust Preferred Securities, at Fair Value	Corporate Trust Preferred Securities, at Fair Value					800	
December 31, 2022							

December 31, 2023

December 31, 2023

December 31, 2023

Available-For-Sale Securities, at Amortized Cost

Available-For-Sale Securities, at Amortized Cost

Available-For-Sale Securities, at Amortized Cost	Available-For-Sale Securities, at Amortized Cost	$	190,000	$ 340	$447,755	$ 1,000	$639,095
Gross Unrealized Gains	Gross Unrealized Gains		15	—	65	—	80
Gross Unrealized Losses	Gross Unrealized Losses		(14,816)	—	(50,664)	(200)	(65,680)
Available-For-Sale Securities, at Fair Value	Available-For-Sale Securities, at Fair Value		175,199	340	397,156	800	573,495
Available-For-Sale Securities, Pledged as Collateral, at Fair Value	Available-For-Sale Securities, Pledged as Collateral, at Fair Value						308,266
Securities in a Continuous Loss Position, at Fair Value:	Securities in a Continuous Loss Position, at Fair Value:						

Securities in a Continuous Loss Position, at Fair Value:

Securities in a Continuous Loss Position, at Fair Value:

Less than 12 Months

Less than 12 Months

Less than 12 Months	Less than 12 Months	$ 66,690	$ —	$183,868	$ —	$250,558
12 Months or Longer	12 Months or Longer	93,493	—	199,262	800	293,555
Total	Total	$ 160,183	$ —	$383,130	$ 800	$544,113
Number of Securities in a Continuous Loss Position	Number of Securities in a Continuous Loss Position	23	—	150	1	174
<u>Unrealized Losses on Securities in a Continuous Loss Position:</u>	<u>Unrealized Losses on Securities in a Continuous Loss Position:</u>					

<u>Unrealized Losses on Securities in a Continuous Loss Position:</u>

<u>Unrealized Losses on Securities in a Continuous Loss Position:</u>

Less than 12 Months

Less than 12 Months

Less than 12 Months	Less than 12 Months	$ 3,310	$ —	$ 18,756	$ —	$ 22,066
12 Months or Longer	12 Months or Longer	11,506	—	31,908	200	43,614
Total	Total	$ 14,816	$ —	$ 50,664	$ 200	$ 65,680
<u>Disaggregated Details:</u>	<u>Disaggregated Details:</u>					

<u>Disaggregated Details:</u>

<u>Disaggregated Details:</u>

US Treasuries, at Amortized Cost

US Treasuries, at Amortized Cost

US Treasuries, at Amortized Cost

US Treasuries, at Fair Value

US Treasuries, at Fair Value

US Treasuries, at Fair Value

US Agency Obligations, at Amortized Cost

US Agency Obligations, at Amortized Cost

US Agency Obligations, at Amortized Cost	US Agency Obligations, at Amortized Cost	$ 190,000
US Agency Obligations, at Fair Value	US Agency Obligations, at Fair Value	175,199

US Agency Obligations, at Fair Value			
US Agency Obligations, at Fair Value			
Local Municipal Obligations, at Amortized Cost			
Local Municipal Obligations, at Amortized Cost			
Local Municipal Obligations, at Amortized Cost	Local Municipal Obligations, at Amortized Cost	$ 340	
Local Municipal Obligations, at Fair Value	Local Municipal Obligations, at Fair Value	340	
Local Municipal Obligations, at Fair Value			
Local Municipal Obligations, at Fair Value			
US Government Agency Securities, at Amortized Cost	US Government Agency Securities, at Amortized Cost		$ 7,934
US Government Agency Securities, at Amortized Cost			
US Government Agency Securities, at Amortized Cost			
US Government Agency Securities, at Fair Value			
US Government Agency Securities, at Fair Value			
US Government Agency Securities, at Fair Value			
Government Sponsored Entity Securities, at Amortized Cost			
Government Sponsored Entity Securities, at Amortized Cost			
Government Sponsored Entity Securities, at Amortized Cost			
Government Sponsored Entity Securities, at Fair Value			
Government Sponsored Entity Securities, at Fair Value			
Government Sponsored Entity Securities, at Fair Value			
Corporate Trust Preferred Securities, at Amortized Cost			

Corporate Trust Preferred Securities, at Amortized Cost

Corporate Trust Preferred Securities, at Amortized Cost

Available-For-Sale Securities

	U.S. Government & Agency Obligations	State and Municipal Obligations	Mortgage-Backed Securities	Corporate and Other Debt Securities	Total Available-For-Sale Securities
US Government Agency Securities, at Fair Value			7,433		
Government Sponsored Entity Securities, at Amortized Cost			439,821		
Government Sponsored Entity Securities, at Fair Value			389,723		
Corporate Trust Preferred Securities, at Amortized Cost				$ 1,000	

Available-For-Sale Securities

Available-For-Sale Securities

	U.S. Treasuries	U.S. Government & Agency Obligations	State and Municipal Obligations	Mortgage-Backed Securities	Corporate and Other Debt Securities	Total Available-For-Sale Securities
Corporate Trust Preferred Securities, at Fair Value					800	
September 30, 2022						
March 31, 2023						
March 31, 2023						
March 31, 2023						
Available-For-Sale Securities, at Amortized Cost						
Available-For-Sale Securities, at Amortized Cost						
Available-For-Sale Securities, at Amortized Cost	$ 180,000		$ 340	$465,485	$ 1,000	$646,825
Gross Unrealized Gains	—		—	3	—	3
Gross Unrealized Losses	(16,035)		—	(55,539)	(200)	(71,774)
Available-For-Sale Securities, at Fair Value	163,965		340	409,949	800	575,054

Available-For-Sale Securities, Pledged as Collateral, at Fair Value	Available-For-Sale Securities, Pledged as Collateral, at Fair Value					414,929
Securities in a Continuous Loss Position, at Fair Value:	Securities in a Continuous Loss Position, at Fair Value:					
Securities in a Continuous Loss Position, at Fair Value:						
Securities in a Continuous Loss Position, at Fair Value:						
Less than 12 Months						
Less than 12 Months						
Less than 12 Months	Less than 12 Months	$ 71,419	$ —	$274,491	$ —	$345,910
12 Months or Longer	12 Months or Longer	92,545	—	135,329	800	228,674
Total	Total	$ 163,964	$ —	$409,820	$ 800	$574,584
Number of Securities in a Continuous Loss Position	Number of Securities in a Continuous Loss Position	24	—	156	1	181
Unrealized Losses on Securities in a Continuous Loss Position:	Unrealized Losses on Securities in a Continuous Loss Position:					
Unrealized Losses on Securities in a Continuous Loss Position:						
Unrealized Losses on Securities in a Continuous Loss Position:						
Less than 12 Months						
Less than 12 Months						
Less than 12 Months	Less than 12 Months	$ 3,581	$ —	$ 30,521	$ —	$ 34,102
12 Months or Longer	12 Months or Longer	12,454	—	25,018	200	37,672
Total	Total	$ 16,035	$ —	$ 55,539	$ 200	$ 71,774
Disaggregated Details:	Disaggregated Details:					
Disaggregated Details:						
Disaggregated Details:						
US Treasury Obligations, at Amortized Cost						
US Treasury Obligations, at Amortized Cost						
US Treasury Obligations, at Amortized Cost						

US Treasury Obligations, at Fair Value				
US Treasury Obligations, at Fair Value				
US Treasury Obligations, at Fair Value				
US Agency Obligations, at Amortized Cost				
US Agency Obligations, at Amortized Cost				
US Agency Obligations, at Amortized Cost	US Agency Obligations, at Amortized Cost	$ 180,000		
US Agency Obligations, at Fair Value	US Agency Obligations, at Fair Value	163,965		
US Agency Obligations, at Fair Value				
US Agency Obligations, at Fair Value				
Local Municipal Obligations, at Amortized Cost				
Local Municipal Obligations, at Amortized Cost				
Local Municipal Obligations, at Amortized Cost	Local Municipal Obligations, at Amortized Cost		$ 340	
Local Municipal Obligations, at Fair Value	Local Municipal Obligations, at Fair Value		340	
Local Municipal Obligations, at Fair Value				
Local Municipal Obligations, at Fair Value				
US Government Agency Securities, at Amortized Cost				
US Government Agency Securities, at Amortized Cost				
US Government Agency Securities, at Amortized Cost	US Government Agency Securities, at Amortized Cost			$ 8,243
US Government Agency Securities, at Fair Value	US Government Agency Securities, at Fair Value			7,842
US Government Agency Securities, at Fair Value				
US Government Agency Securities, at Fair Value				

Government Sponsored Entity Securities, at Amortized Cost		
Government Sponsored Entity Securities, at Amortized Cost		
Government Sponsored Entity Securities, at Amortized Cost	Government Sponsored Entity Securities, at Amortized Cost	457,242
Government Sponsored Entity Securities, at Fair Value	Government Sponsored Entity Securities, at Fair Value	402,107
Government Sponsored Entity Securities, at Fair Value		
Government Sponsored Entity Securities, at Fair Value		
Corporate Trust Preferred Securities, at Amortized Cost		
Corporate Trust Preferred Securities, at Amortized Cost		
Corporate Trust Preferred Securities, at Amortized Cost	Corporate Trust Preferred Securities, at Amortized Cost	$ 1,000
Corporate Trust Preferred Securities, at Fair Value	Corporate Trust Preferred Securities, at Fair Value	800
Corporate Trust Preferred Securities, at Fair Value		
Corporate Trust Preferred Securities, at Fair Value		

At September 30, 2023 March 31, 2024, there was no allowance for credit losses for the AFS debt securities portfolio.

The following table is the schedule of Held-To-Maturity Securities at September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023:

	Held-To-Maturity Securities Held-To-Maturity Securities		Held-To-Maturity Securities		
	State and Municipal Obligations		State and Municipal Obligations	Mortgage-Backed Securities	Total Held-To Maturity Securities
March 31, 2024					
Held-To-Maturity Securities, at Amortized Cost					
Held-To-Maturity Securities, at Amortized Cost					

Held-To-Maturity Securities,
at Amortized Cost

		State and Municipal Obligations	Mortgage-Backed Securities	Total Held-To Maturity Securities
September 30, 2023				
Held-To-Maturity Securities, at Amortized Cost		$ 131,017	$ 9,560	$ 140,577
Gross Unrealized Gains		—	—	—
Gross Unrealized Losses				
Gross Unrealized Losses				
Gross Unrealized Losses	Gross Unrealized Losses	(5,204)	(562)	(5,766)
Held-To-Maturity Securities, at Fair Value	Held-To-Maturity Securities, at Fair Value	125,813	8,998	134,811
Held-To-Maturity Securities, Pledged as Collateral, at Carrying Value	Held-To-Maturity Securities, Pledged as Collateral, at Carrying Value			117,723
Held-To-Maturity Securities, Pledged as Collateral, at Fair Value	Held-To-Maturity Securities, Pledged as Collateral, at Fair Value			111,957
Maturities of Debt Securities, at Amortized Cost:	Maturities of Debt Securities, at Amortized Cost:			
Maturities of Debt Securities, at Amortized Cost:				
Maturities of Debt Securities, at Amortized Cost:				
Within One Year				
Within One Year				
Within One Year	Within One Year	$ 56,686	$ —	$ 56,686
From 1 - 5 Years	From 1 - 5 Years	71,994	9,560	81,554
From 5 - 10 Years	From 5 - 10 Years	2,308	—	2,308
Over 10 Years	Over 10 Years	29	—	29
Maturities of Debt Securities, at Fair Value:	Maturities of Debt Securities, at Fair Value:			
Maturities of Debt Securities, at Fair Value:				
Maturities of Debt Securities, at Fair Value:				
Within One Year				
Within One Year				
Within One Year	Within One Year	$ 55,883	$ —	$ 55,883
From 1 - 5 Years	From 1 - 5 Years	67,716	8,998	76,714
From 5 - 10 Years	From 5 - 10 Years	2,185	—	2,185
Over 10 Years	Over 10 Years	29	—	29
Securities in a Continuous Loss Position, at Fair Value:	Securities in a Continuous Loss Position, at Fair Value:			
Securities in a Continuous Loss Position, at Fair Value:				
Securities in a Continuous Loss Position, at Fair Value:				
Less than 12 Months				
Less than 12 Months				
Less than 12 Months	Less than 12 Months	$ 1,575	$ —	$ 1,575
12 Months or Longer	12 Months or Longer	108,092	8,998	117,090
Total	Total	$ 109,667	$ 8,998	$ 118,665

Number of Securities in a Continuous Loss Position	Number of Securities in a Continuous Loss Position	339	16	355
Number of Securities in a Continuous Loss Position				
Number of Securities in a Continuous Loss Position				
Unrealized Losses on Securities in a Continuous Loss Position:	Unrealized Losses on Securities in a Continuous Loss Position:			
Unrealized Losses on Securities in a Continuous Loss Position:				
Unrealized Losses on Securities in a Continuous Loss Position:				
Less than 12 Months				
Less than 12 Months				
Less than 12 Months	Less than 12 Months	$ 86	$ —	$ 86
12 Months or Longer	12 Months or Longer	5,118	562	5,680
Total	Total	$ 5,204	$ 562	$ 5,766
Disaggregated Details:	Disaggregated Details:			
Disaggregated Details:				
Disaggregated Details:				
Municipal Obligations, at Amortized Cost				
Municipal Obligations, at Amortized Cost				
Municipal Obligations, at Amortized Cost	Municipal Obligations, at Amortized Cost	$ 131,017		
Municipal Obligations, at Fair Value	Municipal Obligations, at Fair Value	125,813		
Municipal Obligations, at Fair Value				
Municipal Obligations, at Fair Value				
US Government Agency Securities, at Amortized Cost	US Government Agency Securities, at Amortized Cost		$ 3,292	
US Government Agency Securities, at Fair Value			3,075	
US Government Agency Securities, at Amortized Cost				
US Government Agency Securities, at Amortized Cost				

Held-To-Maturity Securities

	State and Municipal Obligations	Mortgage-Backed Securities	Total Held-To Maturity Securities

Held-To-Maturity Securities

Held-To-Maturity Securities

	State and Municipal Obligations		State and Municipal Obligations	Mortgage-Backed Securities	Total Held-To Maturity Securities
US Government Agency Securities, at Fair Value					
Government Sponsored Entity Securities, at Amortized Cost					
Government Sponsored Entity Securities, at Amortized Cost					
Government Sponsored Entity Securities, at Amortized Cost	Government Sponsored Entity Securities, at Amortized Cost		6,268		

Government Sponsored Entity Securities, at Fair Value	Government Sponsored Entity Securities, at Fair Value		5,923	
Government Sponsored Entity Securities, at Fair Value				
Government Sponsored Entity Securities, at Fair Value				
December 31, 2022				
December 31, 2023				
December 31, 2023				
December 31, 2023				
Held-To-Maturity Securities, at Amortized Cost	Held-To-Maturity Securities, at Amortized Cost	$ 163,600	$ 11,764	$ 175,364
Gross Unrealized Gains		1	—	1
Held-To-Maturity Securities, at Amortized Cost				
Held-To-Maturity Securities, at Amortized Cost				
Gross Unrealized Losses				
Gross Unrealized Losses				
Gross Unrealized Losses	Gross Unrealized Losses	(3,131)	(611)	(3,742)
Held-To-Maturity Securities, at Fair Value	Held-To-Maturity Securities, at Fair Value	160,470	11,153	171,623
Held-To-Maturity Securities, Pledged as Collateral, at Carrying Value	Held-To-Maturity Securities, Pledged as Collateral, at Carrying Value			146,722
Held-To-Maturity Securities, Pledged as Collateral, at Fair Value	Held-To-Maturity Securities, Pledged as Collateral, at Fair Value			142,982
Securities in a Continuous Loss Position, at Fair Value:	Securities in a Continuous Loss Position, at Fair Value:			
Securities in a Continuous Loss Position, at Fair Value:				
Securities in a Continuous Loss Position, at Fair Value:				
Less than 12 Months				
Less than 12 Months				
Less than 12 Months	Less than 12 Months	$ 137,773	$ 11,153	$ 148,926
12 Months or Longer	12 Months or Longer	—	—	—
Total	Total	$ 137,773	$ 11,153	$ 148,926
Number of Securities in a Continuous Loss Position	Number of Securities in a Continuous Loss Position	397	16	413
Unrealized Losses on Securities in a Continuous Loss Position:	Unrealized Losses on Securities in a Continuous Loss Position:			
Unrealized Losses on Securities in a Continuous Loss Position:				
Unrealized Losses on Securities in a Continuous Loss Position:				
Less than 12 Months				
Less than 12 Months				
Less than 12 Months	Less than 12 Months	$ 3,131	$ 611	$ 3,742
12 Months or Longer	12 Months or Longer	—	—	—
Total	Total	$ 3,131	$ 611	$ 3,742
Disaggregated Details:	Disaggregated Details:			

Disaggregated Details:

Disaggregated Details:

Municipal Obligations, at Amortized Cost	Municipal Obligations, at Amortized Cost	$	163,600

Municipal Obligations, at Amortized Cost

Municipal Obligations, at Amortized Cost

Municipal Obligations, at Fair Value

Municipal Obligations, at Fair Value

Municipal Obligations, at Fair Value

US Government Agency Securities, at Amortized Cost

US Government Agency Securities, at Amortized Cost

US Government Agency Securities, at Amortized Cost

US Government Agency Securities, at Fair Value

US Government Agency Securities, at Fair Value

US Government Agency Securities, at Fair Value

Government Sponsored Entity Securities, at Amortized Cost

Government Sponsored Entity Securities, at Amortized Cost

Government Sponsored Entity Securities, at Amortized Cost

Government Sponsored Entity Securities, at Fair Value

Government Sponsored Entity Securities, at Fair Value

Government Sponsored Entity Securities, at Fair Value

March 31, 2023

March 31, 2023

March 31, 2023

Held-To-Maturity Securities, at Amortized Cost

Held-To-Maturity Securities, at Amortized Cost

Held-To-Maturity Securities, at Amortized Cost

Gross Unrealized Gains

Gross Unrealized Losses

Held-To-Maturity Securities, at Fair Value

Held-To-Maturity Securities

	State and Municipal Obligations	Mortgage-Backed Securities	Total Held-To Maturity Securities
Municipal Obligations, at Fair Value	160,470		
US Government Agency Securities, at Amortized Cost		$ 3,898	

US Government Agency Securities, at Fair Value		3,687	
Government Sponsored Entity Securities, at Amortized Cost		7,866	
Government Sponsored Entity Securities, at Fair Value		7,466	
September 30, 2022			
Held-To-Maturity Securities, at Amortized Cost	$ 169,619	$ 12,559	$ 182,178
Gross Unrealized Gains	1	—	1
Gross Unrealized Losses	(5,771)	(608)	(6,379)
Held-To-Maturity Securities, at Fair Value	163,849	11,951	175,800

Held-To-Maturity Securities

Held-To-Maturity Securities

		State and Municipal Obligations	State and Municipal Obligations	Mortgage-Backed Securities	Total Held-To Maturity Securities
Held-To-Maturity Securities, Pledged as Collateral, at Carrying Value	Held-To-Maturity Securities, Pledged as Collateral, at Carrying Value				159,742
Held-To-Maturity Securities, Pledged as Collateral, at Fair Value	Held-To-Maturity Securities, Pledged as Collateral, at Fair Value				153,364
Securities in a Continuous Loss Position, at Fair Value:	Securities in a Continuous Loss Position, at Fair Value:				
Securities in a Continuous Loss Position, at Fair Value:					
Securities in a Continuous Loss Position, at Fair Value:					
Less than 12 Months					
Less than 12 Months					
Less than 12 Months	Less than 12 Months	$ 141,132		$ 11,951	$ 153,083
12 Months or Longer	12 Months or Longer	—		—	—
Total	Total	$ 141,132		$ 11,951	$ 153,083
Number of Securities in a Continuous Loss Position	Number of Securities in a Continuous Loss Position	419		16	435
Unrealized Losses on Securities in a Continuous Loss Position:	Unrealized Losses on Securities in a Continuous Loss Position:				
Unrealized Losses on Securities in a Continuous Loss Position:					
Unrealized Losses on Securities in a Continuous Loss Position:					
Less than 12 Months					
Less than 12 Months					
Less than 12 Months	Less than 12 Months	$ 5,771		$ 608	$ 6,379
12 Months or Longer	12 Months or Longer	—		—	—
Total	Total	$ 5,771		$ 608	$ 6,379
September 30, 2022					
Disaggregated Details:					
Disaggregated Details:					
Disaggregated Details:	Disaggregated Details:				

Municipal Obligations, at Amortized Cost	Municipal Obligations, at Amortized Cost	$	169,619		
Municipal Obligations, at Amortized Cost					
Municipal Obligations, at Amortized Cost					
Municipal Obligations, at Fair Value					
Municipal Obligations, at Fair Value					
Municipal Obligations, at Fair Value	Municipal Obligations, at Fair Value		163,849		
US Government Agency Securities, at Amortized Cost	US Government Agency Securities, at Amortized Cost			$	4,115
US Government Agency Securities, at Amortized Cost					
US Government Agency Securities, at Amortized Cost					
US Government Agency Securities, at Fair Value					
US Government Agency Securities, at Fair Value					
US Government Agency Securities, at Fair Value	US Government Agency Securities, at Fair Value				3,924
Government Sponsored Entity Securities, at Amortized Cost	Government Sponsored Entity Securities, at Amortized Cost				8,444
Government Sponsored Entity Securities, at Amortized Cost					
Government Sponsored Entity Securities, at Amortized Cost					
Government Sponsored Entity Securities, at Fair Value	Government Sponsored Entity Securities, at Fair Value				8,027
Government Sponsored Entity Securities, at Fair Value					
Government Sponsored Entity Securities, at Fair Value					

In the tables above, maturities of mortgage-backed securities are included based on their contractual lives. Actual maturities will differ because issuers may have the right to call or prepay obligations with or without prepayment penalties.

Arrow's investment policy requires that investments held in our portfolio be investment grade or better at the time of purchase. Arrow performs an analysis of the creditworthiness of municipal obligations to determine if a security is of investment grade. The analysis may include but may not solely rely upon credit analysis conducted by external credit rating agencies.

Arrow evaluates AFS debt securities in unrealized loss positions at each measurement date to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or non-credit-related factors. Any impairment that is not credit related is recognized in other comprehensive income, net of applicable taxes. Credit-related impairment is recognized within the allowance for credit losses on the balance sheet, limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings via credit loss expense. Arrow determined that at September 30, 2023 March 31, 2024, gross unrealized losses were primarily attributable to changes in interest rates, relative to when the investment securities were purchased, and not due to the credit quality of the investment securities. Arrow does not intend to sell, nor is it more likely than not that Arrow will be required to sell any securities before recovery of its amortized cost basis, which may be at maturity. Therefore, Arrow carried no allowance for credit loss at September 30, 2023 March 31, 2024 and there was no credit loss expense recognized by Arrow with respect to the securities portfolio during the three months ended September 30, 2023 March 31, 2024.

Arrow's HTM debt securities are comprised of U.S. government-sponsored enterprises (GSEs) or state and municipal obligations. GSE securities carry the explicit and/or implicit guarantee of the U.S. government, are widely recognized as “risk free,” and have a long history of zero credit loss. Arrow determined that the expected credit loss on its HTM debt portfolio was immaterial and therefore no allowance for credit loss was recorded as of September 30, 2023 March 31, 2024.

The following table is the schedule of Equity Securities at September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023:

	Equity Securities		
	March 31, 2024		
	March 31, 2024		
	March 31, 2024	December 31, 2023	March 31, 2023
	September 30, 2023	December 31, 2022	September 30, 2022
Equity Securities, at Fair Value			

Equity Securities, at Fair Value							
Equity Securities, at Fair Value	Equity Securities, at Fair Value	$1,960	$2,174	$2,126	$1,942	$1,925	$2,070

The following is a summary of realized and unrealized gains and losses recognized in net income on equity securities during the three and nine three month periods ended September 30, 2023 March 31, 2024 and 2022: 2023:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Net (Loss) Gain on Equity Securities	$ 71	$ 95	$ (214)	$ 379
Less: Net gain recognized during the reporting period on equity securities sold during the period	—	—	—	—
Unrealized net (loss) gain recognized during the reporting period on equity securities still held at the reporting date	$ 71	$ 95	$ (214)	$ 379

	For the Three Months Ended March 31,	
	2024	2023
Net Gain (Loss) on Equity Securities	$ 17	$ (104)
Less: Net gain recognized during the reporting period on equity securities sold during the period	—	—
Unrealized net gain (loss) recognized during the reporting period on equity securities still held at the reporting date	$ 17	$ (104)

Note 5. LOANS (In Thousands)

Loan Categories and Past Due Loans

The following two tables present loan balances outstanding as of September 30, 2023 March 31, 2024, December 31, 2023 and March 31, 2023 and an analysis of the recorded investment in loans that are past due at these dates. Generally, Arrow considers a loan past due 30 or more days when the borrower is two payments past due. Loans held-for-sale of $215, $165 $656 and $483 $417 as of September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023, respectively, are included in the residential real estate balances for current loans.

Schedule of Past Due Loans by Loan Category

	Commercial	Commercial Real Estate	Consumer	Residential	Total
September 30, 2023					
Loans Past Due 30-59 Days	$ 247	$ 13,787	$ 11,864	$ 1,692	$ 27,590
Loans Past Due 60-89 Days	59	1,977	4,953	18	7,007
Loans Past Due 90 or more Days	3	—	1,504	3,271	4,778
Total Loans Past Due	309	15,764	18,321	4,981	39,375
Current Loans	147,757	718,840	1,089,316	1,143,329	3,099,242
Total Loans	$ 148,066	$ 734,604	$ 1,107,637	$ 1,148,310	$ 3,138,617
December 31, 2022					
Loans Past Due 30-59 Days	$ 48	$ 370	$ 13,657	$ 1,833	$ 15,908
Loans Past Due 60-89 Days	33	—	4,517	112	4,662
Loans Past Due 90 or more Days	44	—	3,503	4,790	8,337
Total Loans Past Due	125	370	21,677	6,735	28,907
Current Loans	140,168	706,652	1,043,458	1,064,022	2,954,300
Total Loans	$ 140,293	$ 707,022	$ 1,065,135	$ 1,070,757	$ 2,983,207
September 30, 2022					
Loans Past Due 30-59 Days	$ 86	$ —	$ 8,870	$ 393	$ 9,349

Loans Past Due 60-89 Days	80	—	4,397	1,266	5,743
Loans Past Due 90 or more Days	—	235	1,708	3,487	5,430
Total Loans Past Due	166	235	14,975	5,146	20,522
Current Loans	138,807	678,982	1,040,610	1,045,873	2,904,272
Total Loans	$ 138,973	$ 679,217	$ 1,055,585	$ 1,051,019	$ 2,924,794

The increase in loans past due 30-59 days within Commercial Real Estate is primarily attributable to one commercial loan relationship. The Company is actively working with the borrower to allow the borrower to stabilize the property's cash flow. The property's collateral value exceeds the loan exposure.

Schedule of Past Due Loans by Loan Category

	Commercial	Commercial Real Estate	Consumer	Residential	Total
March 31, 2024					
Loans Past Due 30-59 Days	$ 419	$ 494	$ 12,140	$ 2,215	$ 15,268
Loans Past Due 60-89 Days	24	—	2,600	409	3,033
Loans Past Due 90 or more Days	35	15,148	1,429	3,506	20,118
Total Loans Past Due	478	15,642	16,169	6,130	38,419
Current Loans	161,911	735,327	1,109,585	1,213,516	3,220,339
Total Loans	$ 162,389	$ 750,969	$ 1,125,754	$ 1,219,646	$ 3,258,758
December 31, 2023					
Loans Past Due 30-59 Days	$ 298	$ —	$ 13,511	$ 3,715	$ 17,524
Loans Past Due 60-89 Days	21	636	5,579	861	7,097
Loans Past Due 90 or more Days	30	15,308	1,801	3,140	20,279
Total Loans Past Due	349	15,944	20,891	7,716	44,900
Current Loans	155,875	729,543	1,090,776	1,191,814	3,168,008
Total Loans	$ 156,224	$ 745,487	$ 1,111,667	$ 1,199,530	$ 3,212,908
March 31, 2023					
Loans Past Due 30-59 Days	$ 62	$ —	$ 11,237	$ 1,593	$ 12,892
Loans Past Due 60-89 Days	47	—	4,439	—	4,486
Loans Past Due 90 or more Days	—	—	3,005	3,143	6,148
Total Loans Past Due	109	—	18,681	4,736	23,526
Current Loans	135,808	715,357	1,054,688	1,075,973	2,981,826
Total Loans	$ 135,917	$ 715,357	$ 1,073,369	$ 1,080,709	$ 3,005,352

Schedule of Non Accrual Loans by Category

September 30, 2023	Commercial	Commercial Real Estate	Consumer	Residential	Total
Commercial					
March 31, 2024					
March 31, 2024					
March 31, 2024	Commercial	Real Estate	Consumer	Residential	Total
Loans 90 or More Days Past Due and Still Accruing Interest / Loans 90 or More Days Past Due and Still Accruing Interest	$ —	$ —	$ —	$ 251	$ 251
Nonaccrual Loans / Nonaccrual Loans	3	—	1,572	4,448	6,023
Nonaccrual With No Allowance for Credit Loss / Nonaccrual With No Allowance for Credit Loss	3	—	1,572	4,448	6,023

Interest Income on Nonaccrual Loans	Interest Income on Nonaccrual Loans	—	—	—	—	—
December 31, 2022						
December 31, 2023						
December 31, 2023						
December 31, 2023						
Loans 90 or More Days Past Due and Still Accruing Interest						
Loans 90 or More Days Past Due and Still Accruing Interest						
Loans 90 or More Days Past Due and Still Accruing Interest	Loans 90 or More Days Past Due and Still Accruing Interest	$ 44	$ —	$ —	$ 1,113	$1,157
Nonaccrual Loans	Nonaccrual Loans	8	3,110	3,503	4,136	10,757
September 30, 2022						
March 31, 2023						
March 31, 2023						
March 31, 2023						
Loans 90 or More Days Past Due and Still Accruing Interest						
Loans 90 or More Days Past Due and Still Accruing Interest						
Loans 90 or More Days Past Due and Still Accruing Interest	Loans 90 or More Days Past Due and Still Accruing Interest	$ —	$ —	$ —	$ 514	$ 514
Nonaccrual Loans	Nonaccrual Loans	9	3,401	1,708	3,694	8,812

Arrow disaggregates its loan portfolio into the following four categories:

Commercial - Arrow offers a variety of loan options to meet the specific needs of our commercial customers including term loans, time notes and lines of credit. Such loans are made available to businesses for working capital needs such as inventory and receivables, business expansion and equipment purchases. Generally, a collateral lien is placed on equipment or other assets owned by the borrower. Generally, these loans carry a higher risk than commercial real estate loans due to the nature of the underlying collateral, which can be business assets such as equipment and accounts receivable and generally have a lower liquidation value than real estate. In the event of default by the borrower, Arrow may be required to liquidate collateral at deeply discounted values. To reduce the risk, management usually obtains personal guarantees to support the borrowing, as permitted by applicable law.

Commercial Real Estate - Arrow offers commercial real estate loans to finance real estate purchases, refinancings, expansions and improvements to commercial properties. Commercial real estate loans are made to finance the purchases of real property which generally consists of real estate with completed structures. These commercial real estate loans are typically secured by first liens on the real estate, which may include apartments, commercial structures, housing businesses, healthcare facilities, and both owner- and non-owner-occupied facilities. These loans are typically less risky than commercial loans, since they are secured by real estate and buildings, and are generally originated in amounts of no more than 80% of the appraised value of the property. However, Arrow also offers commercial construction and land development loans to finance projects. Many projects will ultimately be used by the borrowers' businesses, while others are developed for resale. These real estate loans are also typically secured by first liens on the real estate, which may include apartments, commercial structures, housing businesses, healthcare facilities and both owner-occupied and non-owner-occupied facilities. There is enhanced risk during the construction period, since the loan is secured by an incomplete project. Arrow’s Commercial Real Estate loans are primarily located within the footprint of the Company’s branch network, with some loans extending into the greater upstate New York area. Arrow does not provide Commercial Real Estate loans in major metropolitan areas such as New York City, Boston, etc

Consumer Loans - This category is primarily comprised of automobile loans. Arrow primarily finances the purchases of automobiles indirectly through dealer relationships located throughout upstate New York and Vermont. Most automobile loans carry a fixed rate of interest with principal repayment terms typically ranging from three to seven years. Automobile loans are underwritten on a secured basis using the underlying collateral being financed. Arrow also offers a variety of consumer installment loans to finance personal expenditures. Most of these loans carry a fixed rate of interest with principal repayment terms typically ranging from one to five years, based upon the nature of the collateral and the size of the loan. In addition to installment loans, Arrow also offers personal lines of credit and overdraft protection. Several of these consumer loans are unsecured, which carry a higher risk of loss.

Residential **-** Residential real estate loans consist primarily of loans secured by first or second mortgages on primary residences. Arrow originates fixed-rate and adjustable-rate one-to-four-family residential real estate loans for the construction, purchase of real estate or refinancing of an existing mortgage. These loans are collateralized primarily by owner-occupied properties generally located in Arrow's market area. Loans on one-to-four-family residential real estate are generally originated in amounts of no more than 80% of the purchase price or appraised value (whichever is lower), or have private mortgage insurance. Arrow’s underwriting analysis for residential mortgage loans typically includes credit verification, independent appraisals, and a review of the borrower’s financial condition. Mortgage title insurance and hazard insurance are normally required. It is Arrow's general practice to underwrite residential real estate loans to secondary market standards. Construction loans have a unique risk, because they are secured by an incomplete dwelling. This risk is reduced through periodic site inspections, including one at each loan draw period. In addition, Arrow offers fixed home equity loans, as well as home equity lines of credit to consumers to finance home improvements, debt consolidation, education and other uses. Arrow's policy allows for a maximum loan to value ratio of 80%, although periodically higher advances are allowed. Arrow originates home equity lines of credit and second mortgage loans (loans secured by a second junior lien position on one-to-four-family residential real estate). Risk is generally reduced through underwriting criteria, which include credit verification, appraisals, a review of the borrower's financial condition, and personal cash flows. A security interest, with title insurance when necessary, is taken in the underlying real estate.

Allowance for Credit Losses

Loan segments were selected by class code and application code to ensure each segment is comprised of loans with homogenous loan characteristics and similar risk profiles. The resulting loan segments are commercial, commercial real estate, consumer and residential real estate loans. The consumer segment is mainly comprised of automobile loans, and since they are relatively short-term in nature, with similar dollar amounts and collateral, the vintage analysis method was selected to determine the credit loss reserve. The vintage method utilizes Arrow loan data exclusively as the method calculates a loss rate based on the total origination balance of the loans by year and the charge-off and recovery rate of the same origination year. Arrow maintains, over the life of the loan, the loss curve by vintage year. The discounted cash flow method (DCF) is used to calculate the reserve for credit losses for the commercial, commercial real estate and residential real estate segments.

The September 30, 2023 March 31, 2024 allowance for credit losses calculation incorporated a reasonable and supportable forecast period to account for economic conditions utilized in the measurement. The quantitative model utilized an economic forecast sourced from reputable third-parties that reflects the economic conditions with an a slight improvement in the national unemployment rate of approximately 0.33% 0.32% during the six-quarter forecast period while and forecasted gross domestic product projected an improvement of to improve by approximately 0.42% 0.65%. The home price index (HPI) forecast declined increased approximately 1.6% 0.03% from the previous quarter level. Key assumptions utilized The overall change in the CECL calculation include loan segmentation, loan loss regression analysis, reasonable and supportable forecast period, reversion period, discounted cash flow inputs including economic forecast data and prepayment and curtailment speeds and qualitative factors. Key assumptions are reviewed and approved on a quarterly basis. There were no assumption changes for allowance from December 31, 2023 was primarily driven by the third quarter calculation. Driven by current economic forecasts, following factors: net loan growth contributed $0.4 million, changes in macro economic conditions reduced the allowance by $1.8 million, qualitative factors increased the allowance by $0.9 million, and net charge offs during the quarter, the third a specific reserve of $0.7 million tied to overdraft balances from an instance of check fraud related to one customer relationship. The first quarter provision for credit losses was $354 $617 thousand. The provision is directionally consistent with both In addition, Arrow recorded a credit for estimated credit losses on off-balance sheet credit exposures in other liabilities of $466 thousand in the latest economic forecasts as well as third first quarter activity. of 2024. Management's evaluation considers the allowance for credit losses for loans to be appropriate as of September 30, 2023 March 31, 2024.

The following table details activity in the allowance for credit losses on loans for the three ended March 31, 2024 and nine months ended September 30, 2023 and September 30, 2022 March 31, 2023:

Allowance for Credit Losses

Allowance for Credit Losses

Allowance for Credit Losses

	Commercial	Commercial	Commercial Real Estate	Consumer	Residential	Total
Rollforward of the Allowance for Credit Losses for the Quarterly Period:	Rollforward of the Allowance for Credit Losses for the Quarterly Period:	Commercial	Commercial Real Estate	Consumer	Residential	Total
Rollforward of the Allowance for Credit Losses for the Quarterly Period:						
June 30, 2023		$ 1,972	$ 15,697	$ 2,646	$ 10,855	$31,170
December 31, 2023						
December 31, 2023						
December 31, 2023						

Charge-offs	Charge-offs	—	—	(1,204)	—	(1,204)
Recoveries	Recoveries	—	—	792	—	792
Provision	Provision	(139)	(114)	301	306	354
September 30, 2023		$ 1,833	$ 15,583	$ 2,535	$ 11,161	$ 31,112
March 31, 2024						
December 31, 2022						
December 31, 2022						
December 31, 2022	December 31, 2022	$ 1,961	$ 15,213	$ 2,585	$ 10,193	$ 29,952
Charge-offs	Charge-offs	$ —	$ —	$ (3,806)	$ (6)	$ (3,812)
Recoveries	Recoveries	$ —	$ —	$ 2,116	$ —	$ 2,116
Provision	Provision	$ (128)	$ 370	$ 1,640	$ 974	$ 2,856
September 30, 2023		$ 1,833	$ 15,583	$ 2,535	$ 11,161	$ 31,112
June 30, 2022		$ 2,465	$ 13,936	$ 2,358	$ 9,331	$ 28,090
Charge-offs		(44)	—	(1,103)	—	(1,147)
Recoveries		—	—	574	—	574
Provision		(416)	930	692	509	1,715
September 30, 2022		$ 2,005	$ 14,866	$ 2,521	$ 9,840	$ 29,232
December 31, 2021		$ 2,298	$ 13,136	$ 2,402	$ 9,445	$ 27,281
Charge-offs		$ (48)	$ —	$ (2,805)	$ (30)	$ (2,883)
Recoveries		$ 26	$ —	$ 1,419	$ —	$ 1,445
Provision		$ (271)	$ 1,730	$ 1,505	$ 425	$ 3,389
September 30, 2022		$ 2,005	$ 14,866	$ 2,521	$ 9,840	$ 29,232
March 31, 2023						

Estimated Credit Losses on Off-Balance Sheet Credit Exposures Recognized as Other Liabilities

Financial instrument credit losses apply to off-balance sheet credit exposures such as unfunded loan commitments and standby letters of credit. A liability for expected credit losses for off-balance sheet exposures is recognized if the entity has a present contractual obligation to extend the credit and the obligation is not unconditionally cancellable by the entity. Changes in this allowance are reflected in other operating expenses within the non-interest expense category. As of September 30, 2023 March 31, 2024, the total unfunded commitment off-balance sheet credit exposure was $1.7 $1.1 million.

Individually Evaluated Loans

All loans not included in the vintage analysis method that exceed $250,000, which are on nonaccrual status, are evaluated on an individual basis. Arrow made the policy election to apply a practical expedient for collateral dependent financial assets when the borrower is experiencing financial difficulty and the repayment is expected through the sale of the collateral. This allows Arrow to use fair value of the collateral at the reporting date adjusted for estimated cost to sell when recording the net carrying amount of the asset and determining the allowance for credit losses for a financial asset. In the event where the repayment of a collateral dependent financial asset is expected to be provided substantially through the operating of the collateral, Arrow will use fair value of the collateral at the reporting date when recording the net carrying amount of the asset and determining the allowance for credit losses. As of September 30, 2023 March 31, 2024, there were four five total relationships identified to be evaluated for loss on an individual basis which had an amortized cost basis of $1.9 $17.1 million and none had an allowance for credit loss.

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023:

September 30, 2023		Collateral Type - Residential Real Estate	Collateral Type - Commercial Real Estate	Total Loans
March 31, 2024	March 31, 2024	Collateral Type -Residential Real Estate	Collateral Type - Commercial Real Estate	Total Loans
Commercial	Commercial	$ —	$ —	$ —
Commercial Real Estate	Commercial Real Estate	—	—	—
Consumer	Consumer	—	—	—

Residential	Residential	1,949	—	1,949
Total	Total	$ 1,949	$ —	$ 1,949

December 31, 2022		Collateral Type - Residential Real Estate	Collateral Type - Commercial Real Estate	Total Loans
December 31, 2023	December 31, 2023	Collateral Type -Residential Real Estate	Collateral Type - Commercial Real Estate	Total Loans
Commercial	Commercial	$ —	$ —	$ —
Commercial Real Estate	Commercial Real Estate	—	3,110	3,110
Consumer	Consumer	—	—	—
Residential	Residential	1,963	—	1,963
Total	Total	$ 1,963	$ 3,110	$ 5,073

September 30, 2022		Collateral Type - Residential Real Estate	Collateral Type - Commercial Real Estate	Total Loans
March 31, 2023	March 31, 2023	Collateral Type -Residential Real Estate	Collateral Type - Commercial Real Estate	Total Loans
Commercial	Commercial	$ —	$ —	$ —
Commercial Real Estate	Commercial Real Estate	—	3,166	3,166
Consumer	Consumer	—	—	—
Residential	Residential	1,494	—	1,494
Total	Total	$ 1,494	$ 3,166	$ 4,660

Allowance for Credit Losses - Collectively and Individually Evaluated

September 30, 2023		Commercial	Commercial Real Estate	Consumer	Residential	Total
	Allowance for Credit Losses - Collectively and Individually Evaluated					
	Allowance for Credit Losses - Collectively and Individually Evaluated					
	Commercial	Commercial	Commercial Real Estate	Consumer	Residential	Total
March 31, 2024						
Ending Loan Balance - Collectively Evaluated						
Ending Loan Balance - Collectively Evaluated						
Ending Loan Balance - Collectively Evaluated	Ending Loan Balance - Collectively Evaluated	$ 148,066	$ 734,604	$ 1,107,637	$ 1,146,361	$ 3,136,668
Allowance for Credit Losses - Loans Collectively Evaluated	Allowance for Credit Losses - Loans Collectively Evaluated	1,833	15,583	2,535	11,161	31,112

Ending Loan Balance - Individually Evaluated	Ending Loan Balance - Individually Evaluated	—	—	—	1,949	1,949
Ending Loan Balance - Individually Evaluated						
Ending Loan Balance - Individually Evaluated						
Allowance for Credit Losses - Loans Individually Evaluated	Allowance for Credit Losses - Loans Individually Evaluated	—	—	—	—	—
December 31, 2022						
December 31, 2023						
December 31, 2023						
December 31, 2023						
Ending Loan Balance - Collectively Evaluated						
Ending Loan Balance - Collectively Evaluated						
Ending Loan Balance - Collectively Evaluated	Ending Loan Balance - Collectively Evaluated	$ 140,293	$ 703,912	$ 1,065,135	$ 1,068,794	$ 2,978,134
Allowance for Credit Losses - Loans Collectively Evaluated	Allowance for Credit Losses - Loans Collectively Evaluated	1,961	15,213	2,585	10,193	$ 29,952
Ending Loan Balance - Individually Evaluated	Ending Loan Balance - Individually Evaluated	—	3,110	—	1,963	5,073
Allowance for Credit Losses - Loans Individually Evaluated	Allowance for Credit Losses - Loans Individually Evaluated	—	—	—	—	—
September 30, 2022						
March 31, 2023						
March 31, 2023						
March 31, 2023						
Ending Loan Balance - Collectively Evaluated						
Ending Loan Balance - Collectively Evaluated						

Ending Loan Balance - Collectively Evaluated	Ending Loan Balance - Collectively Evaluated	$ 138,973	$ 676,051	$ 1,055,585	$ 1,049,525	$ 2,920,134
Allowance for Credit Losses - Loans Collectively Evaluated	Allowance for Credit Losses - Loans Collectively Evaluated	2,005	14,866	2,521	9,840	29,232
Ending Loan Balance - Individually Evaluated	Ending Loan Balance - Individually Evaluated	—	3,166	—	1,494	4,660
Allowance for Credit Losses - Loans Individually Evaluated	Allowance for Credit Losses - Loans Individually Evaluated	—	—	—	—	—

Through the provision for credit losses, an allowance for credit losses is maintained that reflects the best estimate of the calculated expected credit losses in Arrow's loan portfolio as of the balance sheet date. Additions are made to the allowance for credit losses through a periodic provision for credit losses. Actual credit losses are charged against the allowance for credit losses when loans are deemed uncollectible and recoveries of amounts previously charged off are recorded as credits to the allowance for credit losses.

Arrow's loan officers and risk managers meet at least quarterly to discuss and review the conditions and risks associated with certain criticized and classified commercial-related relationships. In addition, the independent internal loan review department performs periodic reviews of the credit quality indicators on individual loans in the commercial loan portfolio.

Arrow considers the need to qualitatively adjust expected credit loss estimates for information not already captured in the loss estimation process. These qualitative factor adjustments may increase or decrease management's estimate of expected credit losses. Adjustments are not made for information that has already been considered and included in the loss estimation process.

Arrow considers the qualitative factors that are relevant as of the reporting date, which may include, but are not limited to the following factors:

- The nature and volume of Arrow's financial assets;
- The existence, growth, and effect of any concentrations of credit;
- The volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans;
- The value of the underlying collateral for loans that are not collateral-dependent;
- Arrow's lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries;
- The quality of Arrow's loan review function;
- The experience, ability, and depth of Arrow's lending, investment, collection, and other relevant management/staff;
- The effect of other external factors such as the regulatory, legal and technological environments; competition; and events such as natural disasters;
- Actual and expected changes in international, national, regional, and local economic and business conditions and developments in which the institution operates that affect the collectability of financial assets; and,
- Other qualitative factors not reflected in quantitative loss rate calculations.

Loan Credit Quality Indicators and Modification

The Company adopted ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326)" ("ASU 2022-02") effective January 1, 2023. ASU 2022-02 requires that entities disclose current-period gross charge-offs by year of origination for loans In 2023 and leases, which has been incorporated in the credit quality table below. There was only one new immaterial TDR in the first quarter of 2022.

In 2024, no loans met the first nine months criteria for disclosure as part of 2023, approximately $1.5 million ASU 2022-02. Any modifications of residential real estate loans were modified The modifications either immaterial in natural or were in made for competitive purposes, i.e., the form of short-term forbearance of interest payments. The borrowers were not experiencing financial impact of the forbearance is less than ten thousand dollars per month of forgone interest income hardship.

The following tables present credit quality indicators by total loans amortized cost basis by origination year as of September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023:

September 30, 2023	Term Loans Amortized Cost Basis by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loan Converted to Term	Total

Term Loans Amortized Cost Basis by Origination Year	Term Loans Amortized	Revolving Loans

March 31, 2024	2024	2023	2022	2021	2020	Prior	Amortized Cost Basis by Origination Year	Amortized Cost Basis	
Commercial:									
Risk rating									
Risk rating									
Risk rating									
Satisfactory									
Satisfactory									
Satisfactory	$ 37,300	$ 36,456	$ 23,602	$ 10,622	$ 4,799	$ 21,459	$ 10,328	$ —	$ 144,566
Special mention	—	—	—	128	—	—	—	—	128
Substandard	—	—	—	—	26	3,245	101	—	3,372
Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial Loans	$ 37,300	$ 36,456	$ 23,602	$ 10,750	$ 4,825	$ 24,704	$ 10,429	$ —	$ 148,066
Current-period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —			$ —
Current-period gross charge-offs									
Current-period gross charge-offs									
Commercial Real Estate:									
Commercial Real Estate:									
Commercial Real Estate:									
Risk rating									
Risk rating									
Risk rating									
Satisfactory									
Satisfactory									
Satisfactory	$ 57,761	$157,741	$106,128	$121,968	$ 41,827	$184,590	$ 2,035	$ —	$ 672,050
Special mention	—	3,123	—	—	—	4,150	—	—	7,273
Substandard	—	9,299	1,685	2,590	797	40,411	499	—	55,281
Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial Real Estate Loans	$ 57,761	$170,163	$107,813	$124,558	$ 42,624	$229,151	$ 2,534	$ —	$ 734,604
Current-period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —			$ —
Current-period gross charge-offs									
Current-period gross charge-offs									
Consumer:									
Consumer:									
Consumer:									
Risk rating									
Risk rating									
Risk rating									
Performing									
Performing									
Performing	$322,084	$384,607	$216,234	$107,743	$ 53,646	$ 21,276	$ —	$ —	$1,105,590

Nonperforming	Nonperforming	109	625	562	192	68	33	458	—	2,047
Total Consumer Loans	Total Consumer Loans	$322,193	$385,232	$216,796	$107,935	$ 53,714	$ 21,309	$ 458	$ —	$1,107,637
Current-period gross charge-offs	Current-period gross charge-offs	$ 192	$ 915	$ 1,689	$ 477	$ 299	$ 234			$ 3,806
Current-period gross charge-offs										
Current-period gross charge-offs										
Residential:	Residential:									
Residential:										
Residential:										
Risk rating	Risk rating									
Risk rating										
Risk rating										
Performing										
Performing										
Performing	Performing	$106,267	$235,027	$191,780	$118,517	$ 76,518	$305,076	$108,098	$ —	$1,141,283
Nonperforming	Nonperforming	—	—	2,770	1,006	598	2,152	501	—	7,027
Total Residential Loans	Total Residential Loans	$106,267	$235,027	$194,550	$119,523	$ 77,116	$307,228	$108,599	$ —	$1,148,310
Current-period gross charge-offs	Current-period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 6			$ 6
Current-period gross charge-offs										
Current-period gross charge-offs										
Total Loans	Total Loans	$523,521	$826,878	$542,761	$362,766	$178,279	$582,392	$122,020	$ —	$3,138,617
Total Loans										
Total Loans										
December 31, 2022		Term Loans Amortized Cost Basis by Origination Year 2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Revolving Loan Converted to Term	Total
December 31, 2023	Term Loans Amortized Cost Basis by Origination Year	December 31, 2023	2023 2022 2021 2020 2019 Prior	Term Loans Amortized Cost Basis by Origination Year	Revo Loa Amo Co Ba					
Commercial:	Commercial:									
Risk rating	Risk rating									
Risk rating										
Risk rating										
Satisfactory										
Satisfactory										
Satisfactory	Satisfactory	$ 42,038	$ 28,718	$ 16,870	$ 7,857	$ 8,129	$ 20,379	$ 8,909	$ —	$ 132,900
Special mention	Special mention	—	—	—	—	—	30	30	—	60
Substandard	Substandard	—	—	255	478	—	3,464	3,136	—	7,333
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—

Total Commercial Loans	Total Commercial Loans	$ 42,038	$ 28,718	$ 17,125	$ 8,335	$ 8,129	$ 23,873	$ 12,075	$ —	$ 140,293
Commercial Real Estate:	Commercial Real Estate:									
Commercial Real Estate:										
Commercial Real Estate:										
Risk rating	Risk rating									
Risk rating										
Risk rating										
Satisfactory										
Satisfactory										
Satisfactory	Satisfactory	$152,858	$115,111	$121,811	$ 43,647	$ 63,913	$159,876	$ 1,603	$ —	$ 658,819
Special mention	Special mention	9,678	—	—	—	789	241	—	—	10,708
Substandard	Substandard	607	—	5,807	812	4,371	25,677	221	—	37,495
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial Real Estate Loans	Total Commercial Real Estate Loans	$163,143	$115,111	$127,618	$ 44,459	$ 69,073	$185,794	$ 1,824	$ —	$ 707,022
Consumer:	Consumer:									
Consumer:										
Consumer:										
Risk rating	Risk rating									
Risk rating										
Risk rating										
Performing										
Performing										
Performing	Performing	$482,530	$284,831	$154,819	$ 88,165	$ 38,852	$ 12,032	$ 504	$ —	$1,061,733
Nonperforming	Nonperforming	758	1,468	607	325	157	87	—	—	3,402
Total Consumer Loans	Total Consumer Loans	$483,288	$286,299	$155,426	$ 88,490	$ 39,009	$ 12,119	$ 504	$ —	$1,065,135
Residential:	Residential:									
Residential:										
Residential:										
Risk rating	Risk rating									
Risk rating										
Risk rating										
Performing										
Performing										
Performing	Performing	$210,565	$198,195	$128,372	$ 82,965	$ 74,281	$259,787	$111,563	$ —	$1,065,728
Nonperforming	Nonperforming	—	255	939	597	520	2,311	407	—	5,029
Total Residential Loans	Total Residential Loans	$210,565	$198,450	$129,311	$ 83,562	$ 74,801	$262,098	$111,970	$ —	$1,070,757
Total Loans	Total Loans	$899,034	$628,578	$429,480	$224,846	$191,012	$483,884	$126,373	$ —	$2,983,207
Total Loans										
Total Loans										

September 30, 2022	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Revolving Loan Converted to Term	Total
	Term Loans Amortized Cost Basis by Origination Year								
	Term Loans Amortized Cost Basis by Origination Year								
	Term Loans Amortized Cost Basis by Origination Year								
	Term Loans Amortized Cost Basis by Origination Year								

March 31, 2023										
March 31, 2023										
March 31, 2023										
Commercial:										
Commercial:										
Commercial:	Commercial:									
Risk rating	Risk rating									
Risk rating										
Risk rating										
Satisfactory										
Satisfactory										
Satisfactory	Satisfactory	$ 34,589	$ 31,762	$ 26,654	$ 7,554	$ 9,605	$ 11,194	$ 8,008	$ —	$ 129,366
Special mention	Special mention	—	—	—	—	—	35	35	—	70
Special mention										
Special mention										
Substandard										
Substandard										
Substandard	Substandard	—	3,318	479	445	—	37	5,258	—	9,537
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Doubtful										
Doubtful										
Total Commercial Loans										
Total Commercial Loans										
Total Commercial Loans	Total Commercial Loans	$ 34,589	$ 35,080	$ 27,133	$ 7,999	$ 9,605	$ 11,266	$ 13,301	$ —	$ 138,973
Commercial Real Estate:	Commercial Real Estate:									
Commercial Real Estate:										
Commercial Real Estate:										
Risk rating										
Risk rating										
Risk rating	Risk rating									
Satisfactory	Satisfactory	$ 106,549	$ 136,306	$ 247,780	$ 40,959	$ 30,667	$ 64,934	$ 3,052	$ —	$ 630,247
Satisfactory										
Satisfactory										
Special mention										
Special mention										
Special mention	Special mention	9,801	—	2,973	—	4,315	1,425	—	—	18,514
Substandard	Substandard	9,531	4,723	11,352	1,133	93	3,403	221	—	30,456
Substandard										
Substandard										
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Doubtful										
Doubtful										
Total Commercial Real Estate Loans										
Total Commercial Real Estate Loans										
Total Commercial Real Estate Loans	Total Commercial Real Estate Loans	$ 125,881	$ 141,029	$ 262,105	$ 42,092	$ 35,075	$ 69,762	$ 3,273	$ —	$ 679,217
Consumer:	Consumer:									
Consumer:										
Consumer:										
Risk rating										

Risk rating										
Risk rating	Risk rating									
Performing	Performing	$ 406,206	$ 309,006	$ 172,974	$ 101,458	$ 47,874	$ 15,933	$ 483	$ —	$ 1,053,934
Performing										
Performing										
Nonperforming	Nonperforming	268	583	351	304	58	87	—	—	1,651
Nonperforming										
Nonperforming										
Total Consumer Loans										
Total Consumer Loans										
Total Consumer Loans	Total Consumer Loans	$ 406,474	$ 309,589	$ 173,325	$ 101,762	$ 47,932	$ 16,020	$ 483	$ —	$ 1,055,585
Residential:	Residential:									
Residential:										
Residential:										
Risk rating										
Risk rating										
Risk rating	Risk rating									
Performing	Performing	$ 163,702	$ 209,408	$ 173,435	$ 84,370	$ 61,907	$ 232,021	$ 122,191	$ —	$ 1,047,034
Performing										
Performing										
Nonperforming	Nonperforming	—	257	939	28	318	2,268	175	—	3,985
Nonperforming										
Nonperforming										
Total Residential Loans										
Total Residential Loans										
Total Residential Loans	Total Residential Loans	$ 163,702	$ 209,665	$ 174,374	$ 84,398	$ 62,225	$ 234,289	$ 122,366	$ —	$ 1,051,019
Total Loans	Total Loans	$ 730,646	$ 695,363	$ 636,937	$ 236,251	$ 154,837	$ 331,337	$ 139,423	$ —	$ 2,924,794
Total Loans										
Total Loans										

For the purposes of the table above, nonperforming consumer and residential loans were those loans on nonaccrual status or were 90 days or more past due and still accruing interest.

As of September 30, 2023 March 31, 2024, the recorded investment amortized cost of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process is $2.8 $2.5 million.

For the allowance calculation, an internally developed system of five credit quality indicators is used to rate the credit worthiness of each commercial loan defined as follows:

1) Satisfactory - "Satisfactory" borrowers have acceptable financial condition with satisfactory record of earnings and sufficient historical and projected cash flow to service the debt. Borrowers have satisfactory repayment histories and primary and secondary sources of repayment can be clearly identified;

2) Special Mention - Loans in this category have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. "Special mention" assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Loans which might be assigned this credit quality indicator include loans to borrowers with deteriorating financial strength and/or earnings record and loans with potential for problems due to weakening economic or market conditions;

3) Substandard - Loans classified as "substandard" are inadequately protected by the current sound net worth or paying capacity of the borrower or the collateral pledged, if any. Loans in this category have well defined weaknesses that jeopardize the repayment. They are characterized by the distinct possibility that Arrow will sustain some loss if the deficiencies are not corrected. "Substandard" loans may include loans which are likely to require liquidation of collateral to effect repayment, and other loans where character or ability to repay has become suspect. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified substandard;

4) Doubtful - Loans classified as "doubtful" have all of the weaknesses inherent in those classified as "substandard" with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly questionable and improbable. Although possibility of loss is extremely high, classification of these loans as "loss" has been deferred due to specific pending factors or events which may strengthen the value (e.g. possibility of additional collateral, injection of capital, collateral liquidation, debt restructure, economic recovery, etc). Loans classified as "doubtful" need to be placed on non-accrual; and

5) Loss - Loans classified as "loss" are considered uncollectible with collateral of such little value that their continuance as bankable assets is not warranted. As of the date of the balance sheet, all loans in this category have been charged-off to the allowance for loan losses.

Commercial loans are generally evaluated on an annual basis depending on the size and complexity of the loan relationship, unless the credit related quality indicator falls to a level of "special mention" or below, when the loan is evaluated quarterly. The credit quality indicator is one of the factors used in assessing the level of incurred risk of loss in our commercial related loan portfolios.

te 6. DEBT (Dollars in Thousands)

Schedule of Borrowings:

	September 30, 2023	December 31, 2022	September 30, 2022

	March 31, 2024	March 31, 2024	December 31, 2023	March 31, 2023
Balance:	Balance:			
BTFP Advances				
BTFP Advances				
BTFP Advances	BTFP Advances	150,000	—	—
FHLBNY Overnight Advances	FHLBNY Overnight Advances	10,000	27,000	—
FHLBNY Term Advances	FHLBNY Term Advances	14,300	27,800	25,000
Total Borrowings	Total Borrowings	$ 174,300	$ 54,800	$ 25,000
Total Borrowings				
Total Borrowings				
Maximum Borrowing Capacity:	Maximum Borrowing Capacity:			
Maximum Borrowing Capacity:				
Maximum Borrowing Capacity:				
Federal Funds Purchased				
Federal Funds Purchased				
Federal Funds Purchased	Federal Funds Purchased	$ 52,000	$ 52,000	$ 52,000
Federal Home Loan Bank of New York	Federal Home Loan Bank of New York	607,596	663,259	799,544
Federal Reserve Bank of New York	Federal Reserve Bank of New York	722,493	649,112	650,642
Available Borrowing Capacity:	Available Borrowing Capacity:			
Available Borrowing Capacity:				
Available Borrowing Capacity:				
Federal Funds Purchased				
Federal Funds Purchased				
Federal Funds Purchased	Federal Funds Purchased	$ 52,000	$ 52,000	$ 52,000
Federal Home Loan Bank of New York	Federal Home Loan Bank of New York	449,296	608,458	774,544
Federal Reserve Bank of New York	Federal Reserve Bank of New York	722,493	649,112	650,642

Arrow's subsidiary banks have in place unsecured federal funds lines of credit with two correspondent banks. As a member of the FHLBNY, Arrow participates in the advance program which allows for overnight and term advances up to the limit of pledged collateral, including FHLBNY stock and any loans secured by real estate such as commercial real estate, residential real estate and home equity loans (see Notes 4: Investment Securities, and 5: Loans to the Consolidated Financial Statements). The maximum borrowing capacities at the FHLBNY and FRB are determined based on the fair value of the collateral pledged, subject to discounts determined by the respective lenders. As of September 30, 2023 March 31, 2024, the carrying cost for the FHLBNY collateral was approximately $874 $875 million and approximately $1.2 $1.1 billion for the FRB. As of September 30, 2023 March 31, 2024, the fair value for the FHLBNY collateral was approximately $741 $737 million and approximately $1 $1.1 billion for the FRB. The investment in FHLBNY stock is proportional to the total of Arrow's overnight and term advances (see the Schedule of Federal Reserve Bank FFRB and Federal Home Loan Bank FHLB Stock in Note 4, Investment Securities, to the Consolidated Financial Statements). Arrow's bank subsidiaries have also established borrowing facilities with the FRB of New York for potential "discount window" advances, pledging certain consumer loans as collateral (see Note 5, *Loans*, to the Consolidated Financial Statements).

Debt Maturities

BTFP Advances - The BTFP was created to support American businesses and households by making additional funding available to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors. In the second first quarter of 2023, 2024, Arrow borrowed $150 $100 million as part of pursuant to the BTFP primarily replacing FHLB Advances.The BTFP. The BTFP Advances mature in less than 12 months January 2025 and have a weighted average interest rate of 4.83%4.76%.

Maturity Schedule of FHLBNY Term Advances:

Balances														Balances		
	Balances			Weighted Average Rate												
Final Maturity																
Final Maturity																
Final Maturity	Final Maturity	9/30/2023	12/31/2022	9/30/2022	9/30/2023	12/31/2022	9/30/2022		3/31/2024		12/31/2023		3/31/2023		3/31/2024	12
First Year	First Year	$ 7,800	$ 27,800	$ 5,000	5.14 %	2.70 %	1.81 %	First Year	$ 4,250	$	$ 4,250	$	$ 107,800	5.80	5.80 %	
Second Year	Second Year	6,500	—	20,000	5.59 %	— %	1.75 %	Second Year	2,250	2,250	2,250	—	—	5.38	5.38 %	
Total	Total	$ 14,300	$ 27,800	$ 25,000	5.38 %	2.70 %	1.77 %	Total	$ 6,500	$	$ 6,500	$	$ 107,800	5.66	5.66 %	

Long Term Debt - Guaranteed Preferred Beneficial Interests in Corporation's Junior Subordinated Debentures

At September 30, 2023 March 31, 2024, there were outstanding two classes of financial instruments issued by two separate subsidiary business trusts of Arrow, Arrow Capital Statutory Trust II ("ACST II") and Arrow Capital Statutory Trust III ("ACST III" and, together with ACST II, the "Trusts"), identified as “Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts” on the Consolidated Balance Sheets and the Consolidated Statements of Income.

The first of the two classes of trust-issued instruments outstanding at year-end was issued by ACST II, a Delaware business trust established on July 16, 2003, upon the filing of a certificate of trust with the Delaware Secretary of State. In July 2003, ACST II issued all of its voting (common) stock to Arrow and issued and sold to an unaffiliated purchaser 30-year guaranteed preferred beneficial interests in the trust's assets ("ACST II TRUPS"). The rate on the securities is variable, previously adjusting quarterly to the now discontinued 3-month LIBOR London Inter-Bank Offered Rate ("LIBOR") plus 3.15%. Arrow designated SOFR the Secured Overnight Financing Rate ("SOFR") as the replacement index for financial instruments. The rate on the securities will be are tied to the 3-month Secured Overnight Financing Rate ("SOFR") SOFR plus 3.15% post-conversion. ACST II used the proceeds of the sale of the ACST II TRUPS to purchase an identical amount of junior subordinated debentures issued by Arrow that bear an interest rate identical at all times to the rate payable on the ACST II TRUPS. The ACST II TRUPS became redeemable after July 23, 2008 and mature on July 23, 2033.

The second of the two classes of trust-issued instruments outstanding at year-end was issued by ACST III, a Delaware business trust established on December 23, 2004, upon the filing of a certificate of trust with the Delaware Secretary of State. On December 28, 2004, the ACST III issued all of its voting (common) stock to Arrow and issued and sold to an unaffiliated purchaser 30-year guaranteed preferred beneficial interests in the trust's assets ("ACST III TRUPS"). The rate on the ACST III TRUPS is a variable rate, adjusted adjusting quarterly equal to the 3-month LIBOR plus 2.00%. The rate on the securities will be tied to the 3-month SOFR plus 2.00% post-conversion.. The rate previously adjusted quarterly to the now discontinued 3-month LIBOR plus 2.00% pre-conversion. ACST III used the proceeds of the sale of the ACST III TRUPS to purchase an identical amount of junior subordinated debentures issued by Arrow that bear an interest rate identical at all times to the rate payable on the ACST III TRUPS. The ACST III TRUPS became redeemable on or after March 31, 2010 and mature on December 28, 2034.

Arrow has entered into interest rate swaps to synthetically fix the variable rate interest payments associated with $20 million in outstanding subordinated trust securities attributable to the Trusts. These agreements are designated as cash flow hedges.

The primary assets of the Trusts are Arrow's junior subordinated debentures discussed above, and the sole revenues of the Trusts are payments received by them from Arrow with respect to the junior subordinated debentures. The trust preferred securities issued by the Trusts are non-voting. All common voting securities of the Trusts are owned by Arrow. Arrow used the net proceeds from its sale of junior subordinated debentures to the Trusts, facilitated by the Trusts' sale of their trust preferred securities to the purchasers thereof, for general corporate purposes. The trust preferred securities and underlying junior subordinated debentures, with associated expense that is tax deductible, qualify as Tier I capital under regulatory definitions.

Arrow's primary source of funds to pay interest on the debentures that are held by the Trusts are current dividends received by Arrow from its subsidiary banks. Accordingly, Arrow's ability to make payments on the debentures, and the ability of the Trusts to make payments on their trust preferred securities, are dependent upon the continuing ability of Arrow's subsidiary banks to pay dividends to Arrow. Since the trust preferred securities issued by the subsidiary trusts and the underlying junior subordinated debentures issued by Arrow at September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023, and September 30, 2022 March 31, 2023 are classified as debt for financial statement purposes, the expense associated with these securities is recorded as interest expense in the Consolidated Statements of Income for the three years.

Schedule of Guaranteed Preferred Beneficial Interests in Corporation's Junior Subordinated Debentures

		September 30, 2023	December 31, 2022	September 30, 2022		March 31, 2024	December 31, 2023	March 31, 2023
	March 31, 2024							
ACST II	**ACST II**							
Balance	Balance	$ 10,000	$ 10,000	$ 10,000				
Balance								
Balance								
Period End:	Period End:							
Variable Interest Rate								
Variable Interest Rate								
Variable Interest Rate	Variable Interest Rate	8.81 %	6.82 %	6.82 %		8.71 %	8.74 %	8.31 %
Fixed Interest Rate resulting from cash flow hedge agreement	Fixed Interest Rate resulting from cash flow hedge agreement	4.00 %	4.00 %	4.00 %	Fixed Interest Rate resulting from cash flow hedge agreement	4.00 %	4.00 %	4.00 %
ACST III	**ACST III**							
ACST III								
ACST III								
Balance								
Balance								
Balance	Balance	$ 10,000	$ 10,000	$ 10,000				
Period End:	Period End:							

Variable Interest Rate	Variable Interest Rate	7.66 %	5.67 %	5.67 %				
Variable Interest Rate								
Variable Interest Rate						7.56 %	7.59 %	7.16 %
Fixed Interest Rate resulting from cash flow hedge agreement	Fixed Interest Rate resulting from cash flow hedge agreement	2.86 %	2.86 %	2.86 %	Fixed Interest Rate resulting from cash flow hedge agreement	2.86 %	2.86 %	2.86 %

Note 7. COMMITMENTS AND CONTINGENCIES (In Thousands)

The following table presents the notional amount and fair value of Arrow's off-balance sheet commitments to extend credit and commitments under standby letters of credit as of September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023:

Commitments to Extend Credit and Letters of Credit

		September 30, 2023	December 31, 2022	September 30, 2022			
	March 31, 2024				March 31, 2024	December 31, 2023	March 31, 2023
Notional Amount:	Notional Amount:						
Commitments to Extend Credit							
Commitments to Extend Credit							
Commitments to Extend Credit	Commitments to Extend Credit	$ 464,661	$424,197	$ 440,167			
Standby Letters of Credit	Standby Letters of Credit	4,201	3,627	3,445			
Fair Value:	Fair Value:						
Commitments to Extend Credit	Commitments to Extend Credit	$ —	$ —	$ —			
Commitments to Extend Credit							
Commitments to Extend Credit							
Standby Letters of Credit	Standby Letters of Credit	10	2	—			

Arrow is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Commitments to extend credit include home equity lines of credit, commitments for residential and commercial construction loans and other personal and commercial lines of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of the involvement Arrow has in particular classes of financial instruments.

Arrow's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. Arrow uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are not expected to be fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Arrow evaluates each customer's creditworthiness on a case-by-case basis. Home equity lines of credit are secured by residential real estate. Construction lines of credit are secured by underlying real estate. For other lines of credit, the amount of collateral obtained, if deemed necessary by Arrow upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. Most of the commitments are variable rate instruments.

Arrow does not issue any guarantees that would require liability-recognition or disclosure, other than its standby letters of credit. Arrow has issued conditional commitments in the form of standby letters of credit to guarantee payment on behalf of a customer and guarantee the performance of a customer to a third party. Standby letters of credit generally arise in connection with commercial lending relationships. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under standby letters of credit at September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023 represent the maximum potential future payments Arrow could be required to make. Typically, these instruments have terms of 12 months or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit and on-balance sheet instruments. Arrow's policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios will generally range from 50% for movable assets, such as inventory, to 100% for liquid assets, such as bank CD's. Fees for standby letters of credit range from 1% to 3% of the notional amount. Fees are collected upfront and amortized over the life of the commitment. The carrying amount and fair value of Arrow's standby letters of credit at September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023, were insignificant. The fair value of standby letters of credit is based on the fees currently charged for similar agreements or the cost to terminate the arrangement with the counterparties.

The fair value of commitments to extend credit is determined by estimating the fees to enter into similar agreements, taking into account the remaining terms and present creditworthiness of the counterparties, and for fixed rate loan commitments, the difference between the current and committed interest rates. Arrow provides several types of commercial lines of credit and standby letters of credit to its commercial customers. The pricing of these services is not isolated as Arrow considers the customer's complete deposit and borrowing relationship in pricing individual products and services. The commitments to extend credit also include commitments under home equity lines of credit, for which Arrow charges no fee. The carrying value and fair value of commitments to extend credit are not material and Arrow does not expect to incur any material loss as a result of these commitments.

Except as noted below, Arrow, including its subsidiary banks, is not currently the subject of any material pending legal proceedings, other than ordinary routine litigation occurring in the normal course of their business. On an ongoing basis, Arrow is often the subject of, or a party to, various legal claims by other parties against Arrow, by Arrow against other parties, or involving Arrow, which arise in the normal course of business. Except as noted below, the various pending legal claims against Arrow will not, in the opinion of management based upon consultation with counsel, result in any material liability. Legal expenses incurred in connection with loss contingencies are expensed as incurred.

The Company became aware that As previously disclosed in certian of the Company's filings with the SEC, on June 23, 2023, Robert C. Ashe filed a putative class action complaint (the "Ashe Lawsuit") against the Company in the United States District Court for the Northern District of New York. In addition to the Company, the complaint names as defendants Thomas J. Murphy, the Company's former CEO and from September 30, 2022 to February 20, 2023, its interim CFO, Edward J. Campanella, the Company's former CFO, and Penko Ivanov, the Company's current CFO (the "Individual ("Individual Defendants" and, together with the Company, the "Defendants"). The complaint alleges that the Defendants made materially false and misleading statements regarding the Company's business, operations and compliance policies in the

Company's public filings between March 12, 2022 and

May 12, 2023. May 12, 2023. The complaint further alleges that the Individual Defendants are liable for these materially false and misleading statements as "controlling persons" of the Company. Based on these allegations, the complaint brings two claims for violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and of Section 20(a) of the Exchange Act. Mr. Ashe, on behalf of a purported class of shareholders, seeks compensatory damages as well as recovery of the costs and fees associated with the litigation. A consolidated On December 5, 2023, plaintiff Ashe filed an amended complaint is due December 5, 2023, and Defendants' deadline to answer, move, or otherwise respond that changed the putative class period to the consolidated amended complaint is February 2, 2024. The period from August 5, 2022 through May 12, 2023, but challenged substantially the same statements on the same basis. On February 9, 2024, the Company moved ~~to~~ dismiss the action in its entirety. On April 22, 2024, the parties reached an agreement in principle to settle the matter, subject to final documentation and court approval. Management believes that the lawsuit terms of the proposed settlement will not have a material adverse impact on the Company's financial results. In the event that the parties are not able to be without merit and expressly denies any wrongdoing in connection with finalize a settlement, the matters claimed in the complaint and Company intends to continue to vigorously defend against the lawsuit. claims asserted in the Ashe Lawsuit.

On December 12, 2023 the Company become aware that Stephen Bull filed a complaint (the "Shareholder Derivative Complaint") on behalf of Arrow against the three individual defendants in the Ashe Lawsuit as well as against all members of Arrow's board of directors during the class period in Ashe. The Company is named solely as a nominal defendant in the action and would be the beneficiary of any recovery. The Shareholder Derivative Complaint alleges breaches of fiduciary duty (i) by the Ashe individual defendants based on substantially the same allegedly misleading statements pleaded in the Ashe complaint; and (ii) the director defendants by failing adequately to oversee the individual defendants and maintain internal and disclosure controls. Plaintiffs seek (i) unspecified damages (which would be payable to the Company) for costs incurred as a result of the alleged misstatements, including costs of investigation, remediation, and litigation, (ii) repayment of the director defendants' compensation on an unjust enrichment theory, and (iii) an order directing the Company to take all necessary actions to reform and improve its corporate governance, and (iv) the recovery of costs and fees associated with the litigation. The Shareholder Derivative Complaint also asserts various federal securities claims based on the same alleged misrepresentations as set forth in the Ashe Lawsuit. On March 5, 2024, the parties filed a stipulation under which the defendants accepted service and the case will be stayed pending disposition of the motion to dismiss filed in the Ashe Lawsuit.

The Company intends to continue to vigorously defend itself against the Shareholder Derivative Complaint.

Note 8. COMPREHENSIVE LOSS INCOME (In Thousands)

The following table presents the components of other comprehensive loss income for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022: 2023:

Schedule of Comprehensive Loss

	Three Months Ended September 30			Nine Months Ended September 30,		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
2023						

Schedule of Comprehensive Income

Schedule of Comprehensive Income

Schedule of Comprehensive Income

	Three Months Ended March 31	
		Tax
		Tax
		Tax
	Before-Tax	

Before-

Tax

Before-

Tax

Amount

Amount

Amount

2024

2024

2024

Net Unrealized Securities Holding Loss on Securities Available-for-Sale Arising During the Period	Net Unrealized Securities Holding Loss on Securities Available-for-Sale Arising During the Period	$ (7,796)	$ 2,010	$ (5,786)	$ (4,763)	$ 1,227	$ (3,536)

Net Unrealized Securities Holding Loss on Securities Available-for-Sale Arising During the Period

Net Unrealized Securities Holding Loss on Securities Available-for-Sale Arising During the Period

Net Unrealized Gain on Cash Flow Swap

Net Unrealized Gain on Cash Flow Swap

Net Unrealized Gain on Cash Flow Swap	Net Unrealized Gain on Cash Flow Swap	846	(221)	625	125	(34)	91
Reclassification of Net Unrealized Gain on Cash Flow Hedge Agreements to Interest Expense	Reclassification of Net Unrealized Gain on Cash Flow Hedge Agreements to Interest Expense	242	(61)	181	660	(169)	491
Amortization of Net Retirement Plan Actuarial Gain		(40)	10	(30)	(121)	31	(90)
Amortization of Net Retirement Plan Prior Service Cost		51	(12)	39	154	(39)	115
Other Comprehensive Loss		$ (6,697)	$ 1,726	$ (4,971)	$ (3,945)	$ 1,016	$ (2,929)
2022							
Net Unrealized Securities Holding Loss on Securities Available-for-Sale Arising During the Period		$(27,945)	$ 7,144	$(20,801)	$(70,945)	$ 18,137	$(52,808)
Net Unrealized Gain on Cash Flow Swap		1,046	(268)	778	3,737	(956)	2,781
Reclassification of Net Unrealized Gain on Cash Flow Hedge Agreements to Interest Expense	Reclassification of Net Unrealized Gain on Cash Flow Hedge Agreements to Interest Expense	75	(20)	55	57	(15)	42
Amortization of Net Retirement Plan Actuarial Loss		564	(144)	420	592	(151)	441

Reclassification of Net Unrealized Gain on Cash Flow Hedge Agreements to Interest Expense

Amortization of Net Retirement Plan Actuarial Gain

Amortization of Net Retirement Plan Actuarial Gain

Amortization of Net Retirement Plan Actuarial Gain

Amortization of Net Retirement Plan Prior Service Cost	Amortization of Net Retirement Plan Prior Service Cost	57	(15)	42	171	(44)	127
Other Comprehensive Loss		$(26,203)	$ 6,697	$(19,506)	$(66,388)	$ 16,971	$(49,417)

Amortization of Net Retirement Plan Prior Service Cost

Amortization of Net Retirement Plan Prior Service Cost

Other Comprehensive Income

Other Comprehensive Income

Other Comprehensive Income

2023

2023

2023

Net Unrealized Securities Holding Gain on Securities Available-for-Sale Arising During the Period

Net Unrealized Securities Holding Gain on Securities Available-for-Sale Arising During the Period

Net Unrealized Securities Holding Gain on Securities Available-for-Sale Arising During the Period

Net Unrealized Loss on Cash Flow Swap

Net Unrealized Loss on Cash Flow Swap

Net Unrealized Loss on Cash Flow Swap

Reclassification of Net Unrealized Loss on Cash Flow Hedge Agreements to Interest Expense

Reclassification of Net Unrealized Loss on Cash Flow Hedge Agreements to Interest Expense

Reclassification of Net Unrealized Loss on Cash Flow Hedge Agreements to Interest Expense

Amortization of Net Retirement Plan Actuarial Gain
Amortization of Net Retirement Plan Actuarial Gain
Amortization of Net Retirement Plan Actuarial Gain
Amortization of Net Retirement Plan Prior Service Cost
Amortization of Net Retirement Plan Prior Service Cost
Amortization of Net Retirement Plan Prior Service Cost
Other Comprehensive Income
Other Comprehensive Income
Other Comprehensive Income

The following table presents the changes in accumulated other comprehensive (loss) income by component:

Changes in Accumulated Other Comprehensive (Loss) Income by Component (1)

	Unrealized Loss on Available-for-Sale Securities	Unrealized Gain on Cash Flow Swap	Defined Benefit Plan Items		Total
			Net Actuarial Loss	Net Prior Service Cost	
For the quarter-to-date periods ended:					
June 30, 2023			$ (4,527)	$ (325)	
For the quarter-to-date periods ended:					
For the quarter-to-date periods ended:					
December 31, 2023					
December 31, 2023					
December 31, 2023					
Other comprehensive income or loss before reclassifications	(5,786)	625	—	—	(5,161)
Amounts reclassified from accumulated other comprehensive income or loss	—	181	(30)	39	190
Net current-period other comprehensive income or loss	(5,786)	806	(30)	39	(4,971)
September 30, 2023	$ (52,377)	$ 4,636	$ (4,557)	$ (286)	$ (52,584)
March 31, 2024					
March 31, 2024					

March 31, 2024					
June 30, 2022	$ (32,621)	$ 3,310	$ 660	$ (913)	$ (29,564)
Other comprehensive (loss) or income before reclassifications	(20,801)	778	—	—	(20,023)
Amounts reclassified from accumulated other comprehensive income or loss	—	55	420	42	517
Net current-period other comprehensive (loss) or income	(20,801)	833	420	42	(19,506)
September 30, 2022	$ (53,422)	$ 4,143	$ 1,080	$ (871)	$ (49,070)
For the Year-To-Date periods ended:					
December 31, 2022	$ (48,841)	$ 4,054	$ (4,467)	$ (401)	$ (49,655)
Other comprehensive income or loss before reclassifications	(3,536)	91	—	—	(3,445)
Amounts reclassified from accumulated other comprehensive income or loss	—	491	(90)	115	516
Net current-period other comprehensive income or loss	(3,536)	582	(90)	115	(2,929)
September 30, 2023	$ (52,377)	$ 4,636	$ (4,557)	$ (286)	$ (52,584)
December 31, 2021	$ (614)	$ 1,320	$ 639	$ (998)	$ 347
Other comprehensive income or loss before reclassifications	(52,808)	2,781	—	—	(50,027)
Amounts reclassified from accumulated other comprehensive income or loss	—	42	441	127	610
Net current-period other comprehensive income or loss	(52,808)	2,823	441	127	(49,417)
September 30, 2022	$ (53,422)	$ 4,143	$ 1,080	$ (871)	$ (49,070)

December 31, 2022	$ (48,841)	$ 4,054	$ (4,467)	$ (401)	$ (49,655)
Other comprehensive income or loss before reclassifications	6,099	(593)	—	—	5,506
Amounts reclassified from accumulated other comprehensive income or loss	—	147	(18)	37	166
Net current-period other comprehensive income or loss	6,099	(446)	(18)	37	5,672
March 31, 2023	$ (42,742)	$ 3,608	$ (4,485)	$ (364)	$ (43,983)

(1) All amounts are net of tax.

The following table presents the reclassifications out of accumulated other comprehensive income or loss:

Reclassifications Out of Accumulated Other Comprehensive Income or Loss

Details about Accumulated Other Comprehensive Income or Loss Components	Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	Affected Line Item in the Statement Where Net Income Is Presented
For the quarter-to-date periods ended:		
September 30, 2023		
Reclassification of Net Unrealized Gain on Cash Flow Hedge Agreements to Interest Expense	$ (242)	Interest expense
Amortization of defined benefit pension items:		
Prior-service costs	(51)	(1) Salaries and Employee Benefits
Actuarial loss	40	(1) Salaries and Employee Benefits
	(253)	Total before Tax

		63	Provision for Income Taxes
Total reclassifications for the period	$	(190)	Net of Tax
September 30, 2022			
Reclassification of Net Unrealized Gain on Cash Flow Hedge Agreements to Interest Expense	$	(75)	Interest expense
Amortization of defined benefit pension items:			
Prior-service costs	$	(57) (1)	Salaries and Employee Benefits
Actuarial loss		(564) (1)	Salaries and Employee Benefits
		(696)	Total before Tax
		179	Provision for Income Taxes
Total reclassifications for the period	$	(517)	Net of Tax
For the Year-to-date periods ended:			
September 30, 2023			
Reclassification of Net Unrealized Gain on Cash Flow Hedge Agreements to Interest Expense	$	(660)	Interest expense
Amortization of defined benefit pension items:			
Prior-service costs		(154) (1)	Salaries and Employee Benefits
Actuarial loss		121 (1)	Salaries and Employee Benefits
		(693)	Total before Tax
		177	Provision for Income Taxes
Total reclassifications for the period	$	(516)	Net of Tax
September 30, 2022			
Reclassification of Net Unrealized Gain on Cash Flow Hedge Agreements to Interest Expense	$	(57)	Interest expense
Amortization of defined benefit pension items:			
Prior-service costs		(171) (1)	Salaries and Employee Benefits
Actuarial loss		(592) (1)	Salaries and Employee Benefits
		(820)	Total before Tax
		210	Provision for Income Taxes
Total reclassifications for the period	$	(610)	Net of Tax

(1) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

Reclassifications Out of Accumulated Other Comprehensive Income or Loss

Details about Accumulated Other Comprehensive Income or Loss Components		Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	Affected Line Item in the Statement Where Net Income Is Presented
For the quarter-to-date periods ended:			
March 31, 2024			
Reclassification of Net Unrealized Gain on Cash Flow Hedge Agreements to Interest Expense	$	213	Interest expense
Amortization of defined benefit pension items:			
Prior-service costs		(69)	(1) Salaries and Employee Benefits
Actuarial gain		66	(1) Salaries and Employee Benefits
		210	Total before Tax
		(52)	Provision for Income Taxes
Total reclassifications for the period	$	158	Net of Tax
March 31, 2023			
Reclassification of Net Unrealized Loss on Cash Flow Hedge Agreements to Interest Expense	$	(198)	Interest expense

Amortization of defined benefit pension items:				
Prior-service costs	$	(52) [1]		Salaries and Employee Benefits
Actuarial gain		25 [1]		Salaries and Employee Benefits
		(225)		Total before Tax
		59		Provision for Income Taxes
Total reclassifications for the period	$	(166)		Net of Tax

(1) These accumulated other comprehensive gain or loss components are included in the computation of net periodic pension cost.

Note 9. STOCK-BASED COMPENSATION (Dollars In Thousands, Except Share and Per Share Amounts)

Arrow has established three stock-based compensation plans: a Long Term Incentive Plan, an Employee Stock Purchase Plan (ESPP) and an Employee Stock Ownership Plan (ESOP). All share and per share data have been adjusted for the September 26, 2023 3% stock dividend.

Long Term Incentive Plan

The Long Term Incentive Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock, restricted stock units, performance units and performance shares. The Compensation Committee of the Board of Directors administers the Long Term Incentive Plan.

Stock Options - Options may be granted at a price no less than the greater of the par value or fair market value of such shares on the date on which such option is granted, and generally expire ten years from the date of grant. The options usually vest over a four-year period.

The following table summarizes information about stock option activity for the year to date period ended September 30, 2023 March 31, 2024:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2023	287,444	$ 28.56
Granted	57,680	31.47
Exercised	(3,885)	20.95
Forfeited	(35,139)	30.91
Outstanding at September 30, 2023	306,100	28.94
Vested at Period-End	207,642	27.81
Expected to Vest	98,458	31.32
Stock Options Granted		
Weighted Average Grant Date Information:		
Fair Value of Options Granted	$ 7.78	
Fair Value Assumptions:		
Dividend Yield	3.30 %	
Expected Volatility	28.38 %	
Risk Free Interest Rate	3.57 %	
Expected Lives (in years)	8.34	

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2024	305,308	$ 28.96
Exercised	(6,060)	18.97
Forfeited	(7,979)	25.81
Outstanding at March 31, 2024	291,269	29.25
Vested at Period-End	230,561	28.65
Expected to Vest	60,708	31.54

The following table presents information on the amounts expensed related to stock options for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022: 2023:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Amount expensed	$ 24	$ 79	$ 196	$ 233

The expense recorded during the third quarter of 2023 reflects the reversal of previously recorded expense related to forfeited stock options related to the departure of the former President and CEO in accordance with the terms of the applicable award agreements.

	For the Three Months Ended March 31,			
	2024		2023	
Amount expensed	$	78	$	85

Restricted Stock Units - The Historically, the Company grants has granted restricted stock units which gives give the recipient the right to receive shares of Company stock upon vesting. The fair value of each restricted stock unit is the market value of Company stock on the date of grant. 100% of the restricted stock unit awards vest three years from the grant date. date, unless vested or forfeited prior to vesting in accordance with the terms of the award. Once vested, the restricted stock units become vested units and are no longer forfeitable. Vested units are not settled until settle upon retirement, as defined in the recipient's employment has terminated. Arrow retirement plan, of the recipient. Unvested restricted stock unit awards will generally be forfeited if the recipient ceases to be employed by the Company, with limited exceptions.

There was no RSU activity for the three month period ended March 31, 2024 and there were no non-vested restricted stock units at any time during the three month period ended March 31, 2024. The following table summarizes information about restricted stock unit activity for the periods three month period ended September 30, 2023 and 2022: March 31, 2023:

Restricted Stock Units	Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2023		
Non-vested at January 1, 2023		
	Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2023 Non-vested at January 1, 2023	13,925	$ 30.47
Granted Granted	5,164	31.47
Vested Vested	(19,089)	30.74
Non-vested at September 30, 2023	—	
Non-vested at March 31, 2023		
Non-vested at March 31, 2023		
Non-vested at March 31, 2023		
Non-vested at January 1, 2022	14,007	28.42
Granted	4,441	33.78
Vested	(4,523)	27.35
Non-vested at September 30, 2022	13,925	30.47

The following table presents information on the amounts expensed related to restricted stock units for the periods ended September 30, 2023 March 31, 2024 and 2022: 2023:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2023		2022		2023		2022	
Amount expensed	$	246	$	35	$	321	$	105

	For the Three Months Ended March 31,			
	2024		2023	
Amount expensed	$	—	$	37

The expense recorded during the third quarter of 2023 reflects accelerated vesting of restricted stock units related to the departure of the former President and CEO in accordance with the terms of the applicable award agreements.

Employee Stock Purchase Plan

In April 2023, Arrow sponsors an suspended the operation of the prior ESPP (the "Prior ESPP") as a result of the now resolved delay in filing the Annual Report on Form 10-K for the year ended December 21, 2022 (the "2022 Form 10-K") and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 (the "2023 Q1 Form 10-Q") and the related effects under applicable securities laws. In October 2023, the Board of Directors approved the adoption of a new ESPP intended to satisfy the requirements of Section 423 of the Internal Revenue Code, which was effective January 1, 2024 (the "Qualified ESPP"). Under the Qualified ESPP, the amount of the discount is 10%. Under the Prior ESPP, participating employees may purchase purchased Arrow's common stock at a 5% discount below market price. The current amount of the discount is 5%. Under current accounting guidance, a stock purchase plan with a discount of 5% or less is not considered a compensatory plan. The Qualified ESPP is considered a compensatory plan. The Qualified ESPP will be submitted to the Arrow shareholders for approval at the next annual meeting of shareholders on June 5, 2024. In April 2023, Arrow suspended the operation event the shareholders of the Company do not approve the Qualified ESPP as a result at the annual meeting: (i) the Qualified ESPP shall immediately terminate; (ii) all amounts contributed by each participant in the Qualified ESPP which have not been used to purchase shares of the now resolved delay in filing Company's common stock will be returned to such participant as soon as practicable; and (iii) purchases under the 2022 Form 10-K and Qualified ESPP made from the Quarterly Report on Form 10-Q for January 1, 2024 inception date through the quarter ended March 31, 2023 and date of termination of the related effects under applicable securities laws. In October 2023, the Board of Directors approved the adoption of a new Employee Stock Purchase Plan Qualified ESPP shall not be treated as purchased pursuant to an employee stock purchase plan that is intended to satisfy all requirements of satisfies Section 423 of the Internal Revenue Code which Arrow intends to make effective January 1, 2024. Under the new qualified plan, the amount and participants would not qualify for favorable tax treatment of the discount will be 10%. such purchases.

Employee Stock Ownership Plan

Arrow maintains an ESOP, pursuant to which substantially all employees of Arrow and its subsidiaries are eligible to participate upon satisfaction of applicable service requirements. The Company makes may make, and historically has made, an cash contributions contribution to the ESOP each year.

Note 10. RETIREMENT BENEFIT PLANS (Dollars in Thousands)

Arrow sponsors qualified and non-qualified defined benefit pension plans and other postretirement benefit plans for its employees. Arrow maintains a non-contributory pension plan, which covers substantially all employees. Effective December 1, 2002, all active participants in the qualified defined benefit pension plan were given a one-time irrevocable election to continue participating in the traditional plan design, for which benefits were based on years of service and the participant's final compensation (as defined), or to begin participating in the new cash balance plan design. All employees who first participate in the plan after December 1, 2002 automatically participate in the cash balance plan design. The interest credits under the cash balance plan are based on the 30-year U.S. Treasury rate in effect for November of the prior year with a minimum interest credit of 3%. The service credits under the cash balance plan are equal to 6.0% of eligible salaries for employees who become participants on or after January 1, 2003. For employees in the plan prior to January 1, 2003, the service credits are scaled based on the age of the participant, and range from 6.0% to 12.0%. The funding policy is to contribute up to the maximum amount that can be deducted for federal income tax purposes and to make all payments required under The Employee Retirement Income Security Act (ERISA). Arrow also maintains a supplemental non-qualified unfunded retirement plan to provide eligible employees of Arrow and its subsidiaries with benefits in excess of qualified plan limits imposed by federal tax law.

Arrow has multiple non-pension postretirement benefit plans. The health care, dental and life insurance plans are contributory, with participants' contributions adjusted annually. Arrow's policy is to fund the cost of postretirement benefits based on the current cost of the underlying policies. However, the health care plan provision allows for grandfathered participants to receive automatic increases of Company contributions each year based on the increase in inflation, limited to a maximum of 5%.

As of December 31, 2022 December 31, 2023, Arrow uses the sex-distinct amount-weighted Amount-Weighted Pri-2012 mortality tables Mortality Tables for employees, healthy retirees and contingent survivors, with mortality improvements projected using Scale MP-2021 on a generational basis for the Pension Plan and the sex-distinct amount-weighted Amount-Weighted White Collar tables Pri-2012 Mortality Tables for employees, healthy retirees and contingent survivors, with mortality improvements projected using Scale MP-2021 on a generational basis for the Select Executive Retirement Plan. Plan (the "SERP").

Segment interest rates of 5.09% 5.50%, 5.60% 5.76%, 5.41% 5.83% were used in determining the present value of a lump sum payment/annuitizing cash balance accounts as of December 31, 2022 December 31, 2023.

Effective January 1, 2021, GFNB amended the Arrow Financial Corporation Employees' Pension Plan (the "Plan"). The Plan change was adopted January 1, 2021 and the amendment was valued as of December 31, 2020. The Plan amendment was as follows:

Effective January 1, 2021, the benefit payable to or on behalf of each participant:

- whose employment with the Employer (or any predecessor Employer, except as noted below) terminated on or before January 1, 2016;
- who satisfied the requirements for early, normal, or late retirement as of such termination;
- who never participated in the United Vermont Bancorporation Plan; and
- who is, or whose beneficiary is, receiving monthly benefit payments from the Plan as of January 1, 2021 (including a participant or beneficiary who shall commence receiving benefits from the Plan as of January 1, 2021), shall be increased by 3%.

The foregoing increase was applied to the monthly benefit actually payable to the participant, or to the participant's beneficiary, as of January 1, 2021, determined after all applicable adjustments, regardless of whether such benefit had been determined under the Company's plan or the plan of a predecessor employer that had been merged into the Plan.

The plan amendment caused a $351,638 increase in the projected benefit obligation, creating a positive service cost which will be amortized over 9.70 years (the average expected future service of active plan participants.)

Effective January 1, 2021, GFNB amended the Arrow Financial Corporation Employees' Select Executive Retirement Plan. SERP. The plan change was adopted January 1, 2021 and the amendment was valued as of December 31, 2020. The plan amendment provides a special adjustment to the monthly benefit payment for certain retirees. The plan amendment caused a $122,797 increase in the projected benefit obligation, creating a positive prior service cost which will be amortized over 12.5 years.

Settlement accounting is required when lump sum payments during a fiscal year exceed that fiscal year's Service Cost plus Interest Cost components of the Net Periodic Pension Cost. For 2022, the sum of the Service Cost and Interest Cost was $3.3 million and the 2022 total lump sum payments exceeded that amount by the end of the third quarter 2022. amount. The Plan therefore recognized in the 2022 Net Periodic Pension Cost a portion of the Unamortized Net (Gain)/Loss equal to the ratio of the projected benefit obligation for the participants that received a lump sum to the total projected benefit obligation. As of December 31, 2022, the Unamortized Net Loss prior to reflecting settlement accounting was $7.2 million. The ratio of the projected benefit obligation for participants that received a lump sum to the total projected benefit obligation was 8.06%. The effect of the settlement that was recognized in the 2022 Net Periodic Pension Cost was $577 thousand, which was fully reflected in the 2022 Net Periodic Cost. Settlement accounting was not required for the nine-month the year ended December 31, 2023 or for the three-month period ended September 30, 2023 March 31, 2024.

The following tables provide the components of net periodic benefit costs for the three and nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Employees' Pension Plan	Select Executive Retirement Plan	Postretirement Benefit Plans			
	Employees' Pension Plan			Employees' Pension Plan	Select Executive Retirement Plan	Postretirement Benefit Plans
Net Periodic Benefit Cost **Net Periodic Benefit Cost**						
For the Three Months Ended September 30, 2023:						
For the Three Months Ended March 31, 2024:						
For the Three Months Ended March 31, 2024:						
For the Three Months Ended March 31, 2024:						

Service Cost [1]

Service Cost [1]

Service Cost [1]	Service Cost [1]	$ 398	$ 143	$ 14
Interest Cost [2]	Interest Cost [2]	524	85	82
Expected Return on Plan Assets [2]	Expected Return on Plan Assets [2]	(854)	—	—
Amortization of Prior Service Cost [2]	Amortization of Prior Service Cost [2]	16	9	26
Amortization of Net Loss (Gain) [2]	Amortization of Net Loss (Gain) [2]	30	18	(88)
Net Periodic Cost	Net Periodic Cost	$ 114	$ 255	$ 34
Plan Contributions During the Period	Plan Contributions During the Period	$ —	$ 99	$ 28

Plan Contributions During the Period

Plan Contributions During the Period

For the Three Months Ended September 30, 2022:

For the Three Months Ended March 31, 2023:

For the Three Months Ended March 31, 2023:

For the Three Months Ended March 31, 2023:

Service Cost [1]

Service Cost [1]

Service Cost [1]	Service Cost [1]	$ 469	$ 208	$ 23
Interest Cost [2]	Interest Cost [2]	360	57	61
Expected Return on Plan Assets [2]	Expected Return on Plan Assets [2]	(1,078)	—	—
Amortization of Prior Service Cost [2]	Amortization of Prior Service Cost [2]	19	11	27
Amortization of Net Loss (Gain) [2]	Amortization of Net Loss (Gain) [2]	550	53	(39)
Net Periodic Cost	Net Periodic Cost	$ 320	$ 329	$ 72

Plan Contributions During the Period	Plan Contributions During the Period	$ —	$ 116	$ 43
Plan Contributions During the Period				
Plan Contributions During the Period				
Net Periodic Benefit Cost				
For the Nine Months Ended September 30, 2023:				
Service Cost 1		$ 1,195	$ 428	$ 42
Interest Cost 2		1,573	244	249
Expected Return on Plan Assets 2		(2,562)	—	—
Amortization of Prior Service Cost 2		47	29	78
Amortization of Net Loss (Gain) 2		89	55	(265)
Net Periodic Cost		$ 342	$ 756	$ 104
Plan Contributions During the Period		$ —	$ 325	$ 75
Estimated Future Contributions in the Current Fiscal Year	Estimated Future Contributions in the Current Fiscal Year	$ —	$ 108	$ 25
For the Nine Months Ended September 30, 2022:				
Service Cost 1		$ 1,408	$ 626	$ 68
Interest Cost 2		1,079	169	185
Expected Return on Plan Assets 2		(3,235)	—	—
Amortization of Prior Service Cost 2		58	33	80
Amortization of Net Loss (Gain) 2		550	159	(117)
Net Periodic (Benefit) Cost		$ (140)	$ 987	$ 216
Plan Contributions During the Period		$ —	$ 347	$ 131
Estimated Future Contributions in the Current Fiscal Year				
Estimated Future Contributions in the Current Fiscal Year				

Footnotes:
1. Included in Salaries and Employee Benefits on the Consolidated Statements of Income
2. Included in Other Operating Expense on the Consolidated Statements of Income

A contribution to the qualified pension plan was not required during the period ended September 30, 2023 March 31, 2024 and currently, additional contributions in 2023 2024 are not expected. Arrow makes contributions to its other post-retirement benefit plans in an amount equal to benefit payments for the year.

Note 11. EARNINGS PER COMMON SHARE (In Thousands, Except Per Share Amounts)

The following table presents a reconciliation of the numerator and denominator used in the calculation of basic and diluted earnings per common share (EPS) for periods ended September 30, 2023 March 31, 2024 and 2022. 2023. When applicable, share and per share amounts have been adjusted for the September 26, 2023, 3% stock dividend.

Earnings Per Share

		Three Months Ended		Nine Months Ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022

Earnings Per Share

Earnings Per Share

Three Months Ended

March 31, 2024

March 31, 2024

March 31, 2024

Earnings Per Share - Basic:

Earnings Per Share - Basic:

Earnings Per Share - Basic:	Earnings Per Share - Basic:				
Net Income	Net Income	$ 7,743	$ 12,163	$ 22,352	$ 36,712

Net Income

Net Income

Weighted Average Shares - Basic	Weighted Average Shares - Basic	17,050	17,007	17,049	17,001

Weighted Average Shares - Basic

Weighted Average Shares - Basic

Earnings Per Share - Basic

Earnings Per Share - Basic

Earnings Per Share - Basic	Earnings Per Share - Basic	$ 0.46	$ 0.72	$ 1.31	$ 2.16
Earnings Per Share - Diluted:	Earnings Per Share - Diluted:				

Earnings Per Share - Diluted:

Earnings Per Share - Diluted:

Net Income

Net Income

Net Income	Net Income	$ 7,743	$ 12,163	$ 22,352	$ 36,712
Weighted Average Shares - Basic	Weighted Average Shares - Basic	17,050	17,007	17,049	17,001

Weighted Average Shares - Basic

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Weighted Average Shares - Basic

Dilutive Average Shares Attributable to Stock Options

Dilutive Average Shares Attributable to Stock Options

Dilutive Average Shares Attributable to Stock Options	Dilutive Average Shares Attributable to Stock Options	—	47	—	49
Weighted Average Shares - Diluted	Weighted Average Shares - Diluted	17,050	17,054	17,049	17,050

Weighted Average Shares - Diluted

Weighted Average Shares - Diluted

Earnings Per Share - Diluted

Earnings Per Share - Diluted

Earnings Per Share - Diluted	Earnings Per Share - Diluted	$ 0.46	$ 0.72	$ 1.31	$ 2.15

Note 12. FAIR VALUES (Dollars In Thousands)

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 820-10 defines fair value, establishes a framework for measuring fair value in GAAP and requires certain disclosures about fair value measurements. There are no nonfinancial assets or liabilities measured at fair value on a recurring basis. The only assets or liabilities that Arrow measured at fair value on a recurring basis at September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023 were AFS securities, equity securities and derivatives. Arrow held no securities or liabilities for trading on such dates.

The table below presents the financial instrument's fair value and the amounts within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement:

Fair Value of Assets and Liabilities Measured on a Recurring and Nonrecurring Basis

	Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

	Fair Value	Fair Value Measurements at Reporting Date Using:	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Fair Value Measurements at Reporting Date Using: Significant Unobservable Inputs (Level 3)
Fair Value of Assets and Liabilities Measured on a Recurring Basis:	Fair Value of Assets and Liabilities Measured on a Recurring Basis:					

September 30, 2023					
Fair Value of Assets and Liabilities Measured on a Recurring Basis:					
Fair Value of Assets and Liabilities Measured on a Recurring Basis:					
March 31, 2024					
March 31, 2024					
March 31, 2024					
Assets:					
Assets:					
Assets:	Assets:				
Securities Available-for Sale:	Securities Available-for Sale:				
Securities Available-for Sale:					
Securities Available-for Sale:					
U.S. Treasuries					
U.S. Treasuries					
U.S. Treasuries					
U.S. Government & Agency Obligations	U.S. Government & Agency Obligations	$176,421	$ —	$ 176,421	$ —
State and Municipal Obligations	State and Municipal Obligations	280	—	280	—
Mortgage-Backed Securities	Mortgage-Backed Securities	341,739	—	341,739	—
Corporate and Other Debt Securities	Corporate and Other Debt Securities	800	—	800	—
Total Securities Available-for-Sale	Total Securities Available-for-Sale	519,240	—	519,240	—
Equity Securities	Equity Securities	1,960	—	1,960	—
Total Securities Measured on a Recurring Basis	Total Securities Measured on a Recurring Basis	521,200	—	521,200	—
Derivative Assets	Derivative Assets	8,860	—	8,860	—
Total Measured on a Recurring Basis	Total Measured on a Recurring Basis	$530,060	$ —	$ 530,060	$ —
Liabilities:	Liabilities:				
Derivative Liabilities	Derivative Liabilities	8,733	—	8,733	—
Derivative Liabilities					
Derivative Liabilities					
Total Measured on a Recurring Basis	Total Measured on a Recurring Basis	$ 8,733	$ —	$ 8,733	$ —
December 31, 2022					
December 31, 2023					
Assets:					
Assets:					
Assets:	Assets:				
Securities Available-for Sale:	Securities Available-for Sale:				
Securities Available-for Sale:					
Securities Available-for Sale:					
U.S. Treasuries					
U.S. Treasuries					
U.S. Treasuries					
U.S. Government & Agency Obligations	U.S. Government & Agency Obligations	$175,199	$ —	$ 175,199	$ —
State and Municipal Obligations	State and Municipal Obligations	340	—	340	—
Mortgage-Backed Securities	Mortgage-Backed Securities	397,156	—	397,156	—
Corporate and Other Debt Securities	Corporate and Other Debt Securities	800	—	800	—
Total Securities Available-for-Sale		573,495	—	573,495	—

Equity Securities	2,174	—	2,174	—

Fair Value of Assets and Liabilities Measured on a Recurring and Nonrecurring Basis

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

		Fair Value Measurements at Reporting Date Using:			
		Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value				
Total Securities Available-for-Sale					
Equity Securities					
Total Securities Measured on a Recurring Basis	Total Securities Measured on a Recurring Basis	575,669	—	575,669	—
Derivative Assets	Derivative Assets	7,506	—	7,506	—
Total Measured on a Recurring Basis	Total Measured on a Recurring Basis	$583,175	$ —	$ 583,175	$ —
Liabilities:	Liabilities:				
Derivative Liabilities	Derivative Liabilities	$ 7,506	—	$ 7,506	—
Derivative Liabilities					
Derivative Liabilities					
Total Measured on a Recurring Basis	Total Measured on a Recurring Basis	$ 7,506	$ —	$ 7,506	$ —
September 30, 2022					
March 31, 2023					
Assets:					
Assets:					
Assets:	Assets:				
Securities Available-for Sale:	Securities Available-for Sale:				
Securities Available-for Sale:					
Securities Available-for Sale:					
U.S. Government & Agency Obligations					
U.S. Government & Agency Obligations					
U.S. Government & Agency Obligations	U.S. Government & Agency Obligations	$163,965	$ —	$ 163,965	$ —
State and Municipal Obligations	State and Municipal Obligations	340	—	340	—
Mortgage-Backed Securities	Mortgage-Backed Securities	409,949	—	409,949	—
Corporate and Other Debt Securities	Corporate and Other Debt Securities	800	—	800	—
Total Securities Available-for-Sale	Total Securities Available-for-Sale	575,054	—	575,054	—

Equity Securities	Equity Securities	2,126	—	2,126	—
Total Securities Measured on a Recurring Basis	Total Securities Measured on a Recurring Basis	577,180	—	577,180	—
Derivative Assets	Derivative Assets	8,508	—	8,508	—
Total Measured on a Recurring Basis	Total Measured on a Recurring Basis	$585,688	$ —	$ 585,688	$ —
Liabilities:	Liabilities:				

Derivative Liabilities

Derivative Liabilities

Derivative Liabilities	Derivative Liabilities	8,508	—	8,508	—
Total Measured on a Recurring Basis	Total Measured on a Recurring Basis	$ 8,508	$ —	$ 8,508	$ —

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Gains (Losses) Recognized in Earnings

Fair Value	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Gains (Losses) Recognized in Earnings

Fair Value of Assets and Liabilities Measured on a Nonrecurring Basis: | Fair Value of Assets and Liabilities Measured on a Nonrecurring Basis:

September 30, 2023

March 31, 2024

March 31, 2024

March 31, 2024

Collateral Dependent Evaluated Loans

Collateral Dependent Evaluated Loans

Collateral Dependent Evaluated Loans	Collateral Dependent Evaluated Loans	$ —	$ —	$ —	$ —		$—	$ $ —	$ $ —	$ $ —	
Other Real Estate Owned and Repossessed Assets, Net	Other Real Estate Owned and Repossessed Assets, Net	526	—	—	526	—					

December 31, 2022

December 31, 2023

Collateral Dependent Impaired Loans

Collateral Dependent Impaired Loans

Collateral Dependent Impaired Loans	Collateral Dependent Impaired Loans	$ —	$ —	$ —	$ —		$—	$ $ —	$ $ —	$ $ —	
Other Real Estate Owned and Repossessed Assets, Net	Other Real Estate Owned and Repossessed Assets, Net	593	—	—	593	—					

September 30, 2022

March 31, 2023

Collateral Dependent Impaired Loans

Collateral Dependent Impaired Loans

Collateral Dependent Impaired Loans	Collateral Dependent Impaired Loans	$ —	$ —	$ —	$ —		$—	$ $ —	$ $ —	$ $ —	

Other Real Estate Owned and Repossessed Assets, Net	Other Real Estate Owned and Repossessed Assets, Net	604	—	—	604	—

The fair value of financial instruments is determined under the following hierarchy:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and,
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Fair Value Methodology for Assets and Liabilities Measured on a Recurring Basis

The fair value of Level 1 AFS securities are based on unadjusted, quoted market prices from exchanges in active markets. The fair value of Level 2 AFS securities are based on an independent bond and equity pricing service for identical assets or significantly similar securities and an independent equity pricing service for equity securities not actively traded. The pricing services use a variety of techniques to arrive at fair value including market maker bids, quotes and pricing models. Inputs to the pricing models include recent trades, benchmark interest rates, spreads and actual and projected cash flows. The fair value of Level 2 equities are based on the last observable price in open markets. The fair value of Level 2 equities are based on the last observable price in open markets. The fair value of Level 2 derivatives is determined using inputs that are observable in the market place obtained from third parties including yield curves, publicly available volatilities, and floating indexes.

Fair Value Methodology for Assets and Liabilities Measured on a Nonrecurring Basis

The fair value of collateral dependent evaluated loans and other real estate owned was based on third-party appraisals less estimated cost to sell. The appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. Other assets which might have been included in this table include mortgage servicing rights, goodwill and other intangible assets. Arrow evaluates each of these assets for impairment at least annually, with no impairment recognized for these assets at September 30, 2023March 31, 2024, December 31, 2022December 31, 2023 and September 30, 2022March 31, 2023.

Fair Value Methodology for Financial Instruments Not Measured on a Recurring or Nonrecurring Basis

The fair value for HTM securities is determined utilizing an independent bond pricing service for identical assets or significantly similar securities. The pricing service uses a variety of techniques to arrive at fair value including market maker bids, quotes and pricing models. Inputs to the pricing models include recent trades, benchmark interest rates, spreads and actual and projected cash flows.

ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities" requires that the fair value for loans must be disclosed using the "exit price" notion which is a reasonable estimate of what another party might pay in an orderly transaction. Fair values for loans are calculated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial, commercial real estate, residential mortgage, indirect auto and other consumer loans. Each loan category is further segmented into fixed and adjustable interest rate terms and by performing and nonperforming categories. The fair value of performing loans is calculated by determining the estimated future cash flow, which is the contractual cash flow adjusted for estimated prepayments. The discount rate is determined by starting with current market yields, and first adjusting for a liquidity premium. This premium is separately determined for each loan type. Then a credit loss component is determined utilizing the credit loss assumptions used in the allowance for credit loss model. Finally, a discount spread is applied separately for consumer loans vs. commercial loans based on market information and utilization of the swap curve.

The fair value of time deposits is based on the discounted value of contractual cash flows, except that the fair value is limited to the extent that the customer could redeem the certificate after imposition of a premature withdrawal penalty. The discount rates are estimated using the FHLBNY yield curve, which is considered representative of Arrow's time deposit rates. The fair value of all other deposits is equal to the carrying value.

Within borrowings, the fair value of FHLBNY term advances is calculated by the FHLBNY and the fair value of the BTFP advances was determined using a discounted cash flow against the FHLB funding curve. The carrying value of all other borrowings approximate their market value.

The carrying amount of FHLBNY and FRB stock approximates fair value. If the stock was redeemed, the Company will receive an amount equal to the par value of the stock.

The book value of the outstanding trust preferred securities (Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts) are considered to approximate fair value since the interest rates are variable (currently indexed to SOFR) and Arrow is well-capitalized.

Fair Value by Balance Sheet Grouping

The following table presents a summary of the carrying amount, the fair value (exit price) or an amount approximating fair value and the fair value hierarchy of Arrow's financial instruments:

Schedule of Fair Values by Balance Sheet Grouping

				Fair Value Hierarchy		
		Carrying Value	Fair Value	Level 1	Level 2	Level 3
September 30, 2023						
		Fair Value Hierarchy				
		Carrying Value	Fair Value	Level 1	Level 2	Level 3
March 31, 2024						
Cash and Cash Equivalents						
Cash and Cash Equivalents						
Cash and Cash Equivalents	Cash and Cash Equivalents	$ 294,739	$ 294,739	$ 294,739	$ —	$ —
Securities Available-for-Sale	Securities Available-for-Sale	519,240	519,240	—	519,240	—

Securities Held-to-Maturity	Securities Held-to-Maturity	140,577	134,811	—	134,811	—
Equity Securities	Equity Securities	1,960	1,960	—	1,960	—
Federal Home Loan Bank and Federal Reserve Bank Stock	Federal Home Loan Bank and Federal Reserve Bank Stock	5,110	5,110	—	5,110	—
Net Loans	Net Loans	3,107,505	2,867,016	—	—	2,867,016
Accrued Interest Receivable	Accrued Interest Receivable	11,163	11,163	—	11,163	—
Derivative Assets	Derivative Assets	8,860	8,860		8,860	
Deposits	Deposits	3,666,485	3,660,360	—	3,660,360	—
Borrowings	Borrowings	174,300	173,709	—	173,709	—
Borrowings						
Borrowings						
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	20,000	20,000	—	20,000	—
Accrued Interest Payable	Accrued Interest Payable	7,432	7,432	—	7,432	—
Derivative Liabilities	Derivative Liabilities	8,733	8,733	—	8,733	—
December 31, 2022						
Cash and Cash Equivalents		$ 64,660	$ 64,660	$ 64,660	$ —	$ —
Securities Available-for-Sale		573,495	573,495	—	573,495	—
Securities Held-to-Maturity		175,364	171,623	—	171,623	—
Equity Securities		2,174	2,174		2,174	
Federal Home Loan Bank and Federal Reserve Bank Stock		6,064	6,064	—	6,064	—
Net Loans		2,953,255	2,742,721	—	—	2,742,721
Accrued Interest Receivable		9,890	9,890	—	9,890	—
Derivative Assets		7,506	7,506	—	7,506	—
Deposits		3,498,364	3,492,021	—	3,492,021	—
Federal Home Loan Bank Term Advances		27,800	27,757	—	27,757	—
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts		20,000	20,000	—	20,000	—
Accrued Interest Payable		357	357	—	357	—
Derivative Liabilities		7,506	7,506	—	7,506	—
September 30, 2022						
Cash and Cash Equivalents		$ 373,429	$ 373,429	$ 373,429	$ —	$ —
Securities Available-for-Sale		575,054	575,054	—	575,054	—

Derivative Assets	12,747	12,747	12,747	12,747

Securities Held-to-Maturity	182,178	175,800	—	175,800	—
Equity Securities	2,126	2,126	—	2,126	
Federal Home Loan Bank and Federal Reserve Bank Stock	4,720	4,720	—	4,720	—
Net Loans	2,895,562	2,714,587	—	—	2,714,587
Accrued Interest Receivable	8,549	8,549	—	8,549	—
Derivative Assets	8,508	8,508	—	8,508	—
Deposits	3,795,105	3,785,960	—	3,785,960	—
Federal Home Loan Bank Term Advances	25,000	24,833	—	24,833	—
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	20,000	20,000	—	20,000	—
Accrued Interest Payable	202	202	—	202	—
Derivative Liabilities	8,508	8,508	—	8,508	—

Schedule of Fair Values by Balance Sheet Grouping

			Fair Value Hierarchy		
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
December 31, 2023					
Cash and Cash Equivalents	$ 142,536	$ 142,536	$ 142,536	$ —	$ —
Securities Available-for-Sale	497,769	497,769	—	497,769	—
Securities Held-to-Maturity	131,395	128,837	—	128,837	—
Equity Securities	1,925	1,925		1,925	
Federal Home Loan Bank and Federal Reserve Bank Stock	5,049	5,049	—	5,049	—
Net Loans	3,181,643	2,940,318	—	—	2,940,318
Accrued Interest Receivable	11,076	11,076	—	11,076	—
Derivative Assets	12,057	12,057	—	12,057	—
Deposits	3,687,566	3,683,122	—	3,683,122	—
Borrowings	26,500	26,189	—	26,189	—
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	20,000	20,000	—	20,000	—
Accrued Interest Payable	6,289	6,289	—	6,289	—
Derivative Liabilities	9,598	9,598	—	9,598	—
March 31, 2023					
Cash and Cash Equivalents	$ 203,472	$ 203,472	$ 203,472	$ —	$ —
Securities Available-for-Sale	565,693	565,693	—	565,693	—
Securities Held-to-Maturity	167,347	164,439	—	164,439	—
Equity Securities	2,070	2,070	—	2,070	
Federal Home Loan Bank and Federal Reserve Bank Stock	10,027	10,027	—	10,027	—
Net Loans	2,974,568	2,705,312	—	—	2,705,312
Accrued Interest Receivable	9,857	9,857	—	9,857	—
Derivative Assets	6,206	6,206	—	6,206	—
Deposits	3,546,349	3,540,854	—	3,540,854	—
Borrowings	107,800	107,830	—	107,830	—
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	20,000	20,000	—	20,000	—
Accrued Interest Payable	1,170	1,170	—	1,170	—
Derivative Liabilities	6,206	6,206	—	6,206	—

Note 13. LEASES (Dollars In Thousands)

Arrow is a lessee in its leases, which are mainly for financial services locations in addition to leases for corporate vehicles. These leases generally require Arrow to pay third-party expenses on behalf of the Lessor, which are referred to as variable payments. Under some leases, Arrow pays the variable payments to the lessor, and in other leases, Arrow pays the variable payments directly to the applicable third party. None of Arrow's current leases include any residual value guarantees or any subleases, and there are no significant rights and obligations of Arrow for leases that have not commenced as of the reporting date.

Arrow leases two of its branch offices, at market rates, from Stewart’s Shops Corp. Mr. Gary C. Dake, President of Stewart’s Shops Corp., serves as a Director on the Board of Directors of Arrow and its two subsidiary banks.

The following includes quantitative data related to Arrow's leases as of and for the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

			Nine Months Ended					
		Three Months Ended						Three Months Ended
Finance Lease Amounts:	**Finance Lease Amounts:**	**Classification**	September 30, 2023	September 30, 2022	**Finance Lease Amounts:**	**Classification**	March 31, 2024	March 31, 2023
Right-of-Use Assets	Right-of-Use Assets	Premises and Equipment, Net	$ 4,504	$ 4,681				
Lease Liabilities	Lease Liabilities	Finance Leases	5,080	5,131				
Operating Lease Amounts:	**Operating Lease Amounts:**							
Operating Lease Amounts:								
Operating Lease Amounts:								
Right-of-Use Assets								
Right-of-Use Assets								
Right-of-Use Assets	Right-of-Use Assets	Other Assets	$ 4,978	$ 5,889				
Lease Liabilities	Lease Liabilities	Other Liabilities	5,179	6,082				
Other Information:	**Other Information:**							
Other Information:								
Other Information:								
Cash Paid For Amounts Included In The Measurement Of Lease Liabilities:	Cash Paid For Amounts Included In The Measurement Of Lease Liabilities:							
Cash Paid For Amounts Included In The Measurement Of Lease Liabilities:								
Cash Paid For Amounts Included In The Measurement Of Lease Liabilities:								
Operating Outgoing Cash Flows From Finance Leases								
Operating Outgoing Cash Flows From Finance Leases								

Operating Outgoing Cash Flows From Finance Leases	Operating Outgoing Cash Flows From Finance Leases	$ 143	$ 145			
Operating Outgoing Cash Flows From Operating Leases	Operating Outgoing Cash Flows From Operating Leases	781	1,041			
Financing Outgoing Cash Flows From Finance Leases	Financing Outgoing Cash Flows From Finance Leases	39	38			
Right-of-Use Assets Obtained In Exchange For New Finance Lease Liabilities	Right-of-Use Assets Obtained In Exchange For New Finance Lease Liabilities	—	—			
Right-of-Use Assets Obtained In Exchange For New Operating Lease Liabilities	Right-of-Use Assets Obtained In Exchange For New Operating Lease Liabilities	19	—			
Weighted-average Remaining Lease Term - Finance Leases (Yrs.)	Weighted-average Remaining Lease Term - Finance Leases (Yrs.)	26.54	27.50	Weighted-average Remaining Lease Term - Finance Leases (Yrs.)	26.04	27.00
Weighted-average Remaining Lease Term - Operating Leases (Yrs.)	Weighted-average Remaining Lease Term - Operating Leases (Yrs.)	11.45	11.36	Weighted-average Remaining Lease Term - Operating Leases (Yrs.)	11.06	11.45
Weighted-average Discount Rate—Finance Leases	Weighted-average Discount Rate—Finance Leases	3.75 %	3.75 %	Weighted-average Discount Rate—Finance Leases	3.75 %	3.75 %

Weighted-average Discount Rate—Operating Leases	Weighted-average Discount Rate—Operating Leases	3.01 %	2.87 % Weighted-average Discount Rate—Operating Leases	3.10 %	2.97 %

Lease cost information for Arrow's leases is as follows:

Lease cost information for Arrow's leases is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022

Lease cost information for Arrow's leases is as follows:

Lease cost information for Arrow's leases is as follows:

Three Months Ended

Three Months Ended

Three Months Ended

March 31, 2024

March 31, 2024

March 31, 2024

Lease Cost:

Lease Cost:

		Three Months Ended		Nine Months Ended	
Lease Cost:	**Lease Cost:**				
Finance Lease Cost:	Finance Lease Cost:				
Finance Lease Cost:					
Finance Lease Cost:					
Reduction of Right-of-Use Assets					
Reduction of Right-of-Use Assets					
Reduction of Right-of-Use Assets	Reduction of Right-of-Use Assets	$ 44	$ 44	$ 132	$ 133
Interest on Lease Liabilities	Interest on Lease Liabilities	46	48	143	145
Interest on Lease Liabilities					
Interest on Lease Liabilities					
Operating Lease Cost					
Operating Lease Cost					
Operating Lease Cost	Operating Lease Cost	195	305	786	925
Short-term Lease Cost	Short-term Lease Cost	11	9	46	32
Short-term Lease Cost					
Short-term Lease Cost					
Variable Lease Cost					
Variable Lease Cost					
Variable Lease Cost	Variable Lease Cost	58	86	179	253
Total Lease Cost	Total Lease Cost	$ 354	$ 492	$ 1,286	$ 1,488
Total Lease Cost					
Total Lease Cost					

Future Lease Payments at September 30, 2023 are as follows:

		Operating Leases	Financing Leases
Twelve Months Ended:			
	9/30/2024	$ 733	$ 247
	9/30/2025	653	259
	9/30/2026	590	268
	9/30/2027	561	268
	9/30/2028	486	268
	Thereafter	3,212	7,063
Total Undiscounted Cash Flows		$ 6,235	$ 8,373
Less: Net Present Value Adjustment		1,056	3,293
Lease Liability		$ 5,179	$ 5,080

Future Lease Payments at March 31, 2024 are as follows:

		Operating Leases	Financing Leases
Twelve Months Ended:			
	3/31/2025	$ 720	$ 254
	3/31/2026	671	264
	3/31/2027	607	268
	3/31/2028	537	268
	3/31/2029	489	268
	Thereafter	2,967	6,929
Total Undiscounted Cash Flows		$ 5,991	$ 8,251
Less: Net Present Value Adjustment		994	3,198
Lease Liability		$ 4,997	$ 5,053

Note 14. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (In Thousands)

Arrow is exposed to certain risks arising from both its business operations and economic conditions. Arrow principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. Arrow manages economic risks, including interest rate, primarily by managing the amount, sources and duration of its assets and liabilities and through the use of derivative instruments. Specifically, Arrow enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Arrow's derivative financial instruments are used to manage differences in the amount, timing and duration of known or expected cash receipts and its known or expected cash payments principally related to certain fixed rate borrowings. Arrow also has interest rate derivatives that result from a service provided to certain qualifying customers and, therefore, are not used to manage interest rate risk in Arrow's assets or liabilities. Arrow manages Arrow's goal is to have a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions.

Derivatives Not Designated as Hedging Instruments

Arrow enters into interest rate swap agreements with its commercial customers to provide them with a long-term fixed rate, while simultaneously entering into offsetting interest rate swap agreements with a counterparty to swap the fixed rate to a variable rate to manage interest rate exposure.

These interest rate swap agreements are not designated as a hedge for accounting purposes. As the interest rate swap agreements have substantially equivalent and offsetting terms, they do not present any material exposure to Arrow's consolidated statements of income. Arrow records its interest rate swap agreements at fair value and is presented on a gross basis within other assets and other liabilities on the consolidated balance sheets. Changes in the fair value of assets and liabilities arising from these derivatives are included, net, in other income in the consolidated statement of income.

The following table depicts the fair value adjustment recorded related to the notional amount of derivatives, not designated as hedging instruments, outstanding as well as the notional amount of the interest rate swap agreements:

Derivatives Not Designated as Hedging Instruments - Interest Rate Swap Agreements

		September 30, 2023	December 31, 2022	September 30, 2022			
	March 31, 2024				March 31, 2024	December 31, 2023	March 31, 2023
Fair value adjustment included in other assets	Fair value adjustment included in other assets	$ 8,733	$ 7,506	$ 8,508			

Fair value adjustment included in other liabilities	Fair value adjustment included in other liabilities	8,733	7,506	8,508
Notional amount	Notional amount	124,350	127,763	134,406

Derivatives Designated as Hedging Instruments

Arrow entered into two pay-fixed portfolio layer method ("PLM") fair value swaps, designated as hedging instruments, with a total notional amount of $250 million and $50 million, respectively, in the third quarter of 2023. Arrow is designating the fair value swaps under the portfolio layer method ("PLM"). PLM. Under PLM, the hedged items are designated as hedged layers of a closed portfolio of financial loans that are anticipated to remain outstanding for the designated hedged period. Adjustments will be made to record the swaps at fair value on the Consolidated Balance Sheets, with changes in fair value recognized in interest income. The carrying value of the fair value swaps on the Consolidated Balance Sheets will also be adjusted through interest income, based on changes in fair value attributable to changes in the hedged risk.

The following table depicts the fair value adjustment recorded related to the notional amount of derivatives, designed as hedging instruments, outstanding as well as the notional amount of the interest rate swap agreements:

Derivatives Designated as Hedging Instruments - Fair Value Agreements

	September 30, 2023	December 31, 2022	September 30, 2022
Fair value adjustment included in other assets	$ 885	$ —	$ —
Fair value adjustment included in other liabilities	—	—	—
Notional amount	300,000	—	—

Derivatives Designated as Hedging Instruments - Fair Value Agreements

	March 31, 2024	December 31, 2023	March 31, 2023
Fair value adjustment included in other assets	$ —	$ —	$ —
Fair value adjustment included in other liabilities	1,109	5,678	—
Notional amount	300,000	300,000	—

The following table summarizes the effect of the fair value hedging relationship recognized on the unaudited interim consolidated statement of income:

Derivatives Designated as Hedging Instruments - Fair Value Agreements

	Nine Months Ended September 30, 2023	Twelve Months Ended December 31, 2022	Nine Months Ended September 30, 2022
Hedged Asset	$ (758)	$ —	$ —
Fair value derivative designated as hedging instrument	885	—	—
Total gain recognized in the consolidated statements of income with interest and fees on loans	127	—	—

Derivatives Designated as Hedging Instruments - Fair Value Agreements

	Three Months Ended March 31, 2024	Twelve Months Ended December 31, 2023	Three Months Ended March 31, 2023
Hedged Asset	$ 1,243	$ 5,849	$ —
Fair value derivative designated as hedging instrument	(1,255)	(5,828)	—
Total (loss) gain recognized in the consolidated statements of income with interest and fees on loans	(12)	21	—

The following table represents the carrying value of the portfolio layer method PLM hedged assets and the cumulative fair value hedging adjustment included in the carrying value of the hedged asset:

Derivatives Designated as Hedging Instruments - Fair Value Swap Agreements

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying Value of Portfolio Layer Method Hedged Asset	$ 299,242	$ —	$ —
Cumulative Fair Value Hedging Adjustment	(758)	—	—

Derivatives Designated as Hedging Instruments - Fair Value Swap Agreements

	March 31, 2024	December 31, 2023	March 31, 2023
Carrying Value of Portfolio Layer Method Hedged Asset	$ 301,243	$ 305,849	$ —
Cumulative Fair Value Hedging Adjustment	1,243	5,849	—

In the fourth quarter of 2023, Arrow has entered into two interest rate swaps, designated as hedging instruments, to add stability to interest expense and to manage its exposure to the variability of the future cash flows attributable to the contractually specified interest rates. The notional amounts were $100 million and $75 million, respectively. Arrow entered into pay-fixed interest rate swaps to synthetically fix the variable rate interest payments associated with $20 million in outstanding subordinated trust securities. These agreements are designated as cash flow hedges. convert rolling 90 days brokered deposits.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in Accumulated Other Comprehensive Income (AOCI) ("AOCI") and subsequently reclassified into interest expense in the same period during which the hedge transaction affects earnings.

The following table indicates the effect of cash flow hedge accounting on AOCI and on the consolidated statement of income.

Derivatives Designated as Hedging Instruments - Cash Flow Hedge Agreements

	March 31, 2024	December 31, 2023	March 31, 2023
Fair value adjustment included in other liabilities	$ 97	$ 2,710	$ —
Amount of gain (loss) recognized in AOCI	3,068	(2,553)	—
Amount of gain reclassified from AOCI interest expense	455	157	—

In addition, Arrow has entered into interest rate swaps to synthetically fix the variable rate interest payments associated with $20 million in outstanding subordinated trust securities. These agreements are designated as cash flow hedges.

For derivatives that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in AOCI and subsequently reclassified into interest expense in the same period during which the hedge transaction affects earnings. Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on Arrow's Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts borrowings.

The following table indicates the effect of cash flow hedge accounting on AOCI and on the unaudited interim consolidated statement of income:

Derivatives Designated as Hedging Instruments - Cash Flow Hedge Agreements

	Nine Months Ended September 30, 2023	Twelve Months Ended December 31, 2022	Nine Months Ended September 30, 2022
Amount of (loss) gain recognized in AOCI	$ 125	$ 3,467	$ 3,737
Amount of (loss) gain reclassified from AOCI to interest expense	(660)	(204)	(57)

income.

Note 15. RELATED PARTY TRANSACTIONS

Derivatives Designated as Hedging Instruments - Cash Flow Hedge Agreements

	Three Months Ended March 31, 2024	Twelve Months Ended December 31, 2023	Three Months Ended March 31, 2023
Fair value adjustment included in other assets	$ 5,393	$ 4,998	$ 4,843
Amount of gain (loss) recognized in AOCI	$ 153	$ (1,355)	$ (800)
Amount of loss reclassified from AOCI to interest expense	(242)	(907)	(198)

A member of the GFNB Board of Directors, is the Chief Executive Officer of the general contractor leading the multi-year renovation project to enhance and improve the downtown Glens Falls Main Campus. The recently completed reconstruction provides added energy efficiency and more collaborative work space. Through September 30, 2023, Arrow paid $2.70 million to this general contractor. GFNB is a subsidiary of Arrow.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Arrow Financial Corporation:

Results of Review of Interim Financial Information

We have reviewed the consolidated balance sheets of Arrow Financial Corporation and subsidiaries (the Company) as of September 30, 2023 and 2022, the related consolidated statements of income, comprehensive income, and changes in stockholders' equity and cash flows for the three-month and nine-month periods ended September 30, 2023 and 2022, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2022, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated July 17, 2023, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2022, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP

Albany, New York

November 9, 2023

Item 2.

ARROW FINANCIAL CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
September 30, 2023 March 31, 2024

NOTE ON TERMINOLOGY

In this Report, the terms "Arrow," "the registrant," "the Company," "we," "us," and "our" generally refer to Arrow Financial Corporation and its subsidiaries as a group, except where the context indicates otherwise. At certain points in this Report, Arrow's performance is compared with that of the Company's "peer group" of financial institutions. Unless otherwise specifically stated, the peer group for the purposes of this Report is comprised of the group of 176 180 domestic bank holding companies with $3 to $10 billion in total consolidated assets as identified in the Federal Reserve Board's FRB's "Bank Holding Company Performance Report" for June 30, 2023 December 31, 2023 (the most recent such report currently available), and peer group data contained herein has been derived from such report.

THE COMPANY AND ITS SUBSIDIARIES

Arrow is a two-bank holding company headquartered in Glens Falls, New York. The banking subsidiaries are GFNB, whose main office is located in Glens Falls, New York, and SNB, whose main office is located in Saratoga Springs, New York. Active subsidiaries of GFNB include Upstate Agency, LLC (an insurance agency that sells property and casualty insurance and also specializes in selling and servicing group health care policies and life insurance), North Country Investment Advisers, Inc. (a registered investment adviser that provides investment advice to Arrow's proprietary mutual funds) and Arrow Properties, Inc. (a real estate investment trust, or REIT). Arrow also owns directly two subsidiary business trusts, organized in 2003 and 2004, which issued trust preferred securities (TRUPs), which are still outstanding.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Report") contains statements that are not historical in nature but rather are based on Arrow's beliefs, assumptions, expectations, estimates and projections about the future. These statements are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and involve a degree of uncertainty and attendant risk. Words such as "may," "will," "expect," "believe," "anticipate," "estimate," "continue," and variations of such words and similar expressions are intended to identify such forward-looking statements. Examples of forward-looking statements include statements regarding Arrow's asset quality, the level of allowance for credit losses, the sufficiency of liquidity sources, interest rate change exposure, changes in accounting standards, and Arrow's tax plans and strategies. Some of these statements, such as those included in the interest rate sensitivity analysis in Part I, Item 3, entitled "Quantitative and Qualitative Disclosures About Market Risk," are merely presentations of what future performance or changes in future performance would look like based on hypothetical assumptions and on simulation models. Other forward-looking statements are based on Arrow's general perceptions of market conditions and trends in business activity, both Arrow's and in the banking industry generally, as well as current management strategies for future operations and development.

These forward-looking statements may not be exhaustive, are not guarantees of future performance and involve certain risks and uncertainties that are difficult to quantify or, in some cases, to identify. You should not place undue reliance on any such forward-looking statements. In the case of all forward-looking statements, our actual outcomes and results may differ materially from what the statements predict or forecast. Factors that could cause or contribute to such differences include, but are not limited to the following:

- Market conditions could present significant challenges to the U.S. commercial banking industry and its core business of making and servicing loans and any substantial downturn in the regional markets in which Arrow operates or in the U.S. economy generally could adversely affect Arrow's ability to maintain steady growth in the loan portfolio and earnings.
- A continued period of high inflation could adversely impact our business and our customers.
- Arrow operates in a highly competitive industry and market areas that could negatively affect growth and profitability.
- Uncertainty relating to the discontinuance of LIBOR and other reference rates and their potential discontinuance may negatively impact our access to funding and the value of our financial instruments and commercial agreements.
- The financial services industry is faced with technological advances and changes on a continuing basis, and failure to adapt to these advances and changes could have a material adverse impact on Arrow's business.
- Problems encountered by other financial institutions could adversely affect Arrow.
- Any future economic or financial downturn, including any significant correction in the equity markets, may negatively affect the volume of income attributable to, and demand for, fee-based services of banks such as Arrow, including the Company's fiduciary business, which could negatively impact Arrow's financial condition and results of operations.
- Potential complications with the implementation of our new core banking system could adversely impact our business and operations.
- Arrow faces continuing and growing security risks to its information base including the information maintained relating to customers, and any breaches in the security systems implemented to protect this information could have a material negative effect on Arrow's business operations and financial condition.
- Business could suffer if Arrow loses key personnel unexpectedly or if employee wages increase significantly.
- COVID-19 or other health emergencies may adversely affect Arrow's business activities, financial condition and results of operations.
- Arrow is subject to interest rate risk, which could adversely affect profitability.
- Arrow could recognize losses on securities held in our securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.

- Arrow's allowance for possible credit losses may be insufficient, and an increase in the allowance would reduce earnings.
- Arrow's financial condition and the results of its operations could be negatively impacted by liquidity management.
- The increasing complexity of Arrow's operations presents varied risks that could affect earnings and financial condition.

- We have identified material weaknesses in our internal control over financial reporting which could, if not remediated, result in a material misstatement of our financial statements.
- The Company relies on the operations of its banking subsidiaries to provide liquidity, which, if limited, could impact Arrow's ability to pay dividends to its shareholders or to repurchase its common stock.
- Capital and liquidity standards require banks and bank holding companies to maintain more and higher quality capital and greater liquidity than has historically been the case.
- Federal banking statutes and regulations could change in the future, which may adversely affect Arrow.
- Non-compliance with the Patriot Act, Bank Secrecy Act, or other anti-money laundering laws and regulations could result in fines or sanctions and restrictions on conducting acquisitions or establishing new branches.
- Arrow, through its banking subsidiaries, is subject to the CRA Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to material penalties.
- Disruption in the continuity, timing and effectiveness of the recent transition in executive management could adversely affect Arrow's business activities, financial conditional and results of operations.

Arrow is under no duty to update any of the forward-looking statements after the date of this Report to conform such statements to actual results. All forward-looking statements, express or implied, included in this Report and the documents incorporated by reference and that are attributable to Arrow are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that Arrow or any persons acting on its behalf may issue. This Report should be read in conjunction with the 2022 2023 Form 10-K and our other filings with the SEC.

USE OF NON-GAAP FINANCIAL MEASURES

The SEC has adopted Regulation G, which applies to certain public disclosures, including earnings releases, made by registered companies that contain "non-GAAP financial measures." GAAP is generally accepted accounting principles in the United States of America. Under Regulation G, companies making public disclosures containing non-GAAP financial measures must also disclose, along with each non-GAAP financial measure, certain additional information, including a reconciliation of the non-GAAP financial measure to the closest comparable GAAP financial measure and a statement of Arrow's reasons for utilizing the non-GAAP financial measure as part of its financial disclosures. The SEC has exempted from the definition of "non-GAAP financial measures" certain commonly used financial measures that are not based on GAAP. When these exempted measures are included in public disclosures, supplemental information is not required. The following measures used in this Report, which are commonly utilized by financial institutions, have not been specifically exempted by the SEC and may constitute "non-GAAP financial measures" within the meaning of the SEC's rules, although Arrow is unable to state with certainty that the SEC would so regard them.

Tax-Equivalent Net Interest Income and Net Interest Margin: Net interest income, as a component of the tabular presentation by financial institutions of Selected Financial Information regarding their recently completed operations, as well as disclosures based on that tabular presentation, is commonly presented on a tax-equivalent basis. That is, to the extent that some component of the institution's net interest income, which is presented on a before-tax basis, is exempt from taxation (e.g., is received by the institution as a result of its holdings of state or municipal obligations), an amount equal to the tax benefit derived from that component is added to the actual before-tax net interest income total. This adjustment is considered helpful in comparing one financial institution's net interest income to that of another institution or in analyzing any institution's net interest income trend line over time, to correct any analytical distortion that might otherwise arise from the fact that financial institutions vary widely in the proportions of their portfolios that are invested in tax-exempt securities, and from the fact that even a single institution may significantly alter over time the proportion of its own portfolio that is invested in tax-exempt obligations. Moreover, net interest income is itself a component of a second financial measure commonly used by financial institutions, net interest margin, which is the ratio of net interest income to average earning assets. For purposes of this measure as well, tax-equivalent net interest income is generally used by financial institutions, again to provide a better basis of comparison from institution to institution and to better demonstrate a single institution's performance over time. Arrow follows these practices.

The Efficiency Ratio: Financial institutions often use an "efficiency ratio" as a measure of expense control. The efficiency ratio typically is defined as the ratio of non-interest expense to net interest income and non-interest income. Net interest income as utilized in calculating the efficiency ratio is typically the same as the net interest income presented in Selected Financial Information table discussed in the preceding paragraph, i.e., it is expressed on a tax-equivalent basis. Moreover, many financial institutions, in calculating the efficiency ratio, also adjust both non-interest expense and non-interest income to exclude from these items (as calculated under GAAP) certain recurring component elements of income and expense, such as intangible asset amortization (which is included in non-interest expense under GAAP but may be excluded therefrom for purposes of calculating the efficiency ratio) and securities gains or losses (which are reflected in the calculation of non-interest income under GAAP but may be excluded therefrom for purposes of calculating the efficiency ratio). Arrow makes these adjustments.

Tangible Book Value per Share: Tangible equity is total stockholders' equity less intangible assets. Tangible book value per share is tangible equity divided by total shares issued and outstanding. Tangible book value per share is often regarded as a more meaningful comparative ratio than book value per share as calculated under GAAP, that is, total stockholders' equity including intangible assets divided by total shares issued and outstanding. Intangible assets include many items, but in Arrow's case, essentially represents goodwill.

Adjustments for Certain Items of Income or Expense: In addition to our regular utilization in our public filings and disclosures of the various non-GAAP measures commonly utilized by financial institutions discussed above, Arrow may also elect from time to time, in connection with our presentation of various financial measures prepared in accordance with GAAP, such as net income, EPS, return on average assets (ROA), and return on average equity (ROE), to provide as well certain comparative disclosures that adjust these GAAP financial measures, typically by removing them from the impact of certain transactions or other material items of income or expense that are unusual or unlikely to be repeated. Arrow will do so only if it believes that provision of the resulting non-GAAP financial measures may improve the average investor's understanding of our results of operations by separating out items that have a disproportional positive or negative impact on the particular period in question or by otherwise permitting a better comparison from period-to-period in our results of operations with respect to our fundamental lines of business, including the commercial banking business.

Arrow believes that the non-GAAP financial measures disclosed from time-to-time are useful in evaluating our performance and that such information should be considered as supplemental in nature, and not as a substitute for, or superior to, the related financial information prepared in accordance with GAAP. Non-GAAP financial measures may differ from similar measures presented by other companies.

Arrow Financial Corporation
Selected Quarterly Information
(Dollars In Thousands, Except Per Share Amounts - Unaudited)

Quarter Ended	Quarter Ended	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022	Quarter Ended	3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023

Net Income	Net Income	$ 7,743	$ 6,047	$ 8,562	$ 12,087	$ 12,163
Transactions in Net Income (Net of Tax):	**Transactions in Net Income (Net of Tax):**					**Transactions in Net Income (Net of Tax):**
Net Changes in Fair Value of Equity Investments	Net Changes in Fair Value of Equity Investments	52	(133)	(76)	35	70
Net Changes in Fair Value of Equity Investments						
Net Changes in Fair Value of Equity Investments						
Share and Per Share Data:[1]						
Share and Per Share Data:[1]						
Share and Per Share Data:[1]	**Share and Per Share Data:**[1]					
Period End Shares Outstanding	Period End Shares Outstanding	17,049	17,050	17,050	17,048	17,019
Basic Average Shares Outstanding	Basic Average Shares Outstanding	17,050	17,050	17,048	17,031	17,007
Diluted Average Shares Outstanding	Diluted Average Shares Outstanding	17,050	17,050	17,060	17,087	17,054
Basic Earnings Per Share	Basic Earnings Per Share	$ 0.46	$ 0.35	$ 0.50	$ 0.71	$ 0.72
Diluted Earnings Per Share	Diluted Earnings Per Share	0.46	0.35	0.50	0.71	0.72
Cash Dividend Per Share	Cash Dividend Per Share	0.262	0.262	0.262	0.262	0.255
Selected Quarterly Average Balances:						
Selected Quarterly Average Balances:						
Selected Quarterly Average Balances:	**Selected Quarterly Average Balances:**					
Interest-bearing Deposits at Banks	Interest-bearing Deposits at Banks	$ 131,814	$ 130,057	$ 40,436	$ 143,499	$ 209,001
Investment Securities	Investment Securities	745,693	787,175	813,461	845,859	821,052
Loans	Loans	3,096,240	3,036,410	2,991,928	2,951,547	2,872,066
Deposits	Deposits	3,491,028	3,460,711	3,480,279	3,614,945	3,598,519

Other Borrowed Funds	Other Borrowed Funds	208,527	220,616	100,596	63,304	50,125						
Stockholders' Equity	Stockholders' Equity	362,701	365,070	359,556	351,402	361,675						
Total Assets	Total Assets	4,109,995	4,087,653	3,978,851	4,074,028	4,047,738						
Return on Average Assets, annualized	Return on Average Assets, annualized	0.75 %	0.59 %	0.87 %	1.18 %	1.19 %	Return on Average Assets, annualized	0.73 %	0.74 %	0.75 %	0.59 %	0.87 %
Return on Average Equity, annualized	Return on Average Equity, annualized	8.47 %	6.64 %	9.66 %	13.65 %	13.34 %	Return on Average Equity, annualized	8.12 %	8.42 %	8.47 %	6.64 %	9.66 %
Return on Average Tangible Equity, annualized 2	Return on Average Tangible Equity, annualized 2	9.05 %	7.10 %	10.33 %	14.62 %	14.27 %	Return on Average Tangible Equity, annualized 2	8.64 %	8.99 %	9.05 %	7.10 %	10.33 %
Average Earning Assets	Average Earning Assets	$3,973,747	$3,953,642	$3,845,825	$3,940,905	$3,902,119						
Average Paying Liabilities	Average Paying Liabilities	2,920,518	2,924,743	2,782,299	2,891,092	2,781,985						
Interest Income	Interest Income	42,117	40,013	36,110	35,904	34,207						
Tax-Equivalent Adjustment 3	Tax-Equivalent Adjustment 3	183	196	202	279	268						
Interest Income, Tax-Equivalent 3	Interest Income, Tax-Equivalent 3	42,300	40,209	36,312	36,183	34,475						
Interest Expense	Interest Expense	16,764	14,241	8,016	5,325	3,306						
Net Interest Income	Net Interest Income	25,353	25,772	28,094	30,579	30,901						
Net Interest Income, Tax-Equivalent 3	Net Interest Income, Tax-Equivalent 3	25,536	25,968	28,296	30,858	31,169						
Net Interest Margin, annualized	Net Interest Margin, annualized	2.53 %	2.61 %	2.96 %	3.08 %	3.14 %	Net Interest Margin, annualized	2.60 %	2.53 %	2.53 %	2.61 %	2.96 %
Net Interest Margin, Tax Equivalent, annualized 3	Net Interest Margin, Tax Equivalent, annualized 3	2.55 %	2.63 %	2.98 %	3.11 %	3.17 %	Net Interest Margin, Tax Equivalent, annualized 3	2.62 %	2.55 %	2.55 %	2.63 %	2.98 %
Efficiency Ratio Calculation: 4	**Efficiency Ratio Calculation: 4**											
Efficiency Ratio Calculation: 4												
Efficiency Ratio Calculation: 4												
Non-Interest Expense	Non-Interest Expense	$ 23,479	$ 24,083	$ 22,296	$ 20,792	$ 21,448						

REFINITIV

Less: Intangible Asset Amortization	Less: Intangible Asset Amortization	43	44	45	47	48						
Net Non-Interest Expense	Net Non-Interest Expense	$ 23,436	$ 24,039	$ 22,251	$ 20,745	$ 21,400						
Net Interest Income, Tax-Equivalent [3]	Net Interest Income, Tax-Equivalent [3]	$ 25,536	$ 25,968	$ 28,296	$ 30,858	$ 31,169						
Non-Interest Income	Non-Interest Income	8,050	6,906	6,677	7,165	7,827						
Less: Net Changes in Fair Value of Equity Invest.	Less: Net Changes in Fair Value of Equity Invest.	71	(181)	(104)	48	95						
Less: Net Changes in Fair Value of Equity Invest.												
Less: Net Changes in Fair Value of Equity Invest.												
Net Gross Income	Net Gross Income	$ 33,515	$ 33,055	$ 35,077	$ 37,975	$ 38,901						
Efficiency Ratio [4]	Efficiency Ratio [4]	69.93 %	72.72 %	63.43 %	54.63 %	55.01 %	Efficiency Ratio [4]	69.54 %	69.81 %	69.93 %	72.72 %	63.43 %
Period-End Capital Information:												
Period-End Capital Information:												
Period-End Capital Information:	**Period-End Capital Information:**											
Total Stockholders' Equity (i.e. Book Value)	Total Stockholders' Equity (i.e. Book Value)	$ 360,014	$ 361,443	$ 363,371	$ 353,538	$ 345,550						
Book Value per Share [1]	Book Value per Share [1]	21.12	21.20	21.31	20.74	20.30						
Goodwill and Other Intangible Assets, net	Goodwill and Other Intangible Assets, net	23,078	23,175	23,273	23,373	23,477						
Tangible Book Value per Share [1,2]	Tangible Book Value per Share [1,2]	19.76	19.84	19.95	19.37	18.92						
Capital Ratios:[5]	**Capital Ratios:**[5]											
Capital Ratios:[5]												
Capital Ratios:[5]												
Tier 1 Leverage Ratio												
Tier 1 Leverage Ratio												
Tier 1 Leverage Ratio	Tier 1 Leverage Ratio	9.94 %	9.92 %	10.13 %	9.80 %	9.71 %		9.63 %	9.84 %	9.94 %	9.92 %	10.13 %
Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital Ratio	13.17 %	13.27 %	13.34 %	13.32 %	13.14 %	Common Equity Tier 1 Capital Ratio	12.84 %	13.00 %	13.17 %	13.27 %	13.34 %

Tier 1 Risk-Based Capital Ratio	Tier 1 Risk-Based Capital Ratio	13.84 %	13.96 %	14.03 %	14.01 %	13.85 %	Tier 1 Risk-Based Capital Ratio	13.50 %	13.66 %	13.84 %	13.96 %	14.03 %
Total Risk-Based Capital Ratio	Total Risk-Based Capital Ratio	14.94 %	15.08 %	15.15 %	15.11 %	14.93 %	Total Risk-Based Capital Ratio	14.57 %	14.74 %	14.94 %	15.08 %	15.15 %
Assets Under Trust Admin. & Investment Mgmt.	**Assets Under Trust Admin. & Investment Mgmt.**	$1,627,522	$1,711,460	$1,672,117	$1,606,132	$1,515,994						
Assets Under Trust Admin. & Investment Mgmt.												
Assets Under Trust Admin. & Investment Mgmt.												

Arrow Financial Corporation
Selected Quarterly Information - Continued
(Dollars In Thousands, Except Per Share Amounts - Unaudited)

Footnotes: **Footnotes:**

1. 1. Share and Per Share Data have been restated for the September 26, 2023, 3% stock dividend.

1.

1. Share and Per Share Data have been restated for the September 26, 202 dividend.

2. 2. Non-GAAP Financial Measures Reconciliation: Tangible Book Value, Tangible Equity and Return on Tangible Equity exclude goodwill and other intangible assets, net from total equity. These are non-GAAP financial measures which Arrow believes provide investors with information that is useful in understanding our financial performance. See "Use of Non-GAAP Financial Measures" on page 51.

2.

2. Non-GAAP Financial Measures Reconciliation: Tangible Book Value, Tang Return on Tangible Equity exclude goodwill and other intangible assets equity. These are non-GAAP financial measures which Arrow believes p with information that is useful in understanding our financial performanc Non-GAAP Financial Measures" on page 46.

	3/31/2024	3/31/2024	12/31/2023
Total Stockholders' Equity (GAAP)			
Less: Goodwill and Other Intangible assets, net			
Tangible Equity (Non-GAAP)			

	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
Total Stockholders' Equity (GAAP)	$ 360,014	$ 361,443	$ 363,371	$ 353,538	$ 345,550
Less: Goodwill and Other Intangible assets, net	23,078	23,175	23,273	23,373	23,477
Tangible Equity (Non-GAAP)	$ 336,936	$ 338,268	$ 340,098	$ 330,165	$ 322,073
Period End Shares Outstanding	17,049	17,050	17,050	17,048	17,019
Tangible Book Value per Share (Non-GAAP)	$ 19.76	$ 19.84	$ 19.95	$ 19.37	$ 18.92
Net Income	7,743	6,047	8,562	12,087	12,163

Return on Average Tangible Equity (Net Income/Tangible Equity - Annualized)	9.05 %	7.10 %	10.33 %	14.62 %	14.27 %

Period End Shares Outstanding

Period End Shares Outstanding

Period End Shares Outstanding

Tangible Book Value per Share (Non-GAAP)

Net Income

Return on Average Tangible Equity (Net Income/Tangible Equity - Annualized)

Return on Average Tangible Equity (Net Income/Tangible Equity - Annualized)	8.64 %	8.99 %

3\.

3\. Non-GAAP Financial Measures Reconciliation: Net Interest Margin, Tax-Equivalent is the ratio of our annualized tax-equivalent net interest income to average earning assets. This is also a non-GAAP financial measure which Arrow believes provides investors with information that is useful in understanding our financial performance. See "Use of Non-GAAP Financial Measures" on page 51.

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Non-GAAP Financial Measures Reconciliation: Net Interest Margin, Tax-E ratio of our annualized tax-equivalent net interest income to average earn is also a non-GAAP financial measure which Arrow believes provides information that is useful in understanding our financial performance. Se GAAP Financial Measures" on page 46.

3/31/2024

	3/31/2024	12/31/2023
Interest Income (GAAP)		
Add: Tax-Equivalent adjustment (Non-GAAP)		
Interest Income - Tax Equivalent (Non-GAAP)		
Net Interest Income (GAAP)		
Add: Tax-Equivalent adjustment (Non-GAAP)		
Net Interest Income - Tax Equivalent (Non-GAAP)		
Average Earning Assets		
Net Interest Margin (Non-GAAP)*	2.62 %	2.55 %

	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
Interest Income (GAAP)	$ 42,117	$ 40,013	$ 36,110	$ 35,904	$ 34,207

Add: Tax-Equivalent adjustment (Non-GAAP)	183	196	202	279	268
Interest Income - Tax Equivalent (Non-GAAP)	$ 42,300	$ 40,209	$ 36,312	$ 36,183	$ 34,475
Net Interest Income (GAAP)	$ 25,353	$ 25,772	$ 28,094	$ 30,579	$ 30,901
Add: Tax-Equivalent adjustment (Non-GAAP)	183	196	202	279	268
Net Interest Income - Tax Equivalent (Non-GAAP)	$ 25,536	$ 25,968	$ 28,296	$ 30,858	$ 31,169
Average Earning Assets	$ 3,973,747	$3,953,642	$3,845,825	$3,940,905	$3,902,119
Net Interest Margin (Non-GAAP)*	2.55 %	2.63 %	2.98 %	3.11 %	3.17 %

4.

4.

4. 4. Non-GAAP Financial Measures: Financial Institutions often use the "efficiency ratio", a non-GAAP ratio, as a measure of expense control. Arrow believes that the efficiency ratio provides investors with information that is useful in understanding our financial performance. Arrow defines efficiency ratio as the ratio of our non-interest expense to our net gross income (which equals tax-equivalent net interest income plus non-interest income, as adjusted). There is no GAAP financial measure that is closely comparable to the efficiency ratio. See "Use of Non-GAAP Financial Measures" on page 51.

Non-GAAP Financial Measures: Financial Institutions often use the "effici non-GAAP ratio, as a measure of expense control. Arrow believes that t ratio provides investors with information that is useful in understanding performance. Arrow defines efficiency ratio as the ratio of our non-interes our net gross income (which equals tax-equivalent net interest incon interest income, as adjusted). There is no GAAP financial measure th comparable to the efficiency ratio. See "Use of Non-GAAP Financial M page 46.

5. 5. For the current quarter, all of the regulatory capital ratios as well as the Total Risk-Weighted Assets are calculated in accordance with bank regulatory capital rules. The September 30, 2023 CET1 ratio listed in the tables (i.e., 13.17%) exceeds the sum of the required minimum CET1 ratio plus the fully phased-in Capital Conservation Buffer (i.e., 7.00%).

5.

5. For the current quarter, all of the regulatory capital ratios as well as Weighted Assets are calculated in accordance with bank regulatory ca March 31, 2024 CET1 ratio listed in the tables (i.e., 12.84%) exceeds required minimum CET1 ratio plus the fully phased-in Capital Conserva 7.00%).

	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
Total Risk Weighted Assets	$ 2,988,438	$2,937,837	$2,909,610	$2,883,902	$2,856,224
Common Equity Tier 1 Capital	393,541	389,966	388,228	384,003	375,394
Common Equity Tier 1 Capital Ratio	13.17 %	13.27 %	13.34 %	13.32 %	13.14 %

Total Risk Weighted Assets

Total Risk Weighted Assets

Total Risk Weighted Assets

Common Equity Tier 1 Capital

Common Equity Tier 1 Capital Ratio

	3/31/2024	12/31/2023	9/30
Common Equity Tier 1 Capital Ratio	12.84 %	13.00 %	

* Quarterly ratios have been annualized.

* Quarterly ratios have been annualized.

* Quarterly ratios have been annualized.

* Quarterly ratios have been annualized.

Arrow Financial Corporation

Selected Year-to-Date Information

(Dollars In Thousands, Except Per Share Amounts- Unaudited)

Nine Months Ended	9/30/2023	9/30/2022
Net Income	$ 22,352	$ 36,712
Transactions Recorded in Net Income (Net of Tax):		
Net Changes in Fair Value of Equity Investments	(157)	281
Share and Per Share Data: [1]		
Period End Shares Outstanding	17,049	17,019
Basic Average Shares Outstanding	17,049	17,001
Diluted Average Shares Outstanding	17,049	17,050
Basic Earnings Per Share	$ 1.31	$ 2.16
Diluted Earnings Per Share	1.31	2.15
Cash Dividend Per Share	0.79	0.76
Selected Year-to-Date Average Balances:		
Interest-bearing Deposits at Banks	$ 101,104	$ 289,681
Investment Securities	781,862	813,590
Loans	3,041,909	2,785,721
Deposits	3,477,379	3,583,570
Borrowings	176,975	56,219
Stockholders' Equity	362,454	363,024
Total Assets	4,059,314	4,038,533
Return on Average Assets, annualized	0.74 %	1.22 %
Return on Average Equity, annualized	8.25 %	13.52 %
Return on Average Tangible Equity, annualized [2]	8.81 %	14.46 %
Average Earning Assets	3,924,875	3,888,992
Average Paying Liabilities	2,876,360	2,815,115
Interest Income	118,240	93,747
Tax-Equivalent Adjustment [3]	581	807
Interest Income, Tax-Equivalent [3]	118,821	94,554
Interest Expense	39,021	5,983
Net Interest Income	79,219	87,764
Net Interest Income, Tax-Equivalent [3]	79,800	88,571
Net Interest Margin, annualized	2.70 %	3.02 %
Net Interest Margin, Tax Equivalent, annualized [3]	2.72 %	3.04 %
Efficiency Ratio Calculation: [4]		
Noninterest Expense	$ 69,858	$ 60,738
Less: Intangible Asset Amortization	133	144
Net Noninterest Expense	69,725	60,594
Net Interest Income, Tax-Equivalent [3]	79,800	88,571
Noninterest Income	21,633	23,733
Less: Net Changes in Fair Value of Equity Securities	(214)	379
Net Gross Income	101,647	111,925
Efficiency Ratio [4]	68.60 %	54.14 %

Arrow Financial Corporation

Selected Year-to-Date Information - Continued

(Dollars In Thousands, Except Per Share Amounts- Unaudited)

Footnotes:

1. Share and Per Share Data have been restated for the September 26, 2023, 3% stock dividend.

2. Tangible Book Value, Tangible Equity and Return on Tangible Equity exclude goodwill and other intangible assets, net from total equity. These are non-GAAP financial measures which Arrow believes provide investors with information that is useful in understanding our financial performance. See "Use of Non-GAAP Financial Measures" on page 51.

	9/30/2023	9/30/2022
Total Stockholders' Equity (GAAP)	$ 360,014	$ 345,550
Less: Goodwill and Other Intangible assets, net	23,078	23,477
Tangible Equity (Non-GAAP)	$ 336,936	$ 322,073
Period End Shares Outstanding	17,049	17,019
Tangible Book Value per Share (Non-GAAP)	$ 19.76	$ 18.92
Net Income	22,352	36,712
Return on Average Tangible Equity (Net Income/Tangible Equity - Annualized)	8.81 %	14.46 %

3. Net Interest Margin is the ratio of our annualized tax-equivalent net interest income to average earning assets. This is also a non-GAAP financial measure which Arrow believes provides investors with information that is useful in understanding our financial performance. See "Use of Non-GAAP Financial Measures" on page 51.

	9/30/2023	9/30/2022
Interest Income (GAAP)	$ 118,240	$ 93,747
Add: Tax-Equivalent adjustment (Non-GAAP)	580	807
Interest Income - Tax Equivalent (Non-GAAP)	$ 118,820	$ 94,554
Net Interest Income (GAAP)	79,219	87,764
Add: Tax-Equivalent adjustment (Non-GAAP)	580	807
Net Interest Income - Tax Equivalent (Non-GAAP)	$ 79,799	$ 88,571
Average Earning Assets	$ 3,924,875	$ 3,888,992
Net Interest Margin (Non-GAAP)*	2.72 %	3.04 %

4. Financial Institutions often use the "efficiency ratio", a non-GAAP ratio, as a measure of expense control. Arrow believes the efficiency ratio provides investors with information that is useful in understanding financial performance. The efficiency ratio is defined as the ratio of our non-interest expense to our net gross income (which equals our tax-equivalent net interest income plus non-interest income, as adjusted). See "Use of Non-GAAP Financial Measures" on page 51.

* Year-to-date ratios have been annualized.

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Average Consolidated Balance Sheets and Net Interest Income Analysis

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Three Months Ended September 30:		2023			2022		
(Dollars In Thousands)							
			Interest	Rate		Interest	Rate
(Dollars In Thousands)							
		Average	Income/	Earned/	Average	Income/	Earned/
		Balance	Expense	Paid	Balance	Expense	Paid

Three Months Ended March 31:
Three Months Ended March 31:

Three Months Ended March 31:	2024			2023		
Interest		Interest	Rate		Interest	Rate
Average	Average	Income/	Earned/	Average	Income/	Earned/
Balance	Balance	Expense	Paid	Balance	Expense	Paid

Interest-Bearing Deposits at Banks	Interest-Bearing Deposits at Banks	$ 131,814	$ 1,805	5.43 %	$ 209,001	$ 1,201	2.28
Investment Securities:	Investment Securities:						
Fully Taxable							
Fully Taxable							
Fully Taxable	Fully Taxable	616,020	2,924	1.88	651,899	2,603	1.58
Exempt from Federal Taxes	Exempt from Federal Taxes	129,673	689	2.11	169,153	785	1.84
Loans	Loans	3,096,240	36,699	4.70	2,872,066	29,618	4.09

Total Earning Assets	Total Earning Assets	3,973,747	42,117	4.20	3,902,119	34,207	3.48
Allowance for Credit Losses	Allowance for Credit Losses	(31,386)			(28,006)		
Cash and Due From Banks	Cash and Due From Banks	32,874			32,475		
Cash and Due From Banks							
Cash and Due From Banks							
Other Assets							
Other Assets							
Other Assets	Other Assets	134,760			141,150		
Total Assets	Total Assets	$4,109,995			$4,047,738		
Total Assets							
Total Assets							
Deposits:	Deposits:						
Deposits:							
Deposits:							
Interest-Bearing Checking Accounts							
Interest-Bearing Checking Accounts							
Interest-Bearing Checking Accounts	Interest-Bearing Checking Accounts	$ 795,627	1,156	0.58	$ 996,116	267	0.11
Savings Deposits	Savings Deposits	1,505,916	9,729	2.56	1,549,451	2,469	0.63
Time Deposits of $250,000 or More	Time Deposits of $250,000 or More	152,738	1,466	3.81	49,459	89	0.71
Other Time Deposits	Other Time Deposits	257,710	2,051	3.16	136,834	150	0.43
Total Interest-Bearing Deposits	Total Interest-Bearing Deposits	2,711,991	14,402	2.11	2,731,860	2,975	0.43
Borrowings	Borrowings	183,452	2,143	4.63	—	—	
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	20,000	173	3.43	45,000	283	2.50
Finance Leases	Finance Leases	5,075	46	3.60	5,125	48	3.72
Total Interest-bearing Liabilities	Total Interest-bearing Liabilities	2,920,518	16,764	2.28	2,781,985	3,306	0.47
Noninterest-bearing deposits	Noninterest-bearing deposits	779,037			866,659		
Other Liabilities	Other Liabilities	47,739			37,419		
Other Liabilities							
Other Liabilities							

Total Liabilities

Total Liabilities

Total Liabilities	Total Liabilities	3,747,294		3,686,063			
Stockholders' Equity	Stockholders' Equity	362,701		361,675			

Stockholders' Equity

Stockholders' Equity

Total Liabilities and Stockholders' Equity

Total Liabilities and Stockholders' Equity

Total Liabilities and Stockholders' Equity	Total Liabilities and Stockholders' Equity	$4,109,995		$4,047,738			
Net Interest Income	Net Interest Income		$ 25,353		$30,901		

Net Interest Income

Net Interest Income

Net Interest Spread

Net Interest Spread

Net Interest Spread	Net Interest Spread		1.92 %		3.01 %	1.98 %	2.64 %
Net Interest Margin	Net Interest Margin		2.53 %		3.14 % Net Interest Margin	2.60 %	2.96 %

Average Consolidated Balance Sheets and Net Interest Income Analysis

(GAAP Basis)

(Dollars In Thousands)

Nine Months Ended September 30:	2023			2022		
	Average Balance	Interest Income/ Expense	Rate Earned/ Paid	Average Balance	Interest Income/ Expense	Rate Earned/ Paid
Interest-Bearing Deposits at Banks	$ 101,104	$ 3,958	5.23 %	$ 289,681	$ 1,826	0.84 %
Investment Securities:						
Fully Taxable	635,126	8,823	1.86 %	638,504	7,236	1.52 %
Exempt from Federal Taxes	146,736	2,256	2.06 %	175,086	2,422	1.85 %
Loans	3,041,909	103,203	4.54 %	2,785,721	82,263	3.95 %
Total Earning Assets	3,924,875	118,240	4.03 %	3,888,992	93,747	3.22 %
Allowance for Credit Losses	(30,591)			(27,579)		
Cash and Due From Banks	30,720			30,370		
Other Assets	134,310			146,750		
Total Assets	$ 4,059,314			$ 4,038,533		
Deposits:						
Interest-Bearing Checking Accounts	$ 874,132	2,346	0.36	$ 1,024,087	629	0.08
Savings Deposits	1,494,976	23,830	2.13	1,549,610	3,778	0.33
Time Deposits of $250,000 or More	127,230	3,159	3.32	52,251	143	0.37
Other Time Deposits	203,047	3,721	2.45	132,948	370	0.37

Total Interest-Bearing Deposits	2,699,385	33,056	1.64	2,758,896	4,920	0.24
Borrowings	151,887	5,309	4.67	(1)	—	—
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	20,000	513	3.43	51,081	918	2.40
Finance Leases	5,088	143	3.76	5,139	145	3.77
Total Interest-Bearing Liabilities	2,876,360	39,021	1.81	2,815,115	5,983	0.28
Noninterest-bearing deposits	777,994			824,674		
Other Liabilities	42,506			35,720		
Total Liabilities	3,696,860			3,675,509		
Stockholders' Equity	362,454			363,024		
Total Liabilities and Stockholders' Equity	$ 4,059,314			$ 4,038,533		
Net Interest Income		$ 79,219			$ 87,764	
Net Interest Spread			2.22 %			2.94 %
Net Interest Margin			2.70 %			3.02 %

OVERVIEW

The following discussion and analysis focuses on and reviews the results of operations for the three-month period ended September 30, 2023 March 31, 2024 and the financial conditions as of September 30, 2023 March 31, 2024 and 2022. 2023. The discussion below should be read in conjunction with the selected quarterly and annual information set forth above and the Unaudited Interim Consolidated Financial Statements and other financial data presented elsewhere in this Report. When necessary, prior-year financial information has been reclassified to conform to the current-year presentation.

Summary of Q3 2023 Q1 2024 Financial Results: Net income for the third first quarter of 2024 was $7.7 million, consistent with $7.7 million in the fourth quarter of 2023, was $7.7 million, increasing while decreasing from $6.0 million $8.6 million in the second first quarter of 2023 and decreasing 2023. As compared to the prior quarter, net income benefited from $12.2 million an increase of $0.8 million in the third quarter of 2022. The increase from the second quarter of 2023 was primarily due to net interest income as well as an increase in interest and dividend non-interest income of $2.1 million $0.4 million, an increase of $1.1 million in non-interest income and a decrease in non-interest expense of $0.6 million, partially offset by an increase of $2.5 million in interest expense. The decline from the the same period in the prior year was primarily due to an increase of $13.5 million in interest expense partially offset by an increase in interest and dividend income non-interest expense of $7.9 million $0.8 million.

Diluted earnings per share (diluted EPS) for As compared to the first quarter of 2023, was $0.46, a decrease from $0.72 reported for the third quarter of 2022. Return on average equity (ROE) for the third quarter of 2023 decreased to 8.47%, as compared to a ROE of 13.34% for the quarter ended September 30, 2022. Return on average assets (ROA) for the third quarter of 2023 was 0.75%, a decrease from an ROA of 1.19% for the quarter ended September 30, 2022.

Total loans reached a record high of $3.1 billion as of September 30, 2023. Loan growth for the third quarter of 2023 was $68.7 million, and $155.4 million from December 31, 2022. Loan growth was spread across all segments.

Arrow entered into two pay-fixed PLM fair value swaps, with total notional amounts of $250 million and $50 million, respectively. The transaction is accretive to interest income, adding more than $2 million annually. Rising interest rates will increase the net interest income benefit, while falling rates will reduce the benefit.

At September 30, 2023, decreased $1.6 million primarily on higher deposit balances were $3.7 billion, an increase of $164.3 million from June 30, 2023 costs. Non-interest income increased $1.2 million and $168.1 million from December 31, 2022. Overall in 2023, the deposit mix has continued to shift from non-interest bearing accounts to higher cost money market and time deposit accounts. Seasonal municipal deposits help drive an increase in demand deposits of $38.9 million in the third quarter. expense increased $1.7 million.

Net interest income for the third first quarter of 2024 was $25.4 million $26.5 million, decreasing 1.6% increasing 3.3% from $25.8 million in $25.6 million for the second fourth quarter of 2023 and 18.0% decreasing 5.8% from $30.9 million $28.1 million in the comparable quarter of 2022. 2023. Total interest and dividend income was $42.1 million $46.7 million for the third first quarter of 2023, 2024, an increase from $40.0 million $44.3 million in the second fourth quarter of 2023 and from $34.2 million $36.1 million for the first quarter ended September 30, 2022. of 2023. These increases are were primarily driven by loan growth and higher loan rates. Interest expense for the third first quarter of 2023 2024 was $16.8 million $20.2 million, an increase from $14.2 million $18.7 million for the second fourth quarter of 2023 and from $3.3 million $8.0 million for the comparable first quarter ended September 30, 2022. of 2023. The increases for both comparison periods were driven primarily by higher deposit rates and changes in deposit composition.

Net interest margin was 2.60% for the first quarter of 2024, compared to 2.53% for the quarter, compared to 2.61% for the second fourth quarter of 2023 and 3.14% 2.96% for the third first quarter of 2022. 2023. The decrease increase in net interest margin compared to the second fourth quarter in 2023 as well as the third quarter of 2022 was primarily the result of the continued expansion on the yield of earning assets combined with the moderating increase in the cost of interest-bearing liabilities. As compared to the first quarter of 2023, the decline in net interest margin was primarily the result of costs of interest-bearing liabilities increasing at a faster pace than the yield on average earning assets. In addition, deposits have continued to migrate to higher costs products, such as money market savings and time deposits.

Non-interest income for For the three months ended September 30, 2023, was $8.1 million, compared to $6.9 million in the second first quarter of 2023 and $7.8 million in the comparable quarter of 2022. Income from fiduciary activities, which includes Wealth Management services, was fairly consistent to the comparable prior-year quarter. Year to date income from fiduciary activities trail the prior year due to continued declining market performance. Fees and other services to customers was consistent with the linked quarter of 2023, but declined year-over-year due to lower interchange fees. Other income increased from both the second quarter and the previous year as a result of bank owned life insurance proceeds.

Non-interest expense for the third quarter of 2023 was $23.5 million, a decrease from $24.1 million in the second quarter of 2023 and an increase from $21.4 million for the third quarter of 2022. The increase from the prior year was in large part related to $1.1 million of additional legal and professional fees incurred in the third quarter of 2023 associated with the delay in the filing of the 2022 Form 10-K and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 (the "First Quarter Form 10-Q"), as well as an increase in technology costs and costs related to FDIC insurance. Total year to date expenses related to the delayed filings were $4.1 million.

For the third quarter of 2023, 2024, the provision for credit losses was $354 thousand $0.6 million compared to $948 thousand $0.5 million in the second fourth quarter of 2023 and $1.7 million $1.6 million in the prior-year quarter. first quarter of 2023. The key drivers for the provision for credit losses in the third first quarter of 2023 2024 were an increase in specific reserves and loan growth, charge-offs and to a lesser extent partially offset by changes to the economic forecast factors embedded in the credit loss allowance model. The increase in specific reserves of $0.7 million is tied to overdraft balances from an instance of check fraud from one customer relationship.

Non-interest income for the three months ended March 31, 2024, was $7.9 million, compared to $7.5 million in the fourth quarter of 2023 and $6.7 million in the first quarter of 2023. The increase was primarily driven by gains on other equity investments as well as income from fiduciary activities, which includes Wealth Management services, which benefited from strong equity markets.

Non-interest expense for the first quarter of 2024 was $24.0 million, an increase from $23.2 million in the fourth quarter of 2023 and an increase from $22.3 million for the first quarter of 2023. The increase from the prior year was primarily due to increased salaries and benefits related to new employees hired to support growth initiatives, increased legal and professional expenses associated with the finalization of the 2023 audit, and costs incurred to reach a settlement in the Ashe Lawsuit.

The provision for income taxes was partially offset 20.9% or $2.0 million for the first quarter of 2024, 17.7% or $1.7 million for the fourth quarter of 2023 and 21.6% or $2.4 million for the first quarter of 2023. The change in the effective tax rate from the previous quarter was primarily due to a change in pre-tax income combined with decreases in tax advantaged items.

Total assets were $4.3 billion at March 31, 2024, an increase of $163.8 million, or 3.9%, as compared to December 31, 2023 and an increase of $219.0 million, or 5.3%, as compared to March 31, 2023. For the first quarter of 2024, overall asset growth was primarily attributable to growth in the loan portfolio and an increase in cash balances.

Total investments were $620.0 million as of March 31, 2024, a decrease of $16.0 million, or 2.5%, compared to December 31, 2023 and a decrease of $125.1 million, or 16.8%, compared to March 31, 2023. The decrease from December 31, 2023 was driven primarily by paydowns and maturities. The change from March 31, 2023 was also impacted by the qualitative factors fourth quarter 2023 repositioning of the investment portfolio, reducing the portfolio by approximately $25 million at the time of the transaction. There were no credit quality issues related to the residential investment portfolio.

Total loans[1] reached $3.3 billion as of March 31, 2024. Loan growth for the first quarter of 2024 was $50.5 million, and $252.2 million compared to March 31, 2023. Loan growth was spread across all loan portfolio, products.

The allowance for credit losses was $31.6 million as of March 31, 2024, which continue represented 0.97% of loans outstanding, as compared to indicate local market conditions performing $31.3 million, or 0.97%, at December 31, 2023 and $30.8 million, or 1.02%, at March 31, 2023. Net charge-offs, expressed as an annualized percentage of average loans outstanding, were 0.04% for the three-month period ended March 31, 2024, as compared to 0.05% for the three-month period ended December 31, 2023 and 0.10% for the three-month period ended March 31, 2023. Nonperforming assets were $21.8 million as of March 31, 2024, representing 0.50% of period-end assets, compared to 0.51% at December 31, 2023 and 0.27% at March 31, 2023. The increase from the first quarter of 2023 was primarily due to one large, well above collateralized loan relationship of approximately $15 million, which moved into non-performing status during the Case-Shiller U.S. National Home Price Index, which is utilized in the economic forecast. fourth quarter of 2023.

At March 31, 2024, deposit balances were $3.8 billion, an increase of $91.5 million from December 31, 2023 and $232.7 million from March 31, 2023. The increase from March 31, 2023 was partially attributable to $175 million of brokered CDs, primarily used to reduce borrowings by $160 million. Arrow simultaneously entered into three-year swaps to strategically manage its asset-liability profile and cost of funds.

The changes in net income, net interest income and net interest margin between the three-month periods are discussed in detail under the heading "RESULTS OF OPERATIONS," beginning on page 74. 66.

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[1]Excludes both $1.2 million fair value hedge adjustment at March 31, 2024 and $5.8 million fair value hedge adjustment at December 31, 2023.

Regulatory Capital and Change in Stockholders' Equity: At September 30, 2023 March 31, 2024, Arrow continued to exceed all required minimum capital ratios under the current bank regulatory capital rules (the "Capital Rules") as implemented under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") at both the holding company and bank levels. At that date, both subsidiary banks, as well as the holding company, continued to qualify as "well-capitalized" under the capital classification guidelines as defined by the Capital Rules. Because of continued profitability and strong asset quality, the regulatory capital levels throughout recent years have consistently remained well in excess of the various required regulatory minimums in effect from time to time, as they do at present.

In 2020, federal bank regulators introduced an optional simplified measure of capital adequacy for qualifying community banking organizations (CBLR). A qualifying community banking organization that opts into the CBLR framework and meets all the requirements under the CBLR framework will be considered to have met the well-capitalized ratio requirements under the “prompt corrective action” regulations and will not be required to report or calculate risk-based capital ratios.

The CBLR final rule became effective as of January 1, 2020, and Arrow and both subsidiary banks have opted out of utilizing the CBLR framework. Therefore, the Capital Rules remain applicable to Arrow and both subsidiary banks.

Stockholders' equity was $360.0 million $378.0 million at September 30, 2023 March 31, 2024, a decrease of $1.4 million $1.8 million, or 0.4% 0.5%, from the June 30, 2023 December 31, 2023 level of $361.4 million, and an increase of $6.5 million, or 1.8%, from the December 31, 2022 level of $353.5 million $379.8 million The increase decrease in stockholders' equity over the first nine three months of 2023 2024 principally reflected the following factors: the addition of (i) $22.4 million $7.7 million of net income for the period, plus (ii) the issuance of $1.3 million $0.4 million of common stock through employee benefit and dividend reinvestment plans reduced by plus (iii) other comprehensive loss gain of $2.9 million $0.7 million, reduced by (iv) cash dividends of $13.4 million $4.6 million and (v) repurchases of common stock of $848 thousand. $6.0 million. The components of the change in stockholders' equity since year-end 2022 2023 are presented in the Consolidated Statement of Changes in Stockholders' Equity on page 6, and are discussed in more detail in the next section.

At September 30, 2023 March 31, 2024, book value per share was $21.12, $22.62, up 4.0% 6.1% over the prior-year level. Tangible book value per share (a non-GAAP measure that deducts intangible assets from stockholders' equity) was $19.76, $21.25, an increase of $0.84, $1.30, or 4.4% 6.5%, over the level as of September 30, 2022 March 31, 2023. See the disclosure on page 51 46 related to the use of non-GAAP financial measures including tangible book value.

On September 30, 2023 March 31, 2024, Arrow's closing stock price was $17.02, $25.02, representing a trading multiple of 0.86 1.18 to tangible book value. In the third first quarter of 2023, 2024, Arrow paid a quarterly cash dividend of $0.26. $0.27. Further discussion of dividends is included in the Capital Components; Stock Repurchases; Dividends section located on page 72. 63.

Loan Quality: Net charge-offs for the third first quarter of 2023 2024 were $412 $321 thousand as compared to $573 $722 thousand for the comparable 2022 2023 quarter. The ratio of net charge-offs to average loans (annualized) was 0.05% 0.04% for the three month period ended September 30, 2023 March 31, 2024, a decrease from 0.08% 0.10% with the three month period ended September 30, 2022 March 31, 2023. The increase in delinquent loans is primarily attributable to one commercial loan relationship. See Footnote 5, Loans, for additional discussion.

For the third first quarter of 2023, 2024, the provision for credit losses was $354 $617 thousand and a credit for estimated credit losses on off-balance sheet credit exposures was $192 $466 thousand. The allowance for credit losses was $31.1 million $31.6 million on September 30, 2023 March 31, 2024, which represented 0.99% 0.97% of loans outstanding, as compared to 1.00% 1.02% on September 30, 2022 March 31, 2023.

Nonperforming loans were $6.3 million $21.4 million at September 30, 2023 March 31, 2024, representing 0.20% 0.66% of period-end loans, a decrease an increase from the September 30, 2022 March 31, 2023 ratio of 0.32% 0.37% and a decrease was unchanged from the June 30, 2023 December 31, 2023 ratio of 0.21% 0.66%. The ratio continues to reasonably compare with the weighted average ratio of the peer group of 0.39% 0.47% at June 30, 2023 December 31, 2023. Nonperforming assets of $6.9 million $21.8 million at September 30, 2023 March 31, 2024 represented 0.16% 0.50% of period-end assets down up from 0.24% 0.27% at September 30, 2022 March 31, 2023. The increase in delinquent loans from the prior year is primarily attributable to one commercial loan relationship moving to non-performing status during the fourth quarter of 2023. See Footnote 5, Loans, for additional discussion.

Loan Segments: As of September 30, 2023 March 31, 2024, total loans grew by $155.4 million $45.9 million, or 5.2% 1.4%, as compared to the balance at December 31, 2022 December 31, 2023. The largest increase was in the residential real estate loan portfolio which increased $77.6 million $20.1 million, or 7.2% 1.7%. Consumer loans increased $42.5 million $14.1 million, or 4.0% 1.3%, primarily comprised of automobile loans. Commercial and commercial real estate loans increased by $35.4 million $11.6 million, or 4.2% 1.3%, from December 31, 2022 December 31, 2023.

- **Commercial and Commercial Real Estate Loans:** Combined, these loans comprise 28.1% 28.0% of the total loan portfolio at period-end. Commercial property values in Arrow's region have largely remained stable, however, there remains uncertainty surrounding market conditions due to inflation and the rising interest rate environment. Appraisals on nonperforming and watched CRE loan properties are updated as deemed necessary, usually when the loan is downgraded or when there has been significant market deterioration since the last appraisal.
- **Consumer Loans:** These loans (primarily automobile loans) comprised 35.3% 34.6% of the total loan portfolio at period-end. Consumer automobile loans at September 30, 2023 March 31, 2024, were 99.6% of this portfolio segment. The vast majority of automobile loans are initiated through the purchase of vehicles by consumers with automobile dealers. As of September 30, 2023 March 31, 2024, demand has slowed as a result of current economic conditions. Inflation and higher rates may continue to limit the potential growth in this category.
- **Residential Real Estate Loans:** These loans, including home equity loans, made up 36.6% 37.4% of the total loan portfolio at period-end. Demand for residential real estate has continued but weakened as interest rates have increased. A continuous elevated rate environment may impact future demand. Arrow originated nearly all of the residential real estate loans currently held in

the loan portfolio and applies conservative underwriting standards to loan originations. Arrow has historically sold a portion of residential real estate mortgage originations into the secondary market. The ratio of the sales of originations to total originations tends to fluctuate from period to period based on market conditions and other factors. The rate at which mortgage loan originations are sold in future periods will depend on various circumstances, including prevailing mortgage rates, other lending opportunities, capital and liquidity needs, and the availability of a market for such transactions.

Liquidity and Access to Credit Markets: Arrow has not experienced any liquidity events or special concerns in recent years or thus far in 2023. 2024. Arrow's liquidity position provides the necessary flexibility to address any unexpected near-term liquidity needs. Interest-bearing cash balances at September 30, 2023 March 31, 2024 were $255.0 million $255.1 million compared to $328.6 million $178.4 million at September 30, 2022 March 31, 2023. Contingent lines of credit are also available. Operating collateralized lines of credit are established and available through the FHLBNY, FRB and other bank lines totaling approximately $1.5 billion $1.3 billion. The general terms of Arrow's lines of credit have not changed significantly in recent periods (see the general liquidity discussion on page 72) 65). Historically, Arrow has principally relied on asset-based liquidity (i.e., funds in overnight investments and cash flow from maturing investments and loans) with liability-based liquidity as a secondary source of funds (the main liability-based sources are an overnight borrowing arrangement with correspondent banks, an arrangement for overnight borrowing and term credit advances from the FHLBNY, and an additional arrangement for short-term advances at the Federal Reserve Bank FRB discount

window). Regular liquidity stress tests and tests of the contingent liquidity plan are performed to ensure that an adequate amount of available funds can be generated to meet a wide variety of potential liquidity crises.

Visa Class B Common Stock: In the fourth quarter of 2023, Arrow's subsidiary bank, GFNB, like other Visa member banks, bears some indirect contingent liability for Visa's direct liability arising out of certain antitrust claims involving merchant discounts to the extent that Visa's liability might exceed the amount funded in its litigation escrow account. On December 13, 2019, the Court granted final approval to a settlement in this class action lawsuit. On January 3, 2020 an appeal of the final-approved order was filed with the court. On December 16, 2021, the second circuit court of appeals set oral arguments regarding objections to final approval of the settlement for March 16, 2022. On March 16, 2022, the Second Circuit Court of Appeals heard oral arguments regarding objections to final approval of the settlement. On April 25, 2023, the Court of Appeals for the Second Circuit denied certain objectors' request for panel rehearing or, in the alternative, rehearing en banc. It is unknown if any party will pursue further appeals to the U.S Supreme Court. When the appeals process is resolved and assuming the balance in the litigation escrow account is sufficient to cover the litigation claims and related expenses, Arrow could potentially realize a gain on the receipt of Visa Class A common stock. At September 30, 2023, GFNB held sold all 27,771 shares of Visa Class B common stock and utilizing it previously held for a pre-tax gain of $9.3 million. The gain was used to offset a pre-tax loss of $9.2 million related to the conversion ratio sale of securities with a amortized cost basis of approximately $110 million. The sale of securities was driven by the strategic decision to Class A common stock at that time, these Class B shares would convert reposition the investment portfolio to approximately 44,000 shares of Visa Class A common stock. Since the litigation settlement is not certain, Arrow has not recognized any economic value for these shares. higher yielding investments producing an improved interest income run-rate.

Branch Acquisition: On March 4, 2024, GFNB entered into a definitive agreement with Berkshire Bank, a subsidiary of Berkshire Hills Bancorp, Inc., to acquire the branch office at 184 Broadway, Whitehall, New York. The sale is targeted for completion by the end of the third quarter of 2024, subject to customary regulatory approvals. The Whitehall branch includes deposit accounts with an aggregate approximate balance of $39 million and loans with an aggregate approximate balance of $3 million. The sale includes the branch premises and substantially all of the personal property and equipment used in the business. All employees associated with the Whitehall branch will be offered employment with Arrow.

CHANGE IN FINANCIAL CONDITION

Summary of Selected Consolidated Balance Sheet Data
(Dollars in Thousands)

		At Period-End													
		9/30/2023	12/31/2022	9/30/2022	$ Change From December	$ Change From September	% Change From December (not annualized)	% Change From September							
		At Period-End 3/31/2024 3/31/2024 3/31/2024										12/31/2023		3/31/2023	
Interest-Bearing Bank Balances	Interest-Bearing Bank Balances	$ 254,961	$ 32,774	$ 328,557	$222,187	$ (73,596)	677.9 %	(22.4) %	Interest-Bearing Bank Balances	$ 255,109	$	$ 105,781	$	$ 178,365	
Securities Available-for-Sale	Securities Available-for-Sale	519,240	573,495	575,054	(54,255)	(55,814)	(9.5) %	(9.7) %	Securities Available-for-Sale	485,833	497,769	497,769	565,693		5

Securities Held-to-Maturity	Securities Held-to-Maturity	140,577	175,364	182,178	(34,787)	(41,601)	(19.8) %	(22.8) %	Securities Held-to-Maturity	128,051	131,395	131,395	167,347		1
Equity Securities	Equity Securities	1,960	2,174	2,126	(214)	(166)	(9.8) %	(7.8) %	Equity Securities	1,942	1,925	1,925	2,070		
Loans (1)	Loans (1)	3,138,617	2,983,207	2,924,794	155,410	213,823	5.2 %	7.3 %	Loans (1)	3,258,758	3,212,908	3,212,908	3,005,352		3,
Allowance for Credit Losses	Allowance for Credit Losses	31,112	29,952	29,232	1,160	1,880	3.9 %	6.4 %	Allowance for Credit Losses	31,561	31,265	31,265	30,784		
Earning Assets (1)	Earning Assets (1)	4,060,465	3,773,078	4,017,429	287,387	43,036	7.6 %	1.1 %	Earning Assets (1)	4,133,901	3,954,827	3,954,827	3,928,854		3,
Total Assets	Total Assets	$4,272,911	$3,969,509	$4,232,778	$303,402	$ 40,133	7.6 %	0.9 %	Total Assets	$4,333,623	$	$4,169,868	$	$4,114,630	
Noninterest-Bearing Deposits	Noninterest-Bearing Deposits	$ 798,392	$ 836,871	$ 910,221	$ (38,479)	$(111,829)	(4.6) %	(12.3) %	Noninterest-Bearing Deposits	$ 696,519	$	$ 758,425	$	$ 788,690	
Interest-Bearing Checking Accounts	Interest-Bearing Checking Accounts	920,250	997,694	1,113,850	(77,444)	(193,600)	(7.8) %	(17.4) %	Interest-Bearing Checking Accounts	908,453	799,785	799,785	958,490		9
Savings Deposits	Savings Deposits	1,496,193	1,454,364	1,584,373	41,829	(88,180)	2.9 %	(5.6) %	Savings Deposits	1,497,466	1,466,280	1,466,280	1,497,326		1,4
Time Deposits over $250,000	Time Deposits over $250,000	167,614	76,224	59,059	91,390	108,555	119.9 %	183.8 %	Time Deposits over $250,000	173,976	179,301	179,301	122,827		1
Other Time Deposits	Other Time Deposits	284,036	133,211	127,602	150,825	156,434	113.2 %	122.6 %	Other Time Deposits	502,607	483,775	483,775	179,016		1
Total Deposits	Total Deposits	$3,666,485	$3,498,364	$3,795,105	$168,121	$(128,620)	4.8 %	(3.4) %	Total Deposits	$3,779,021	$	$3,687,566	$	$3,546,349	
Borrowings	Borrowings	$ 174,300	$ 54,800	$ 25,000	$119,500	$ 149,300	218.1 %	597.2 %	Borrowings	$ 106,500	$	$ 26,500	$	$ 142,800	
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	20,000	20,000	20,000	—	—	— %	— %							
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts															
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts										20,000		20,000		20,000	
Stockholders' Equity	Stockholders' Equity	360,014	353,538	345,550	6,476	14,464	1.8 %	4.2 %	Stockholders' Equity	377,986	379,772	379,772	363,371		3

(1) Includes Nonaccrual Loans.

Changes in Earning Assets: The loan portfolio at September 30, 2023 March 31, 2024, was $3.1 billion $3.3 billion, an increase of $155.4 million $45.9 million, or 5.2% 1.4%, from the December 31, 2022 December 31, 2023 level and up by $213.8 million $253.4 million, or 7.3% 8.4%, from the September 30, 2022 March 31, 2023 level. The following trends were experienced in our largest segments:

- **Commercial and commercial real estate loans:** This segment of the loan portfolio increased by $35.4 million $11.6 million, or 4.2% 1.3%, during the first nine three months of 2023. 2024. In the first nine three months of 2023, 2024, loan growth has slowed as a result of the current rate environment.
- **Consumer loans (primarily automobile loans through indirect lending):** As of September 30, 2023 March 31, 2024, these loans, primarily auto loans originated through dealerships in New York and Vermont, increased by $42.5 million $14.1 million, or 4.0% 1.3%, from the December 31, 2022 December 31, 2023 balance. Inflation and rising rates may continue to slow demand.
- **Residential real estate loans:** This segment increased during the first nine three months of 2023 2024 by $77.6 million $20.1 million, or 7.2% 1.7%. A deterioration of economic conditions may continue to reduce trigger a reduction in loan production for the remainder of the year.

Changes in Sources of Funds: Deposit balances reached $3.7 billion $3.8 billion, down $128.6 million up $232.7 million, or 3.4% 6.6%, from the prior-year level and increased $168.1 million $91.5 million from December 31, 2022 December 31, 2023. The increase from March 31, 2023 was partially attributable to $175 million of brokered CDs, primarily used to reduce borrowings by $160 million. Noninterest-bearing deposits represented 21.8% 18.4% of total deposits at September 30, 2023 March 31, 2024, compared to 24.0% 22.2% of total deposits on September 30, 2022 March 31, 2023. At September 30, 2023 March 31, 2024, total time deposits were $451.6 million $676.6 million. Municipal deposits increased $110.0 million $83.9 million, or 12.6% 9.6% from September 30, 2022 March 31, 2023. Total borrowings were $174.3 million $106.5 million, an increase from $25.0 million $142.8 million at September 30, 2022 March 31, 2023. In the second first quarter of 2023, 2024, Arrow borrowed $150 million $100 million as part of the BTFP primarily replacing FHLB advances. to improve on-balance sheet liquidity and fund loan production. The BTFP was created to support American businesses and households by making additional funding available to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors.

Municipal Deposits: Fluctuations in balances of interest-bearing checking accounts are often the result of timing and behavior of municipal deposits. Municipal deposits have historically averaged between 20% to 30% of total deposits. Municipal deposits are typically placed in interest-bearing checking, savings and various time deposit accounts.

In general, there is a seasonal pattern to municipal deposits which dip to a low point in August each year. Account balances tend to increase throughout the fall and into early winter from tax deposits, flatten out after the beginning of the ensuing calendar year, and increase again at the end of March from the electronic deposit of NYS aid payments to school districts. In addition to seasonal behavior, the overall level of municipal deposit balances fluctuates from year-to-year as a result of local economic factors as well as competition from other banks and non-bank entities.

Arrow uses reciprocal deposits for a select group of municipalities to reduce the amount of investment securities required to be pledged as collateral for municipal deposits where municipal deposits in excess of the FDIC insurance coverage limits were transferred to other participating banks, divided into portions so as to qualify such transferred deposits for FDIC insurance coverage at each transferee bank. In return, reciprocal amounts are transferred to Arrow in equal amounts of deposits from the participant banks. The balances of reciprocal deposits were $618.9 million $675.1 million and $557.6 million $568.0 million at September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, respectively.

Uninsured Deposits: Arrow's deposit base includes both insured and uninsured deposits. Arrow continually monitors levels and composition of uninsured deposits. Uninsured deposit balances at September 30, 2023 March 31, 2024 were less than 30% of the total deposit base.

FINANCIAL CONDITION

Investment Portfolio Trends

The table below presents the changes in the period-end balances for available-for-sale, held-to-maturity and equity securities from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024 (in thousands):

		(Dollars in Thousands)					
		Fair Value at Period-End			Net Unrealized Gains (Losses) For Period Ended		
.		9/30/2023	12/31/2022	Change	9/30/2023	12/31/2022	Change
(Dollars in Thousands)						(Dollars in Thousands)	
Fair Value at Period-End			Fair Value at Period-End			Net Unrealized Gains (Losses) For Period Ended	
	3/31/2024	3/31/2024	12/31/2023	Change	3/31/2024	12/31/2023	Change
Securities Available-for-Sale:	Securities Available-for-Sale:						
U.S. Treasury Securities							
U.S. Treasury Securities							
U.S. Treasury Securities							
U.S. Agency Securities	U.S. Agency Securities	$176,421	$ 175,199	$ 1,222	$(13,579)	$ (14,801)	$ 1,222
State and Municipal Obligations	State and Municipal Obligations	280	340	(60)	—	—	—
Mortgage-Backed Securities	Mortgage-Backed Securities	341,739	397,156	(55,417)	(56,584)	(50,599)	(5,985)
Corporate and Other Debt Securities	Corporate and Other Debt Securities	800	800	—	(200)	(200)	—
Total	Total	$519,240	$ 573,495	$(54,255)	$(70,363)	$ (65,600)	$(4,763)
Total							
Total							

Securities Held-to-Maturity:	Securities Held-to-Maturity:						
Securities Held-to-Maturity:							
Securities Held-to-Maturity:							
State and Municipal Obligations							
State and Municipal Obligations							
State and Municipal Obligations	State and Municipal Obligations	$125,813	$ 160,470	$(34,657)	$ (5,204)	$ (3,130)	$(2,074)
Mortgage-Backed Securities	Mortgage-Backed Securities	8,998	11,153	(2,155)	(562)	(611)	49
Total	Total	$134,811	$ 171,623	$(36,812)	$ (5,766)	$ (3,741)	$(2,025)
Total							
Total							
Equity Securities	Equity Securities	$ 1,960	$ 2,174	$ (214)	$ —	$ —	$ —
Equity Securities							
Equity Securities							

The table below presents the weighted average yield for available-for-sale and held-to-maturity securities, at amortized cost, as of September 30, 2023 March 31, 2024 (in thousands).

		September 30, 2023									
		Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years		Total	
		Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities Available-for-Sale:	Securities Available-for-Sale:										
U.S. Agency Securities	U.S. Agency Securities	$15,000	3.5 %	$175,000	1.7 %	$ —	— %	$ —	— %	$190,000 190000000	1.8 %
State and Municipal Obligations	State and Municipal Obligations	—	— %	—	— %	280	6.8 %		— %	280	6.8 %
Mortgage-Backed Securities	Mortgage-Backed Securities	586	1.7 %	215,671	1.9 %	182,066	1.7 %	—	— %	398,323	1.8 %

	March 31, 2024								
	Within One Year			Within One Year			After O Withir Yea		
	Amount		Amount	Yield		Amount			
U.S. Treasury Securities									
U.S. Treasury Securities									
U.S. Treasury Securities	$49,263		5.3 %		$	24,927		4.7	%
U.S. Agency Securities	15,000	3.5	3.5	%		145,000	1.8	1.8	
State and Municipal Obligations	—	—	—	%		—	—	—	
Mortgage-Backed Securities	2,555	2.5	2.5	%		152,490	1.6	1.6	

Corporate and Other Debt Securities	Corporate and Other Debt Securities		— %		— %	1,000	8.3 %	—	— %	1,000	8.3 %	Corporate and Other Debt Securities		—	%			
Total	Total	$15,586	3.4 %	$390,671	1.8 %	$183,346	1.7 %	$ —	— %	$589,603	1.8 %							
Total																		
Total													$66,818		4.8 %	$ 322,417		2.0 %
Securities Held-to-Maturity:	Securities Held-to-Maturity:																	
Securities Held-to-Maturity:																		
Securities Held-to-Maturity:																		
State and Municipal Obligations																		
State and Municipal Obligations																		
State and Municipal Obligations	State and Municipal Obligations	$56,686	2.9 %	$ 71,994	2.5 %	$ 2,308	3.7 %	$ 29	6.7 %	$131,017	2.7 %		$ 44,049	2.7	2.7 %	$73,469	2.5	2.5 %
Mortgage-Backed Securities	Mortgage-Backed Securities	—	— %	9,560	2.5 %	—	— %	—	— %	9,560	2.5 %	Mortgage-Backed Securities	—	—	— %	8,309	2.5	2.5
Corporate and Other Debt Securities	Corporate and Other Debt Securities	—	— %	—	— %	—	— %	—	— %	—	— %	Corporate and Other Debt Securities	—	—	— %	—	—	—
Total	Total	$56,686	2.9 %	$ 81,554	2.5 %	$ 2,308	3.7 %	$ 29	6.7 %	$140,577	2.7 %	Total	$44,049	2.7	2.7 %	$ 81,778	2.5	2.5

At September 30, 2023 March 31, 2024, Arrow held no investment securities in the securities portfolios that consisted of or included, directly or indirectly, obligations of foreign governments or governmental agencies of foreign issuers.

In the periods referenced above, mortgage-backed securities consisted solely of mortgage pass-through securities and collateralized mortgage obligations (CMOs) issued or guaranteed by U.S. federal agencies or by government-sponsored enterprises (GSEs). Mortgage pass-through securities provide to the investor monthly portions of principal and interest pursuant to the contractual obligations of the underlying mortgages. CMOs are pools of mortgage-backed securities, the repayments on which have generally been separated into two or more components (tranches), where each tranche has a separate estimated life and yield. Arrow's practice has been to purchase pass-through securities and CMOs that are issued or guaranteed by U.S. federal agencies or GSEs, and the tranches of CMOs purchased are generally those having shorter average lives and/or durations. Lower market interest rates and/or payment deferrals on underlying loans that make up mortgage-backed security collateral may impact cashflows.

In the periods referenced above, U.S. Government & Agency Obligations consisted solely of agency bonds issued by GSEs. These securities generally pay fixed semi-annual coupons with principle payments at maturity. For some, callable options are included

that may impact the timing of these principal payments. Arrow's practice has been to purchase agency securities that are issued or guaranteed by GSEs with limited embedded optionality (call features). Final maturities are generally less than 5 years.

Arrow evaluates available-for-sale debt securities in unrealized loss positions at each measurement date to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or non-credit related factors. Any impairment that is not credit related is recognized in other comprehensive income, net of applicable taxes. Credit-related impairment is recognized within the allowance for credit losses on the balance sheet, limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings via credit loss expense. Arrow determined that at September 30, 2023 March 31, 2024, gross unrealized losses were primarily attributable to changes in interest rates, relative to when the investment securities were purchased, and not due to the credit quality of the investment securities. The recent rising interest rate environment resulted in an increase in unrealized losses versus the comparable prior period. Arrow does not intend to sell, nor is it more likely than not that Arrow will be required to sell any securities before recovery of its amortized cost basis, which may be at maturity. Therefore, Arrow carried no allowance for credit loss at September 30, 2023 March 31, 2024 and there was no credit loss expense recognized by Arrow with respect to the securities portfolio during the nine three months ended September 30, 2023 March 31, 2024.

Arrow's held-to-maturity debt securities are comprised of GSEs and state and municipal obligations. GSE securities carry the explicit and/or implicit guarantee of the U.S. government, are widely recognized as “risk free,” and have a long history of zero credit loss. Arrow performs an analysis of the credit worthiness of municipal obligations to determine if a security is of investment grade. The analysis may include, but may not solely rely upon credit analysis conducted by external credit rating agencies. Arrow determined that the expected credit loss on its held to maturity debt portfolio was immaterial and, therefore, no allowance for credit loss was recorded as of September 30, 2023 March 31, 2024.

Changes in net unrealized gains or losses during recent periods have been primarily attributable to changes in market rates during the periods in question and not due to the credit-worthiness of the issuers.

Investment Sales, Purchases and Maturities

There were no sales of investment securities within the nine three month periods ended September 30, 2023 March 31, 2024 or 2022. 2023.

The following table summarizes purchases of investment securities within the available-for-sale and held-to-maturity portfolios for the nine three month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, as well as proceeds from the maturity and calls of investment securities within each portfolio for the respective periods presented:

(In Thousands)	(In Thousands)	Three Months Ended		Nine Months Ended	
(In Thousands)					
(In Thousands)					
Purchases:					
Purchases:					
Purchases:	**Purchases:**	9/30/2023	9/30/2022	9/30/2023	9/30/2022
Available-for-Sale Portfolio	**Available-for-Sale Portfolio**				
Available-for-Sale Portfolio					
Available-for-Sale Portfolio					
U.S. Agency Securities					
U.S. Agency Securities					
U.S. Agency Securities	U.S. Agency Securities	$ —	$ 15,000	$ —	$ 70,000
Mortgage-Backed Securities	Mortgage-Backed Securities	—	24,625	—	79,674
Mortgage-Backed Securities					
Mortgage-Backed Securities					
Total Purchases					
Total Purchases					
Total Purchases	Total Purchases	$ —	$ 39,625	$ —	$ 149,674
Maturities & Calls	**Maturities & Calls**	$ 16,365	$ 18,960	$ 48,499	$ 61,620
Maturities & Calls					
Maturities & Calls					

(In Thousands)	(In Thousands)	Three Months Ended		Nine Months Ended	
(In Thousands)					
(In Thousands)					
Purchases:					
Purchases:					
Purchases:	**Purchases:**	9/30/2023	9/30/2022	9/30/2023	9/30/2022
Held-to-Maturity Portfolio	**Held-to-Maturity Portfolio**				
Held-to-Maturity Portfolio					
Held-to-Maturity Portfolio					
State and Municipal Obligations					
State and Municipal Obligations					
State and Municipal Obligations	State and Municipal Obligations	$ 4,938	$ 4,802	$ 7,490	$ 10,293
Maturities & Calls	**Maturities & Calls**	$ 7,721	$ 4,575	$ 41,919	$ 24,231
Maturities & Calls					
Maturities & Calls					

Loan Trends

The following three tables present, for each of the last five quarters, the quarterly average balances by loan type, the percentage of total loans represented by each loan type and the annualized yield of each loan category:

Quarterly Average Loan Balances
(Dollars in Thousands)

	Quarter Ended				Quarter Ended
3/31/2024	3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023
Commercial					

	Quarter Ended				
	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
Commercial excluding PPP Loans	$ 147,585	$ 135,370	$ 135,670	$ 141,419	$ 134,986
PPP Loans	—	—	—	—	637
Commercial Real Estate					
Commercial Real Estate					
Commercial Real Estate Commercial Real Estate	727,060	722,753	710,719	674,420	661,471
Consumer Consumer	1,094,994	1,081,838	1,070,314	1,065,467	1,047,470
Residential Real Estate Residential Real Estate	1,126,601	1,096,449	1,075,225	1,070,241	1,027,502
Total Loans Total Loans	$3,096,240	$3,036,410	$2,991,928	$2,951,547	$2,872,066

Percentage of Total Quarterly Average Loans

	Quarter Ended						Quarter Ended				
	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022		3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2
Commercial Commercial	4.8 %	4.5 %	4.5 %	4.8 %	4.7 %	Commercial	4.9 %	4.8 %	4.8 %	4.5 %	4.5 %
Commercial Real Estate											
Commercial Real Estate											
Commercial Real Estate Commercial Real Estate	23.5 %	23.8 %	23.8 %	22.8 %	23.0 %		23.2 %	23.3 %	23.5 %	23.8 %	23.8 %
Consumer Consumer	35.4 %	35.6 %	35.8 %	36.1 %	36.5 %	Consumer	34.4 %	35.0 %	35.4 %	35.6 %	35.8 %
Residential Real Estate Residential Real Estate	36.3 %	36.1 %	35.9 %	36.3 %	35.8 %	Residential Real Estate	37.5 %	36.9 %	36.3 %	36.1 %	35.9 %
Total Loans Total Loans	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	Total Loans	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Quarterly Yield on Loans

	Quarter Ended						Quarter Ended				
	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022		3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023
Commercial Commercial	4.89 %	4.53 %	4.28 %	4.18 %	4.17 %	Commercial	5.53 %	5.38 %	4.89 %	4.53 %	4.28 %
Commercial Real Estate											
Commercial Real Estate											
Commercial Real Estate Commercial Real Estate	5.19 %	5.09 %	4.73 %	4.57 %	4.60 %		5.07 %	4.88 %	5.19 %	5.09 %	4.73 %
Consumer Consumer	4.83 %	4.61 %	4.26 %	4.02 %	4.10 %	Consumer	5.36 %	5.11 %	4.83 %	4.61 %	4.26 %
Residential Real Estate Residential Real Estate	4.26 %	4.17 %	4.10 %	3.80 %	3.78 %	Residential Real Estate	4.57 %	4.52 %	4.26 %	4.17 %	4.10 %
Total Loans Total Loans	4.70 %	4.57 %	4.32 %	4.13 %	4.09 %	Total Loans	5.02 %	4.86 %	4.70 %	4.57 %	4.32 %

The average yield on the loan portfolio was 4.70% 5.02% for the third first quarter of 2023 2024 up 61 70 basis points from the third first quarter of 2022. 2023. Market rates have continued to increase, which impacts new loan yields for fixed rate loans, and variable loan yields as these loans reach their repricing dates.

The table below shows the maturity of loans outstanding as of September 30, 2023 March 31, 2024. Also provided are the amounts due after one year, classified according to fixed interest rates and variable interest rates (in thousands):

September 30, 2023

		Within One Year	After One But Within Five Years	After Five But Within 15 Years	After 15 Years	Total
		March 31, 2024				
	Within One Year					
Within One Year	After One But Within Five Years	After Five But Within 15 Years	After 15 Years	Total		
		March 31, 2024				
Commercial	Commercial	$ 34,271	$ 76,654	$ 37,009	$ 133	$ 148,067
Commercial Real Estate	Commercial Real Estate	165,207	250,838	311,799	6,759	734,603
Consumer	Consumer	10,103	575,306	521,771	458	1,107,638
Residential Real Estate	Residential Real Estate	129,482	62,883	278,619	677,325	1,148,309
Total	Total	$339,063	$965,681	$1,149,198	$684,675	$3,138,617

		After One But Within Five Years	After Five But Within 15 Years	After 15 Years	Total
		After One But Within Five Years			
		After One But Within Five Years			
		After One But Within Five Years	After Five But Within 15 Years	After 15 Years	Total
Loans maturing with:	Loans maturing with:				
Fixed Interest Rates					
Fixed Interest Rates					
Fixed Interest Rates	Fixed Interest Rates	$671,819	$ 907,507	$681,507	$2,260,833
Variable Interest Rates	Variable Interest Rates	293,862	241,691	3,168	538,721
Total	Total	$965,681	$1,149,198	$684,675	$2,799,554

Maintenance of High Quality Credit in the Loan Portfolio: There have been no significant fluctuations in the quality of the loan portfolio or any segment thereof. In general, residential real estate loans have historically been underwritten to secondary market standards for prime loans and Arrow has not engaged in subprime mortgage lending as a business line. Similarly, high underwriting standards have generally been applied to commercial and commercial real estate lending operations and generally in the indirect lending program as well.

Commercial Loans and Commercial Real Estate Loans: Substantially all commercial and commercial real estate loans in the loan portfolio were extended to businesses or borrowers located in Arrow's regional markets. A portion of the loans in the commercial portfolio have variable rates tied to market indices, such as Prime, SOFR or FHLBNY. PPP loans were previously included within the commercial loan portfolio. The PPP program ended in 2022.

Consumer Loans: At September 30, 2023 March 31, 2024, consumer loans (primarily automobile loans originated through dealerships located in upstate New York and Vermont) continue to be a significant component of Arrow's business, comprising approximately one third of the total loan portfolio.

For credit quality purposes, Arrow assigns potential automobile loan customers into one of four tiers, ranging from lower to higher quality in terms of anticipated credit risk. Arrow's experienced lending staff not only utilizes credit evaluation software tools but also reviews and evaluates each loan individually prior to the loan being funded. Arrow believes that this disciplined approach to evaluating risk has contributed to maintaining the strong credit quality in this portfolio.

Residential Real Estate Loans: Strong demand for residential real estate has continued even as interest rates have increased. Although the projected ongoing rise in the interest rates may impact future demand. Arrow has historically sold portions of originations in the secondary market. Sales decreased as the result of the strategic decision to grow the residential loan portfolio as well as current market conditions. The rate at which mortgage loan originations are sold in future periods will depend on a variety of factors, including demand for residential mortgages in our operating markets, market conditions for mortgage sales and strategic balance sheet and interest-rate risk management decisions.

Deposit Trends

The following tables provide information on trends in the balance and mix of the deposit portfolio by presenting, for each of the last five quarters, the quarterly average balances by deposit type and the percentage of total deposits represented by each deposit type. The quarterly average balances have declined from increased in 2023 and the 4th first quarter of 2022 as well as 2024. In the comparable 2022 quarter. first quarter of 2024, Arrow added $175 million of brokered CDs, primarily used to reduce borrowings by $160 million. In addition, due to the current rate environment and increased competitive pricing, deposits have also migrated to higher cost time deposits.

Quarterly Average Deposit Balances (Dollars in Thousands)

		Quarter Ended				
		9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
		Quarter Ended				
		Quarter Ended				
		Quarter Ended				
3/31/2024		3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023
Noninterest-Bearing Deposits	Noninterest-Bearing Deposits	$ 779,037	$ 756,584	$ 798,576	$ 787,157	$ 866,659
Interest-Bearing Checking Accounts	Interest-Bearing Checking Accounts	795,627	863,892	964,735	1,082,267	996,116
Savings Deposits	Savings Deposits	1,505,916	1,504,412	1,474,251	1,548,293	1,549,451
Time Deposits over $250,000	Time Deposits over $250,000	152,738	133,897	94,415	65,897	49,459
Other Time Deposits	Other Time Deposits	257,710	201,926	148,302	131,331	136,834
Total Deposits	Total Deposits	$3,491,028	$3,460,711	$3,480,279	$3,614,945	$3,598,519

		Quarter Ended				
		9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
		Quarter Ended				Quarter Ended
3/31/2024		3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023
Non-Municipal Deposits	Non-Municipal Deposits	$2,629,532	$2,528,871	$2,567,132	$2,668,704	$2,719,291
Municipal Deposits	Municipal Deposits	861,496	931,840	913,147	946,241	879,228
Total Deposits	Total Deposits	$3,491,028	$3,460,711	$3,480,279	$3,614,945	$3,598,519

Percentage of Total Quarterly Average Deposits

		Quarter Ended										
		9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022						
		Quarter Ended										Quarter Ended
3/31/2024								3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023
Noninterest-Bearing Deposits	Noninterest-Bearing Deposits	22.3 %	21.9 %	22.9 %	21.8 %	24.1 %	Noninterest-Bearing Deposits	19.1 %	21.1 %	22.3 %	21.9 %	22.9 %

Interest-Bearing Checking Accounts	22.8 %	25.0 %	27.7 %	29.9 %	27.7 %
Savings Deposits	43.1 %	43.4 %	42.4 %	42.9 %	43.0 %
Time Deposits over $250,000	4.4 %	3.9 %	2.7 %	1.8 %	1.4 %
Other Time Deposits	7.4 %	5.8 %	4.3 %	3.6 %	3.8 %
Total Deposits	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Interest-Bearing Checking Accounts	22.5 %	22.3 %	22.8 %	25.0 %	27.7 %
Savings Deposits	40.1 %	42.0 %	43.1 %	43.4 %	42.4 %
Time Deposits over $250,000	4.8 %	4.7 %	4.4 %	3.9 %	2.7 %
Other Time Deposits	13.5 %	9.9 %	7.4 %	5.8 %	4.3 %
Total Deposits	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Quarterly Cost of Deposits

	Quarter Ended				
	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
Demand Deposits	— %	— %	— %	— %	— %
Interest-Bearing Checking Accounts	0.58 %	0.38 %	0.16 %	0.13 %	0.11 %
Savings Deposits	2.56 %	2.27 %	1.54 %	1.05 %	0.63 %
Time Deposits over $250,000	3.81 %	3.35 %	2.47 %	1.36 %	0.71 %
Other Time Deposits	3.16 %	2.38 %	1.30 %	0.71 %	0.43 %
Total Deposits	1.64 %	1.35 %	0.82 %	0.54 %	0.33 %

	Quarter Ended				
	3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023
Demand Deposits	— %	— %	— %	— %	— %
Interest-Bearing Checking Accounts	0.79 %	0.65 %	0.58 %	0.38 %	0.16 %
Savings Deposits	2.78 %	2.76 %	2.56 %	2.27 %	1.54 %
Time Deposits over $250,000	4.47 %	4.22 %	3.81 %	3.35 %	2.47 %
Other Time Deposits	4.11 %	3.81 %	3.16 %	2.38 %	1.30 %
Total Deposits	2.06 %	1.88 %	1.64 %	1.35 %	0.82 %

For the quarter ended September 30, 2023 March 31, 2024, the total cost of deposits increased 29 18 basis points from the previous quarter and 131 124 basis points from the comparable prior year quarter. The Federal Funds rate increased throughout 2023 and has continued to increase during remained elevated for the previous five quarters presented. first quarter of 2024. Arrow is well positioned for a variety of rate environments, see Part I, Item 3, entitled "Quantitative and Qualitative Disclosures About Market Risk," on page 78 68 for further discussion.

Non-Deposit Sources of Funds

Arrow's other sources of funds include securities sold under agreements to repurchase, term advances from the FHLBNY and BTFP advances. The securities sold under agreements to repurchase are offered to existing customers, short-term in nature and are collateralized by investment securities. The remaining term advance from the FHLBNY is a fixed rate non-callable advance that will mature within one year. The BTFP advances mature in less than 12 months and have a weighted average interest rate of 4.83% 4.76%.

The $20 million principal amount of Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts listed on the consolidated balance sheet as of September 30, 2023 March 31, 2024 (i.e., previously issued TRUPs) will, subject to certain limits, continue to qualify as Tier 1 regulatory capital for Arrow until such TRUPs mature or are redeemed. This is further discussed under "Capital Resources" beginning on page 70 62 of this Report.

ASSET QUALITY

The following table presents information related to the allowance and provision for credit losses for the past five quarters:

Summary of the Allowance and Provision for Credit Losses
(Dollars in Thousands, Loans Stated Net of Unearned Income)

	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
Loan Balances:					

	3/31/2024	12/31/2023	9/30/2023	6/
Period-End Loans				
Period-End Loans				

Period-End Loans	Period-End Loans	$3,138,617	$3,069,897	$3,005,352	$2,983,207	$2,924,794
Average Loans, Year-to-Date	Average Loans, Year-to-Date	3,041,909	3,014,292	2,991,928	2,827,518	2,785,721
Average Loans, Quarter-to-Date	Average Loans, Quarter-to-Date	3,096,240	3,036,410	2,991,928	2,951,547	2,872,066
Period-End Assets	Period-End Assets	4,272,911	4,103,653	4,114,630	3,969,509	4,232,778
Allowance for Credit Losses, Year-to-Date:	Allowance for Credit Losses, Year-to-Date:					
Allowance for Credit Losses, Year-to-Date:						
Allowance for Credit Losses, Year-to-Date:						
Allowance for Credit Losses, Beginning of Period						
Allowance for Credit Losses, Beginning of Period						
Allowance for Credit Losses, Beginning of Period	Allowance for Credit Losses, Beginning of Period	$ 29,952	$ 29,952	$ 29,952	$ 27,281	$ 27,281
Provision for Credit Losses, YTD						
Provision for Credit Losses, YTD						
Provision for Credit Losses, YTD	Provision for Credit Losses, YTD	2,856	2,502	1,554	4,798	3,389
Loans Charged-off, YTD	Loans Charged-off, YTD	(3,812)	(2,608)	(1,328)	(4,143)	(2,883)
Recoveries of Loans Previously Charged-off	Recoveries of Loans Previously Charged-off	2,116	1,324	606	2,016	1,445
Net Charge-offs, YTD	Net Charge-offs, YTD	(1,696)	(1,284)	(722)	(2,127)	(1,438)
Allowance for Credit Losses, End of Period	Allowance for Credit Losses, End of Period	$ 31,112	$ 31,170	$ 30,784	$ 29,952	$ 29,232
Allowance for Credit Losses, Quarter-to-Date:						
Allowance for Credit Losses, Beginning of Period		$ 31,170	$ 30,784	$ 29,952	$ 29,232	$ 28,090
Provision for Credit Losses, QTD		354	948	1,554	1,409	1,715
Loans Charged-off, QTD		(1,204)	(1,280)	(1,328)	(1,261)	(1,147)
Recoveries of Loans Previously Charged-off		792	718	606	572	574
Net Charge-offs, QTD		(412)	(562)	(722)	(689)	(573)
Allowance for Credit Losses, End of Period		$ 31,112	$ 31,170	$ 30,784	$ 29,952	$ 29,232

Nonperforming Assets, at Period-End:	Nonperforming Assets, at Period-End:										

Nonperforming Assets, at Period-End:

Nonperforming Assets, at Period-End:

Nonaccrual Loans

Nonaccrual Loans

Nonaccrual Loans	Nonaccrual Loans	$ 6,023	$ 5,997	$ 10,852	$ 10,757	$ 8,812
Loans Past Due 90 or More Days and Still Accruing Interest	Loans Past Due 90 or More Days and Still Accruing Interest	251	467	241	1,157	514
Restructured and in Compliance with Modified Terms	Restructured and in Compliance with Modified Terms	60	67	62	69	82
Total Nonperforming Loans	Total Nonperforming Loans	6,334	6,531	11,155	11,983	9,408
Repossessed Assets	Repossessed Assets	344	342	144	593	604
Other Real Estate Owned	Other Real Estate Owned	182	182	—	—	—
Total Nonperforming Assets	Total Nonperforming Assets	$ 6,860	$ 7,055	$ 11,299	$ 12,576	$ 10,012
Asset Quality Ratios:	Asset Quality Ratios:					

Asset Quality Ratios:

Asset Quality Ratios:

Allowance to Nonperforming Loans

Allowance to Nonperforming Loans

Allowance to Nonperforming Loans	Allowance to Nonperforming Loans	491.19 %	477.26 %	275.97 %	249.95 %	310.71 %		147.21 %	147.82 %	491.19 %	477.26 %
Allowance to Period-End Loans	Allowance to Period-End Loans	0.99 %	1.02 %	1.02 %	1.00 %	1.00 %	Allowance to Period-End Loans	0.97 %	0.97 %	0.99 %	1.02 %
Provision to Average Loans (Quarter) (1)	Provision to Average Loans (Quarter) (1)	0.05 %	0.13 %	0.21 %	0.19 %	0.24 %	Provision to Average Loans (Quarter) (1)	0.08 %	0.07 %	0.05 %	0.13 %
Provision to Average Loans (YTD) (1)	Provision to Average Loans (YTD) (1)	0.13 %	0.17 %	0.21 %	0.17 %	0.16 %	Provision to Average Loans (YTD) (1)	0.08 %	0.11 %	0.13 %	0.17 %

Net Charge-offs to Average Loans (Quarter) (1)	Net Charge-offs to Average Loans (Quarter) (1)	0.05 %	0.07 %	0.10 %	0.09 %	0.08 %	Net Charge-offs to Average Loans (Quarter) (1)	0.04 %	0.05 %	0.05 %	0.07 %
Net Charge-offs to Average Loans (YTD) (1)	Net Charge-offs to Average Loans (YTD) (1)	0.07 %	0.09 %	0.10 %	0.08 %	0.07 %	Net Charge-offs to Average Loans (YTD) (1)	0.04 %	0.07 %	0.07 %	0.09 %
Nonperforming Loans to Total Loans	Nonperforming Loans to Total Loans	0.20 %	0.21 %	0.37 %	0.40 %	0.32 %	Nonperforming Loans to Total Loans	0.66 %	0.66 %	0.20 %	0.21 %
Nonperforming Assets to Total Assets	Nonperforming Assets to Total Assets	0.16 %	0.17 %	0.27 %	0.32 %	0.24 %	Nonperforming Assets to Total Assets	0.50 %	0.51 %	0.16 %	0.17 %
(1) Annualized	(1) Annualized										

Provision for Credit Losses

Through the provision for credit losses, an allowance for credit losses is maintained that reflects the best estimate of the calculated expected credit losses in Arrow's loan portfolio as of the balance sheet date. Additions are made to the allowance for credit losses through a periodic provision for credit losses. Actual credit losses are charged against the allowance for credit losses when loans are deemed uncollectible and recoveries of amounts previously charged off are recorded as credits to the allowance for credit losses.

Arrow loan officers and risk managers meet at least quarterly to discuss and review the conditions and risks associated with certain criticized and classified commercial-related relationships. In addition, the independent internal loan review department performs periodic reviews of the credit quality indicators on individual loans in the commercial loan portfolio.

CECL calculates losses over the life of a loan or financial instrument. Arrow and its subsidiaries utilize a loss projection model updated with data from our core systems, and incorporates various assumptions to produce the CECL reserve. A CECL Steering Committee was created to provide a management governance function to review, critically challenge and approve components of the CECL reporting process. One key responsibility of the CECL Steering Committee is to review annually the key assumptions utilized in the CECL calculation including loan segmentation, loan loss regression analysis, reasonable and supportable forecast period, reversion period, discounted cash flow inputs including economic forecast data and prepayment and curtailment speeds and qualitative factors.

The September 30, 2023 March 31, 2024 allowance for credit losses calculation incorporated a reasonable and supportable forecast period to account for economic conditions utilized in the measurement. The quantitative model utilized an economic forecast sourced from reputable third-parties that reflects the economic conditions with a slight improvement in the national unemployment rate of approximately 0.33% 0.32% during the six-quarter forecast period while and forecasted gross domestic product projected a deterioration of to improve by approximately 0.42% 0.65%. The home price index (HPI) forecast declined increased approximately 1.60% 0.03% from the previous quarter level. Driven The overall change in the allowance from December 31, 2023 was driven by current economic forecasts, the following factors: net loan growth contributed $0.4 million, changes in macro economic conditions reduced the allowance by $1.8 million, qualitative factors increased the allowance by $0.9 million, and net charge offs during the quarter, the third a specific reserve of $0.7 million tied to overdraft balances from an instance of check fraud related to one customer relationship. The first quarter provision for credit losses was $354 $617 thousand. The provision is directionally consistent with both the latest economic forecasts as well as third quarter activity. In addition, Arrow recorded a credit for estimated credit losses on off-balance sheet credit exposures in other liabilities of $192 $466 thousand in the third first quarter of 2023. 2024.

See Notes 1 and 5 to the unaudited interim consolidated financial statements for additional discussion related to CECL.

The ratio of the allowance for credit losses to total loans was 0.99% 0.97% at September 30, 2023 March 31, 2024, a decrease was unchanged from 1.00% 0.97% at December 31, 2022 December 31, 2023 and 1.00% 1.02% at September 30, 2022 March 31, 2023.

The accounting policy relating to the allowance for credit losses is considered to be a critical accounting policy, given the uncertainty involved in evaluating the level of the allowance required to cover credit losses in the loan portfolio, and the material effect that such judgments may have on the results of operations. The process for determining the provision for credit losses is described in Note 5 to the unaudited interim consolidated financial statements.

Risk Elements

Nonperforming assets at September 30, 2023 March 31, 2024 amounted to $6.9 million $21.8 million, a decrease an increase from the $12.6 million $21.5 million total at December 31, 2022 December 31, 2023 and $10.0 million $11.3 million total at September 30, 2022 March 31, 2023. For the three month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, ratios of nonperforming assets to total assets have remained fairly consistent to the average ratios for the peer group. (See page 49 45 for a discussion of the peer group.) At June 30, 2023 December 31, 2023, the ratio of loans past due 90 or more days plus nonaccrual loans plus other real estate owned to total assets was 0.17% 0.51% as compared to the 0.30% 0.37% ratio of the peer group at such date (the latest date for which peer group information is available). At September 30, 2023 March 31, 2024 the ratio was 0.16% 0.50%.

The following table presents the balance of other non-current loans at period-end as to which interest income was being accrued (i.e., loans 30 to 89 days past due, as defined in bank regulatory guidelines). These non-current loans are not included in nonperforming assets, but entail heightened risk:

Loans Past Due 30-89 Days and Accruing Interest

($ in 000's)

		9/30/2023	12/31/2022	9/30/2022			
	3/31/2024				3/31/2024	12/31/2023	3/31/2023
Commercial Loans	Commercial Loans	$ 306	$ 450	$ 156			
Commercial Real Estate Loans	Commercial Real Estate Loans	15,764	—	—			
Residential Real Estate Loans	Residential Real Estate Loans	1,711	1,779	1,456			

Consumer Loans - Primarily Indirect Automobile	Consumer Loans - Primarily Indirect Automobile	16,817	18,175	13,268
Total Loans Past Due 30-89 Days and Accruing Interest	Total Loans Past Due 30-89 Days and Accruing Interest	$ 34,598	$ 20,404	$ 14,880

At September 30, 2023 March 31, 2024, the loans in the above-referenced category totaled $34.6 million $18.1 million, an increase of $14.2 million, or 69.6%, a decrease from the $20.4 million $24.3 million of such loans at December 31, 2022 December 31, 2023. The increase is primarily due to a single commercial real estate loan that was delinquent as of September 30, 2023. The loan will be continued to be monitored in the fourth quarter. The September 30, 2023 March 31, 2024 total of non-current loans equaled 1.10% 0.56% of loans then outstanding, compared to 0.68% 0.76% at December 31, 2022 December 31, 2023 and 0.51% 0.57% at September 30, 2022 March 31, 2023.

The number and dollar amount of performing loans that demonstrate characteristics of potential weakness from time-to-time (potential problem loans) typically is a very small percentage of the loan portfolio. See the table of Credit Quality Indicators in Note 4 to the unaudited interim consolidated financial statements. Arrow considers all performing commercial and commercial real estate loans classified as substandard or lower (as reported in Note 4) to be potential problem loans. These loans will continue to be closely monitored and Arrow expects to collect all payments of contractual principal and interest in full on these classified loans.

As of September 30, 2023 March 31, 2024, Arrow held one no other real estate owned property. At this time, Arrow does not expect to acquire a significant number of other real estate properties in the near term as a result of payment defaults or the foreclosure process.

CAPITAL RESOURCES

Regulatory Capital Standards

Capital Adequacy Requirements. An important area of banking regulation is the federal banking system's promulgation and enforcement of minimum capitalization standards for banks and bank holding companies.

As reported in the Regulatory Reform section above, Arrow elected to opt out of utilizing the CBLR framework. The Capital Rules remain applicable to Arrow.

The following is a summary of certain definitions of capital under the various capital measures in the Capital Rules:

Common Equity Tier 1 Capital (CET1): Equals the sum of common stock instruments and related surplus (net of treasury stock), retained earnings, accumulated other comprehensive income (AOCI), and qualifying minority interests, minus applicable regulatory adjustments and deductions. Such deductions will include AOCI, if the organization has exercised its irrevocable option not to include AOCI in capital (Arrow made such an election). Mortgage-servicing assets, deferred tax assets, and investments in financial institutions are limited to 15% of CET1 in the aggregate and 10% of CET1 for each such item individually.

Additional Tier 1 Capital: Equals the sum of noncumulative perpetual preferred stock, tier 1 minority interests, grandfathered TRUPs, and Troubled Asset Relief Program instruments, minus applicable regulatory adjustments and deductions.

Tier 2 Capital: Equals the sum of subordinated debt and preferred stock, total capital minority interests not included in Tier 1, and allowance for loan and lease losses (not exceeding 1.25% of risk-weighted assets) minus applicable regulatory adjustments and deductions.

The following table presents the minimum regulatory capital ratios applicable to Arrow and its subsidiary banks under the current Capital Rules:

Capital Ratio	2023 2024
Minimum CET1 Ratio	4.500 %
Capital Conservation Buffer ("Buffer")	2.500 %
Minimum CET1 Ratio Plus Buffer	7.000 %
Minimum Tier 1 Risk-Based Capital Ratio	6.000 %
Minimum Tier 1 Risk-Based Capital Ratio Plus Buffer	8.500 %
Minimum Total Risk-Based Capital Ratio	8.000 %
Minimum Total Risk-Based Capital Ratio Plus Buffer	10.500 %
Minimum Leverage Ratio	4.000 %

These minimum capital ratios, especially the minimum CET1 ratio (4.5%) and the enhanced minimum Tier 1 risk-based capital ratio (6.0%), represent a heightened and more restrictive capital regime than institutions like Arrow previously had to meet under the prior capital rules.

At September 30, 2023 March 31, 2024, Arrow and its subsidiary banks exceeded by a substantial amount each of the applicable minimum capital ratios established under the Capital Rules, including the minimum CET1 Ratio, the minimum Tier 1 Risk-Based Capital Ratio, the minimum Total Risk-Based Capital Ratio, and the minimum Leverage Ratio, including in the case of each risk-based ratio, the capital buffer.

Prompt Corrective Action Capital Classifications. Under applicable banking law, federal banking regulators are required to take prompt corrective action with respect to depository institutions that do not meet certain minimum capital requirements. For these purposes, the regulators have established five capital classifications for banking institutions, ranging from the highest category of "well-capitalized" to the lowest category of "critically under-capitalized". Under the current capital classifications, a banking institution is considered "well-capitalized" if it meets the following capitalization standards on the date of measurement: a CET1 risk-based capital ratio of 6.50% or greater, a Tier 1 risk-based capital ratio of 8.00% or greater, a total risk-based capital ratio of 10.00% or greater, and a Tier 1 leverage ratio of 5.00% or greater, provided the institution is not subject to any regulatory order or written directive regarding capital maintenance. Federal banking law also ties the ability of banking organizations to engage in certain types of activities and to utilize certain procedures to such organizations' continuing to qualify for inclusion in one of the two highest rankings of these capitalization categories, i.e., as "well-capitalized" or "adequately capitalized."

Current Capital Ratios: The table below sets forth the regulatory capital ratios of Arrow and its subsidiary banks under the current Capital Rules, as of September 30, 2023 March 31, 2024:

	Common Equity Tier 1 Capital Ratio	Tier 1 Risk-Based Capital Ratio	Total Risk-Based Capital Ratio	Tier 1 Leverage Ratio
Arrow Financial Corporation	12.84 %	13.50 %	14.57 %	9.63 %
Glens Falls National Bank & Trust Co.	13.03 %	13.03 %	14.02 %	8.76 %
Saratoga National Bank & Trust Co.	12.37 %	12.37 %	13.62 %	9.40 %
FDICIA's Prompt Corrective Action - "Well-Capitalized" Standard (2019)	6.50 %	8.00 %	10.00 %	5.00 %
Regulatory Minimum	7.00%(1)	8.50%(1)	10.50%(1)	4.00 %

	Common Equity Tier 1 Capital Ratio	Tier 1 Risk-Based Capital Ratio	Total Risk-Based Capital Ratio	Tier 1 Leverage Ratio
Arrow Financial Corporation	13.17 %	13.84 %	14.94 %	9.94 %
Glens Falls National Bank & Trust Co.	13.44 %	13.44 %	14.49 %	9.28 %
Saratoga National Bank & Trust Co.	13.09 %	13.09 %	14.33 %	9.97 %
FDICIA's Prompt Corrective Action - "Well-Capitalized" Standard (2019)	6.50 %	8.00 %	10.00 %	5.00 %
Regulatory Minimum	7.00%(1)	8.50%(1)	10.50%(1)	4.00 %

(1) Including the fully phased-in 2.50% capital conservation buffer

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(1) Including the fully phased-in 2.50% capital conservation buffer

At September 30, 2023 March 31, 2024, Arrow and its Arrow's subsidiary banks exceeded the minimum regulatory capital ratios established under the current Capital Rules and each also qualified as "well-capitalized", the highest category in the new capital classification scheme established by federal bank regulatory agencies under the "prompt corrective action" standards, as described above.

Capital Components; Stock Repurchases; Dividends

Stockholders' Equity: Stockholders' equity was $360.0 million $378.0 million at September 30, 2023 March 31, 2024, an increase a decrease of $6.5 million $1.8 million, or 1.8% 0.5%, from the December 31, 2022 December 31, 2023 level of $353.5 million, and an increase of $14.5 million, or 4.2%, from the prior-year level. $379.8 million The increase decrease in stockholders' equity over the first nine three months of 2023 2024 principally reflected the following factors: the addition of (i) $22.4 million $7.7 million of net income for the period, plus (ii) the issuance of $1.3 million $0.4 million of common stock through employee benefit and dividend reinvestment plans reduced by and (iii) other comprehensive loss gain of $2.9 million $0.7 million, reduced by (iv) cash dividends of $13.4 million $4.6 million and (v) repurchases of common stock of $848 thousand. $6.0 million.

Trust Preferred Securities: In each of 2003 and 2004, Arrow issued $10 million of trust preferred securities (TRUPs) in a private placement. Under the Federal Reserve Board's FRB's regulatory capital rules then in effect, TRUPs proceeds typically qualified as Tier 1 capital for bank holding companies such as Arrow, but only in amounts up to 25% of Tier 1 capital, net of goodwill less any associated deferred tax liability. Under the Dodd-Frank Act, any trust preferred securities that Arrow might issue on or after the grandfathering date set forth in Dodd-Frank (May 19, 2010) would not qualify as Tier 1 capital under bank regulatory capital guidelines. For Arrow, TRUPs outstanding prior to the grandfathering cutoff date set forth in Dodd-Frank (May 19, 2010) would continue to qualify as Tier 1 capital until maturity or redemption, subject to limitations. Thus, Arrow's outstanding TRUPs continue to qualify as Tier 1 regulatory capital, subject to such limitations.

In the first quarter of 2020, Arrow entered into interest rate swap agreements to synthetically fix the variable rate interest payments associated with $20 million in outstanding subordinated trust securities. The effective fixed rate is 3.43% until maturity. These agreements are designated as cash flow hedges.

Stock Repurchase Program: In October 2023, On October 25, 2023, the Board of Directors expanded the 2023 its existing stock repurchase program (the "2022 Repurchase Program Program") by $5 million, bringing the total availability under the repurchase program to $9.1 million, and removed the expiration date previously incorporated into the existing 2022 Repurchase Program. The 2022 Repurchase Program allowed Arrow to repurchase program. The Company did not repurchase any shares of its common stock in open-market or negotiated transactions. Arrow resumed repurchasing its shares in the third fourth quarter however through September 30, 2023, of 2023. In the first quarter of 2024, Arrow had repurchased $848 thousand approximately $6.0 million (244,000 shares of its common stock stock) under the 2023 2022 Repurchase Program. This Program and additional purchases in April 2024 fully utilized the $9.1 million authorized program amount.

On April 24, 2024, the Board approved a new stock repurchase arrangement does not include program (the "2024 Repurchase Program"), under which the Board authorized management, in its discretion, to repurchase from time to time, in the open market or in privately negotiated transactions, up to $5 million of Arrow common stock.

From time to time, Arrow may establish a written trading plan in accordance with Rule 10b5-1 of the Exchange Act, pursuant to which it may repurchase shares of its common stock. Additional repurchases may be made by Arrow, at times and in amounts as it deems appropriate, and may be made through open market transactions in compliance with Rule 10b-18 of the Exchange Act, subject to market conditions, applicable legal requirements, and other factors.

In addition, a de minimis portion of Arrow's common stock was purchased during the three months ended March 31, 2024 other than through its 2023 Repurchase Program, repurchase program, i.e., repurchases of Arrow shares on the market utilizing funds accumulated under Arrow's Dividend Reinvestment Plan and the surrender or deemed surrender of Arrow common stock to Arrow in connection with employees' stock-for-stock exercises of compensatory stock options to buy Arrow common stock.

Dividends: Arrow's common stock is traded on NasdaqGS® under the symbol AROW. The high and low stock prices for the past seven five quarters listed below represent actual sales transactions, as reported by NASDAQ. Per share amounts and share counts in the following tables have been restated for the September 26, 2023 3% stock dividend.

				Cash
		Market Price		Dividends
		Low	High	Declared
2022				
	Cash			Cash
Market Price		Market Price		Dividends
Low		Low	High	Declared
2023				
First Quarter				
First Quarter				
First Quarter	First Quarter	$30.28	$34.86	$ 0.255
Second Quarter	Second Quarter	28.75	31.83	0.255
Third Quarter	Third Quarter	27.84	33.90	0.255
Fourth Quarter	Fourth Quarter	27.67	35.44	0.262
2023				
2024				
First Quarter	First Quarter	$23.57	$33.49	$ 0.262
Second Quarter		17.12	24.19	0.262
Third Quarter		16.38	21.60	0.262

Fourth Quarter (dividend payable December 15, 2023)	TBD	TBD	0.270
First Quarter			
First Quarter			
Second Quarter (dividend payable May 24, 2024)			
Second Quarter (dividend payable May 24, 2024)			
Second Quarter (dividend payable May 24, 2024)			

		Quarter Ended September 30				
		2023	2022			
	Quarter Ended March 31				Quarter Ended March 31	
	2024				2024	2023
Cash Dividends Per Share	Cash Dividends Per Share	$ 0.262	$ 0.255			
Diluted Earnings Per Share	Diluted Earnings Per Share	0.46	0.72			
Dividend Payout Ratio	**Dividend Payout Ratio**	**56.96 %**	**35.42 %**	**Dividend Payout Ratio**	**60.00 %**	**52.40 %**
Total Equity (in thousands)	Total Equity (in thousands)	360,014	$ 345,550			
Shares Issued and Outstanding (in thousands)	Shares Issued and Outstanding (in thousands)	17,049	17,019			
Book Value Per Share	**Book Value Per Share**	**$ 21.12**	**$ 20.30**			
Intangible Assets (in thousands)	Intangible Assets (in thousands)	23,078	23,477			
Tangible Book Value Per Share	**Tangible Book Value Per Share**	**$ 19.76**	**$ 18.92**			

LIQUIDITY

The objective of effective liquidity management is to ensure that Arrow has the ability to raise cash when needed at a reasonable cost. This includes the capability of meeting expected and unexpected obligations to Arrow's customers at any time. Given the uncertain nature of customer demands and the need to maximize earnings, Arrow must have available reasonably priced sources of funds, both on- and off-balance sheet, that can be accessed quickly in times of need. Arrow's liquidity position should provide the Company with the necessary flexibility to address any unexpected near-term disruptions such as reduced cash flows from the investment and loan portfolio, unexpected deposit runoff, or increased loan originations.

Arrow's primary sources of available liquidity are overnight investments in federal funds sold, interest-bearing bank balances at the Federal Reserve Bank of New York, FRBNY, and cash flow from investment securities and loans. Certain investment securities are categorized as available-for-sale at time of purchase based on their marketability and collateral value, as well as their yield and maturity. The securities available-for-sale portfolio was $519.2 million $485.8 million at September 30, 2023 March 31, 2024, a decrease of $54.3 million $11.9 million, from the year-end 2022 2023 level. Due to the potential for volatility in market values, Arrow may not always be able to sell securities on short notice at their carrying value, even to provide needed liquidity. Arrow also held interest-bearing cash balances at September 30, 2023 March 31, 2024 of $255.0 million $255.1 million compared to $32.8 million $105.8 million at December 31, 2022 December 31, 2023.

In addition to liquidity from cash, short-term investments, investment securities and loans, Arrow has supplemented available operating liquidity with additional off-balance sheet sources such as a federal funds lines of credit with correspondent banks and credit lines with the FHLBNY. The federal funds lines of credit are with two correspondent banks totaling $52 million $28 million which were not drawn on during the six three months ended September 30, 2023 March 31, 2024.

To support the borrowing relationship with the FHLBNY, Arrow has pledged collateral, including residential mortgage, home equity and commercial real estate loans. At September 30, 2023 March 31, 2024, Arrow had outstanding collateralized obligations with the FHLBNY of $158.3 million $7 million; as of that date, the unused borrowing capacity at the FHLBNY was approximately $449 million $550 million. Brokered deposits have also been identified as an available source of funding accessible in a relatively short time period. At September 30, 2023 March 31, 2024, there were no outstanding $175 million in brokered CD deposits. Also, In addition, Arrow's two bank subsidiaries have each established a borrowing facility with the Federal Reserve Bank of New York, FRBNY, pledging certain consumer loans as collateral for potential "discount window" advances, which are maintained for contingency liquidity purposes. At September 30, 2023 March 31, 2024, the amount available under this facility was approximately $722 million $750 million in the aggregate, and there were no advances then outstanding.

Arrow performs regular liquidity stress tests and maintains a tests of the contingent liquidity plan to ensure that an adequate amount of available funds can be generated to meet a wide variety of potential liquidity events. Additionally, Arrow continually monitors levels and composition of uninsured deposits.

Arrow measures and monitors basic liquidity as a ratio of liquid assets to total short-term liabilities, both with and without the availability of borrowing arrangements. Based on the level of overnight funds investments, available liquidity from the investment securities portfolio, cash flows from the loan portfolio, the stable core deposit base and the significant borrowing capacity, Arrow believes that the available liquidity is sufficient to meet all reasonably likely events or occurrences. At September 30, 2023 March 31, 2024, Arrow's basic primary liquidity ratio including FHLBNY collateralized borrowing capacity, was 16.7% approximately 10.4% of total assets, or $542 million well in excess of Arrow's internally-set minimum target ratio the internal policy limit of 4% 5%. Total primary liquidity was approximately $450 million, comprised of $255.1 million of interest-bearing cash and $194.4 in unencumbered securities.

Arrow did not experience any significant liquidity constraints in the nine three month period ended September 30, 2023 and did not experience March 31, 2024, in 2023 or in any such constraints in recent prior years. period. Arrow has not at any time during such period periods been forced to pay above-market rates to obtain retail deposits or other funds from any source.

RECENTLY ISSUED ACCOUNTING STANDARDS

The following accounting standards have been issued and become effective for Arrow at a future date:

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." On January 7, 2021, the FASB issued ASU 2021-01, which refines the scope of ASC 848 and clarifies some of its guidance. The ASU and related amendments provide temporary optional expedients and exceptions to the existing guidance for applying GAAP to affected contract modifications and hedge accounting relationships in the transition away from the LIBOR or other interbank offered rate on financial reporting. The guidance also allows a one-time election to sell and/or reclassify to AFS or trading HTM debt securities that reference an interest rate affected by reference rate reform. The amendments in this ASU are effective March 12, 2020 through December 31, 2022 and permit relief solely for reference rate reform actions and different elections over the effective date for legacy and new activity. In December 2022, FASB issued ASU 2022-06, "Reference Rate Reform (Topic 848)" which deferred the sunset date of Topic 848 to December 31, 2024, to allow for a transition period after the sunset of LIBOR. Arrow does not expect ASU 2022-06 will have a material impact on the consolidated financial statements.

RESULTS OF OPERATIONS
Three Months Ended September 30, 2023 March 31, 2024 Compared With
Three Months Ended September 30, 2022 March 31, 2023

Summary of Earnings Performance
(Dollars in Thousands, Except Per Share Amounts)

	Three Months Ended			
	September 30, 2023	September 30, 2022	Change	% Change
Net Income	$ 7,743	$ 12,163	$ (4,420)	(36.3)%
Diluted Earnings Per Share	0.46	0.72	(0.26)	(36.1)%
Return on Average Assets	0.75 %	1.19 %	(0.44)%	(37.0)%
Return on Average Equity	8.47 %	13.34 %	(4.87)%	(36.5)%

	Three Months Ended			
	March 31, 2024	March 31, 2023	Change	% Change
Net Income	$ 7,660	$ 8,562	$ (902)	(10.5) %
Diluted Earnings Per Share	0.45	0.50	(0.05)	(10.0) %
Return on Average Assets	0.73 %	0.87 %	(0.14) %	(16.1) %
Return on Average Equity	8.12 %	9.66 %	(1.54) %	(15.9) %

Net income was $7.7 million and diluted EPS of $0.46 $0.45 for the third first quarter of 2023, 2024, compared to net income of $12.2 million $8.6 million and diluted EPS of $0.72 $0.50 for the third first quarter of 2022. 2023. Return on average assets for the third first quarter of 2023 2024 was 0.75% 0.73%, a decrease from 1.19% 0.87% in the third first quarter of 2022. 2023. In addition, return on average equity decreased to 8.47% 8.12% for the third first quarter of 2023, 2024, from 13.34% 9.66% in the third first quarter of 2022. 2023.

The following narrative discusses the quarter-to-quarter changes in net interest income, non-interest income, non-interest expense and income taxes:

Net Interest Income
Summary of Net Interest Income
(Dollars in Thousands)

Three Months Ended	March 31, 2024	March 31, 2023	Change	% Change
Interest and Dividend Income	$ 46,677	$ 36,110	$ 10,567	29.3 %
Interest Expense	20,222	8,016 8,016	12,206 12,206	152.3 152.3 %
Net Interest Income	26,455	28,094 28,094	(1,639) (1,639)	(5.8) (5.8)%
Average Earning Assets(1)	4,085,398	3,845,825	239,573	6.2 %
Average Interest-Bearing Liabilities	3,108,093	2,782,299 2,782,299	325,794 325,794	11.7 11.7 %
Yield on Earning Assets(1)	4.60 %	3.81 %	0.79 %	20.7 %
Cost of Interest-Bearing Liabilities	2.62	1.17	1.45	123.9 %
Net Interest Spread				

Three Months Ended	September 30, 2023	September 30, 2022	Change	% Change
Interest and Dividend Income	$ 42,117	$ 34,207	$ 7,910	23.1 %
Interest Expense	16,764	3,306	13,458	407.1 %
Net Interest Income	25,353	30,901	(5,548)	(18.0)%
Average Earning Assets(1)	3,973,747	3,902,119	71,628	1.8 %
Average Interest-Bearing Liabilities	2,920,518	2,781,985	138,533	5.0 %
Yield on Earning Assets(1)	4.20 %	3.48 %	0.72 %	20.7 %
Cost of Interest-Bearing Liabilities	2.28	0.47	1.81	385.1 %

Net Interest Spread	Net Interest Spread	1.92	3.01	(1.09)	(36.2)%	1.98	2.64	2.64	(0.66)	(0.66)	(25.0)	(25.0) %
Net Interest Margin	Net Interest Margin	2.53	3.14	(0.61)	(19.4)%							
Income Earned on PPP Loans included Net Interest Income		$ —	$ 70	$ (70)	(100.0)%							
Net Interest Income excluding PPP loans		25,353	30,831	(5,478)	(17.8)%							
Net Interest Margin excluding PPP loans		2.53 %	3.14 %	(0.61)%	(19.4)%							
Net Interest Margin												
Net Interest Margin							2.60	2.96	(0.36)		(12.2)	%

(1) Includes Nonaccrual Loans. (1) Includes Nonaccrual Loans.

(1) Includes Nonaccrual Loans.

(1) Includes Nonaccrual Loans.

Net interest income for the recently completed quarter decreased by $5.5 million $1.6 million, or 18.0% 5.8%, from the third first quarter of 2022. 2023. Interest and fees on loans were $36.7 million $40.4 million for the third first quarter of 2023, 2024, an increase from $29.6 million $31.9 million for the quarter ending September 30, 2022 March 31, 2023, primarily due to loan growth and higher loan rates. Interest expense for the third first quarter of 2023 2024 was $16.8 million $20.2 million, an increase of $13.5 million $12.2 million versus the comparable quarter ending September 30, 2022 March 31, 2023, primarily due to higher deposit rates and changes in deposit composition. Net interest margin decreased 61 36 basis points in the third first quarter of 2023 2024 to 2.53% 2.60%, from 3.14% 2.96% during the third first quarter of 2022. 2023. Average earning asset yields were 72 79 basis points higher as compared to the third first quarter of 2022. 2023. The cost of interest-bearing liabilities increased 181 145 basis points from the quarter ended September 30, 2022 March 31, 2023. Arrow defines net interest margin as net interest income divided by average earning assets, annualized. Further detailed information is presented above under the section entitled "Average Consolidated Balance Sheets and Net Interest Income Analysis" on page 56 and 57 49 The impact of recent interest rate changes on Arrow's deposit and loan portfolios are discussed above in this Report under the sections entitled "Deposit Trends" on page 66 58 and "Loan Trends" on page 64. 56.

As discussed previously under the heading "Asset Quality" beginning on page 68, 60, the provision for loan losses for the third first quarter of 2023 2024 was $354 $617 thousand, compared to a provision of $1.7 million $1.6 million for the third first quarter of 2022. 2023.

Non-interest Income
Summary of Non-interest Income
(Dollars in Thousands)

		Three Months Ended												
		September 30, 2023	September 30, 2022	Change	% Change									
Three Months Ended		March 31, 2024	March 31, 2024	March 31, 2024					March 31, 2023		Change		% Change	
Income From Fiduciary Activities	Income From Fiduciary Activities	$ 2,378	$ 2,341	$ 37	1.6 %	Income From Fiduciary Activities	$ 2,457	$	$ 2,275	$	$ 182	8.0	8.0	%
Fees for Other Services to Customers	Fees for Other Services to Customers	2,761	3,071	(310)	(10.1)%	Fees for Other Services to Customers	2,543	2,595	2,595	(52)	(52)	(2.0)	(2.0)	%
Insurance Commissions	Insurance Commissions	1,695	1,650	45	2.7 %	Insurance Commissions	1,682	1,520	1,520	162	162	10.7	10.7	%
Net Gain on Securities	Net Gain on Securities	71	95	(24)	(25.3)%									
Net Gain on Securities														

Net Gain on Securities							17		(104)		121		(116.3)	%
Net Gain on the Sale of Loans	Net Gain on the Sale of Loans	21	18	3	16.7 %	Net Gain on the Sale of Loans	4	4	4	—	—	—	—	%
Other Operating Income	Other Operating Income	1,124	652	472	72.4 %	Other Operating Income	1,155	387	387	768	768	198.4	198.4	%
Total Non-interest Income	Total Non-interest Income	$ 8,050	$ 7,827	$ 223	2.8 %	Total Non-interest Income	$ 7,858	$	$ 6,677	$	$ 1,181	17.7	17.7	%

Total non-interest income in the current quarter was $8.1 million $7.9 million, an increase of $0.2 million $1.2 million from the comparable quarter of 2022. 2023. Income from fiduciary activities for the third first quarter of 2023 2024 increased by 1.6% 8.0% from the third first quarter of 2022. 2023. Assets under trust administration and investment management at September 30, 2023 March 31, 2024 were $1.63 billion $1.83 billion, an increase from $1.52 billion $1.67 billion at September 30, 2022 March 31, 2023.

Fees for other services to customers were $2.8 million $2.5 million for the third first quarter of 2023, 2024, a decrease of $310 $52 thousand or 10.1% 2.0% from the third first quarter of 2022. 2023.

Insurance commissions were $1.7 million for the third first quarter of 2023, essentially flat 2024, an increase of $162 thousand or 10.7%, as compared to the third first quarter of 2022. 2023.

Net gain on securities of $71 $17 thousand for the third first quarter of 2023 2024 was the result of an increase in the fair value of equity securities from June 30, 2023 December 31, 2023. Other operating income increased from the comparable prior-year quarter as the result of bank-owned life insurance proceeds. gains on other assets.

Non-interest Expense

Summary of Non-interest Expense

(Dollars in Thousands)

		Three Months Ended														
		September 30, 2023	September 30, 2022	Change	% Change											
		Three Months Ended														
		March 31, 2024														
		March 31, 2024														
		March 31, 2024							March 31, 2023			Change			% Change	
Salaries and Employee Benefits	Salaries and Employee Benefits	$ 11,988	$ 12,427	$ (439)	(3.5)%	Salaries and Employee Benefits	$ 12,893	$	$ 11,947	$	$ 946		7.9		7.9	%
Occupancy Expense of Premises, Net	Occupancy Expense of Premises, Net	1,517	1,521	(4)	(0.3)%	Occupancy Expense of Premises, Net	1,771	1,628	1,628	143		143	8.8		8.8	%
Technology and Equipment Expense	Technology and Equipment Expense	4,371	4,049	322	8.0 %	Technology and Equipment Expense	4,820	4,417	4,417	403		403	9.1		9.1	%
FDIC and FICO Assessments	FDIC and FICO Assessments	515	295	220	74.6 %	FDIC and FICO Assessments	715	479	479	236		236	49.3		49.3	%
Amortization	Amortization	43	48	(5)	(10.4)%	Amortization	41	45	45	(4)		(4)	(8.9)		(8.9)	%
Other Operating Expense	Other Operating Expense	5,045	3,108	1,937	62.3 %	Other Operating Expense	3,772	3,780	3,780	(8)		(8)	(0.2)		(0.2)	%
Total Non-interest Expense	Total Non-interest Expense	$ 23,479	$ 21,448	$ 2,031	9.5 %	Total Non-interest Expense	$ 24,012	$	$ 22,296	$	$ 1,716		7.7		7.7	%
Efficiency Ratio	Efficiency Ratio	69.93 %	55.01 %	14.9 %	27.1 %	Efficiency Ratio	69.54 %		63.43 %		6.1 %			9.6 %		

Non-interest expense for the third first quarter of 2023 2024 was $23.5 million $24.0 million, an increase of $2.0 million $1.7 million, or 9.5% 7.7%, from the third first quarter of 2022. 2023. Salaries and benefit expenses decreased $439 increased $946 thousand, or 3.5% 7.9%, from the comparable quarter in 2022. 2023. Technology expenses in the third first quarter increased $322 $403 thousand, or 8.0% 9.1%, from the third first quarter of 2022. 2023. In the third first quarter of 2024, FDIC assessments increased $236 thousand from the first quarter of 2023, other operating expenses increased $1.9 million, driven primarily by the legal and professional fees associated with the delay result of increase in the filing the 2022 Form 10-K and the 2023 First Quarter Form 10-Q. balance sheet.

Income Taxes
Summary of Income Taxes
(Dollars in Thousands)

	Three Months Ended			
	September 30, 2023	September 30, 2022	Change	% Change
Provision for Income Taxes	$ 1,827	$ 3,402	$ (1,575)	(46.3)%
Effective Tax Rate	19.1 %	21.9 %	(2.8)%	(12.8)%

	Three Months Ended			
	March 31, 2024	March 31, 2023	Change	% Change
Provision for Income Taxes	$ 2,024	$ 2,359	$ (335)	(14.2) (14.2) %
Effective Tax Rate	20.9 %	21.6 %	(0.7) %	(3.2) %

The decrease in the effective tax rate for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 was primarily due to the reduction of pretax income.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 2023 Compared With
Nine Months Ended September 30, 2022

Summary of Earnings Performance
(Dollars in Thousands, Except Per Share Amounts)

	Nine Months Ended			
	September 30, 2023	September 30, 2022	Change	% Change
Net Income	$ 22,352	$ 36,712	$ (14,360)	(39.1)%
Diluted Earnings Per Share	1.31	2.15	(0.84)	(39.1)
Return on Average Assets	0.74 %	1.22 %	(0.48)%	(39.3)
Return on Average Equity	8.25 %	13.52 %	(5.27)%	(39.0)

Net income was $22.4 million and diluted EPS was $1.31 for the first nine months of 2023, compared to net income of $36.7 million and diluted EPS of $2.15 for the first nine months of 2022. ROA for the first nine months of 2023 was 0.74%, a decrease from 1.22% for the first nine months of 2022. In addition, ROE decreased to 8.25% for the first nine months of 2023 from 13.52% for the first nine months of 2022.

The following narrative discusses the period-to-period changes in net interest income, non-interest income, non-interest expense and income taxes:

Net Interest Income

Summary of Net Interest Income
(Dollars in Thousands)

	Nine Months Ended			
	September 30, 2023	September 30, 2022	Change	% Change
Interest and Dividend Income	$ 118,240	$ 93,747	$ 24,493	26.1 %
Interest Expense	39,021	5,983	33,038	552.2 %
Net Interest Income	79,219	87,764	(8,545)	(9.7)%
Average Earning Assets (1)	3,924,875	3,888,992	35,883	0.9 %
Average Interest-Bearing Liabilities	2,876,360	2,815,115	61,245	2.2 %
Yield on Earning Assets (1)	4.03 %	3.22 %	0.81 %	25.2 %
Cost of Interest-Bearing Liabilities	1.81	0.28	1.53	546.4 %
Net Interest Spread	2.22	2.94	(0.72)	(24.5)%
Net Interest Margin	2.70	3.02	(0.32)	(10.6)%

Income Earned on PPP Loans included Net Interest Income	$ —	$ 1,574	$ (1,574)	(100.0)%
Net Interest Income excluding PPP loans	79,219	86,190	(6,971)	(8.1)%
Net Interest Margin excluding PPP loans	2.70 %	2.97 %	(0.27)%	(9.1)%

(1) Includes Nonaccrual Loans.

Net interest income for the first nine months of 2023 decreased $8.5 million, or 9.7%, as compared to the first nine months of 2022. Total loans at September 30, 2023 increased $213.8 million from September 30, 2022. Investments decreased $97.2 million from September 30, 2022. At September 30, 2023, deposit balances were $3.7 billion. The decline of deposits from September 30, 2022 to September 30, 2023 was $128.6 million, or 3.4%. Net interest margin for the first nine months of 2023 decreased 32 basis points to 2.70%, from 3.02% for the first nine months of 2022. Average earning asset yields were 81 basis points higher as compared to the first nine months of 2022, primarily due to higher market rates. The cost of interest-bearing liabilities increased 153 basis points from the first nine months of 2022. Arrow defines net interest margin as net interest income divided by average earning assets, annualized. Further detailed information is presented above under the section entitled "Average Consolidated Balance Sheets and Net Interest Income Analysis." The impact of recent interest rate changes on Arrow's deposit and loan portfolios are discussed above in this Report under the sections entitled "Deposit Trends" on page 66 and "Loan Trends" on page 64.

As discussed previously under the heading "Asset Quality" beginning on page 68, the provision for loan losses for the first nine months of 2023 was $2.9 million, compared to $3.4 million for the first nine months of 2022.

Non-interest Income
Summary of Non-interest Income
(Dollars in Thousands)

	Nine Months Ended			
	September 30, 2023	September 30, 2022	Change	% Change
Income From Fiduciary Activities	7,081	7,454	$ (373)	(5.0)%
Fees for Other Services to Customers	8,073	8,916	(843)	(9.5)
Insurance Commissions	4,775	4,783	(8)	(0.2)
Net (Loss) Gain on Securities	(214)	379	(593)	(156.5)
Net Gain on the Sale of Loans	25	80	(55)	(68.8)
Other Operating Income	1,893	2,121	(228)	(10.7)
Total Non-interest Income	$ 21,633	$ 23,733	$ (2,100)	(8.8)%

Total non-interest income for the first nine months of 2023 was $21.6 million, a decrease of $2.1 million from the first nine months of 2022. Income from fiduciary activities for the first nine months of 2023 decreased by 5.0% from the first nine months of 2022, primarily due to market performance. For the first nine months of 2023, Arrow has been able to maintain a stable customer base.

Fees for other services to customers were $8.1 million for the first nine months of 2023 representing a decrease of $0.8 million, or 9.5%, from the prior year comparative period.

Insurance commissions were $4.8 million for the first nine months of 2023, which was relatively unchanged from the prior year comparable period.

Net loss on security transactions of $214 thousand for the first nine months of 2023 was the result of the decrease in the fair value of equity securities.

Other operating income decreased $228 thousand from the comparable period in 2022, due to gains on other assets received in 2022.

Noninterest Expense
Summary of Noninterest Expense
(Dollars in Thousands)

	Nine Months Ended			
	September 30, 2023	September 30, 2022	Change	% Change
Salaries and Employee Benefits	$ 35,974	$ 35,400	$ 574	1.6 %
Occupancy Expense of Premises, Net	4,728	4,721	7	0.1
Technology and Equipment Expense	13,150	11,802	1,348	11.4
FDIC and FICO Assessments	1,478	893	585	65.5
Amortization	132	145	(13)	(9.0)
Other Operating Expense	14,396	7,777	6,619	85.1
Total Noninterest Expense	$ 69,858	$ 60,738	$ 9,120	15.0
Efficiency Ratio	68.60 %	54.14 %	14.46 %	26.7 %

Noninterest expense for the first nine months of 2023 was $69.9 million, an increase of $9.1 million, or 15.0%, from the first nine months of 2022. Salaries and benefit expenses increased $574 thousand, or 1.6%, from the comparable period in 2022. Technology expenses increased $1.3 million, or 11.4%, from the first nine months of 2022. Other non-interest expense increased $6.6 million for the first nine months of 2023, as compared to the first nine months of 2022. The majority of the increase in expense was related to additional legal and professional fees associated with the delay in the filing of the 2022 Form 10-K and First Quarter 2023 Form 10-Q.

Income Taxes
Summary of Income Taxes
(Dollars in Thousands)

	Nine Months Ended			
	September 30, 2023	September 30, 2022	Change	% Change

Provision for Income Taxes	$ 5,786	$ 10,658	$ (4,872)	(45.7)%
Effective Tax Rate	20.6 %	22.5 %	(1.9)%	(8.4)%

The decrease in the effective tax rate for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 March 31, 2023 was primarily due to the reduction of pretax income.

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In addition to credit risk in the loan portfolio and liquidity risk, discussed earlier, Arrow's business activities also generate market risk. Market risk is the possibility that changes in future market rates (interest rates) or prices (market value of financial instruments) will make Arrow's position (i.e., assets and operations) less valuable. Arrow's primary market risk is interest rate volatility. The ongoing monitoring and management of interest rate risk is an important component of the asset/liability management process, which is governed by policies that are reviewed and approved annually by the Board of Directors. The Board of Directors delegates responsibility for carrying out asset/liability oversight and control to management's Asset/Liability Committee (ALCO). In this capacity ALCO develops guidelines and strategies impacting the asset/liability profile based upon estimated market risk sensitivity, policy limits and overall market interest rate levels and trends.

Changes in market interest rates, whether increases or decreases, can trigger repricing and changes in the pace of payments for both assets and liabilities (prepayment risk). This may individually or in combination affect net interest income, net interest margin, and ultimately net income, either positively or negatively. ALCO utilizes the results of a detailed and dynamic simulation model to quantify this interest rate risk by projecting net interest income in various interest rate scenarios.

Arrow's standard simulation model applies a parallel shift in interest rates, ramped over a 12-month period, to capture the impact of changing interest rates on net interest income. The results are compared to ALCO policy limits which specify a maximum tolerance level for net interest income exposure over a one-year horizon, assuming no balance sheet growth and a 200 basis point upward and a 100 basis point downward shift in interest rates. Additional tools to monitor potential longer-term interest rate risk, including periodic stress testing involving hypothetical sudden and significant interest rate spikes, are also evaluated.

The following table summarizes the percentage change in net interest income as compared to the base scenario, which assumes no change in market interest rates as generated from the standard simulation model. The results are presented for each of the first two years of the simulation period for the 200 basis point increase in interest rate scenario and the 100 basis point decrease in interest rate scenario. These results are well within the ALCO policy limits as shown:

As of September 30, 2023 March 31, 2024:

		Change in Interest Rate	
		+ 200 basis points	- 100 basis points
		Change in Interest Rate	
		Change in Interest Rate	
		Change in Interest Rate	
		+ 200 basis points	
		+ 200 basis points	
		+ 200 basis points	
Calculated change in Net Interest Income - Year 1			
Calculated change in Net Interest Income - Year 1			
Calculated change in Net Interest Income - Year 1	Calculated change in Net Interest Income - Year 1	(3.4)%	0.9%
Calculated change in Net Interest Income - Year 2	Calculated change in Net Interest Income - Year 2	13.5%	12.4%
Calculated change in Net Interest Income - Year 2			
Calculated change in Net Interest Income - Year 2			

The balance sheet shows an inverse relationship between changes in prevailing rates and Arrow's net interest income in the near term, suggesting that liabilities and sources of funds generally reprice more quickly than earning assets. However, when net interest income is simulated over a longer time frame, the balance sheet shows a relatively neutral profile with long-term asset sensitivity, as asset yields continue to reprice while the cost of funding reaches assumed ceilings or floors.

The hypothetical estimates underlying the sensitivity analysis are based upon numerous assumptions, including: the nature and timing of changes in interest rates including yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment/replacement of asset and liability cash flows, and others. While assumptions are developed based upon current economic and local market conditions, Arrow cannot make any assurance as to the predictive nature of these assumptions including how customer preferences or competitor influences might change.

Also, as market conditions vary from those assumed in the sensitivity analysis, actual results will differ due to: prepayment/refinancing levels likely deviating from those assumed, the varying impact of interest rate changes on caps or floors on adjustable rate assets, the potential effect of changing debt service levels on customers with adjustable rate loans, depositor early withdrawals and product preference changes, unanticipated shifts in the yield curve and other internal/external variables. Furthermore, the sensitivity analysis does not reflect actions that ALCO might take in responding to or anticipating changes in interest rates.

Item 4.

CONTROLS AND PROCEDURES

Management, under the supervision and with the participation of the Chief Executive Officer ("CEO") (who is our principal executive officer) and Chief Financial Officer ("CFO") (who is our principal financial officer), evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2023 March 31, 2024. The term "disclosure controls and procedures" means controls and other procedures of a company that are designed to ensure that:

- information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms; and

- information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, or persons and committees performing similar functions, such as the Audit Committee, as appropriate to allow timely decisions regarding required disclosure.

Based on this evaluation, management concluded that our internal control over financial reporting was not effective due to the following unremediated material weaknesses identified in our internal control over financial reporting, previously disclosed on the 2022 2023 Form 10-K:

- We did not maintain effective monitoring controls related to 1) Internal Audit's testing of management's internal control over financial reporting, 2) the completeness and accuracy of information presented to the Audit Committee by Internal Audit, and 3) the related Audit Committee oversight over Internal Audit's testing of management's internal control over financial reporting.

- With regard to the conversion of our core banking information technology system, we did not effectively perform risk assessment procedures to identify the impact of the conversion on our internal control over financial reporting.

The material weaknesses did not result in a material misstatement of our annual or interim financial statements or previously released financial results.For additional information please refer to Part II - Item 9A. of the 2022 2023 Form 10-K.

Prior to filing this Report, we performed relevant and responsive substantive procedures as of September 30, 2023 March 31, 2024, in order to complete our financial statements and related disclosures. Based on these procedures, management believes that our consolidated financial statements included in this Report have been prepared in accordance with GAAP. Our CEO and CFO have certified that, based on their knowledge, the financial statements, and other financial information included in this Form 10-Q, fairly present in all material respects the financial condition, results of operations, and cash flows of the Company as of the dates, and for the periods presented in this Report.

During Remediation Efforts to Address the first quarter Material Weaknesses

The aforementioned material weaknesses were previously disclosed in the 2023 and 2022 Forms 10-K. While the Company has improved its organizational capabilities and implemented necessary remediation measures, the remediation steps taken were not in place for a sufficient amount of 2023 we initiated, and time for the material weaknesses to be considered remediated as of March 31, 2024. Accordingly, the Company will continue to implement, monitor its remediation measures designed in the remaining quarters of 2024 in order to confirm effective remediation of the identified material weaknesses.

During the year ended December 31, 2023 and through the three months ended March 31, 2024, management initiated and/or completed the following remedial actions:

- The Company evaluated the assignment of responsibilities of internal and external resources associated with the performance of internal controls over financial reporting and hired additional resources, contracted external resources, and/or provided additional training to existing resources as appropriate. In addition, we have initiated a process to identify and maintain the information required to support the functioning of internal control.
- Audit Committee and management implemented the following actions to improve our the monitoring activities related to Audit Committee oversight over Internal Audit's testing of management's internal control over financial reporting:
  - Increased the frequency and depth of reporting to remediate the deficiencies Audit Committee through the creation of a sub-committee of Audit Committee members that comprised meet in the material weaknesses, including engaging months in which the full Audit Committee does not have scheduled meetings or as needed.
  - Instituted more frequent Audit Committee meetings to facilitate timely review of matters related to the results of the Company's monitoring program and Internal Audit's progress against their plan as well as status of control testing results.
  - Developed a comprehensive internal audit strategy and program to test management's controls over financial reporting.
  - Developed a robust reporting mechanism to ensure the completeness, accuracy and improved effectiveness of information which is presented on a timely basis to the Audit Committee to help fulfill the Audit Committee's oversight responsibilities.
  - Utilized monthly dashboards to report status and results of internal audits as well as operations of internal controls over financial reporting.
  - Engaged a professional services firm to review the Company's control program required by the Sarbanes-Oxley Act of 2002, as amended, and assist Management with its overall Company-wide processes and with selecting and developing control activities designed to mitigate risks and support achievement of control objectives As part of management's remediation efforts in this area, management has now performed objectives.
- Performed a thorough risk assessment around to identify the impact of the core banking system conversion over on our internal controls control over financial reporting. As a result, the Company has company identified the need for additional controls to mitigate risks and support the achievement of control objectives. These controls are being implemented as part of the ongoing, overall remediation efforts.

In addition, the Company is in the process of evaluating the assignment of responsibilities of internal and external resources associated with the performance of internal controls over financial reporting and will consider hiring additional resources, contracting external resources, and/or providing additional training to existing resources as appropriate. In addition, we have initiated a process to identify and maintain the information required to support the functioning of internal controls over financial reporting and to establish and reinforce communication protocols, including required information and expectations to enable personnel to perform internal control responsibilities (e.g., formal training programs and corporate communications).

The material weaknesses set forth above will not actions that we are taking are subject to ongoing management review and Audit Committee oversight to ensure they remain in place and continue to operate in order to be considered remediated until deemed effective.

Changes in Internal Control Over Financial Reporting

Except for the applicable remedial controls operate for a sufficient period of time and Management has concluded, through testing, that these controls are operating effectively. We may also conclude that additional remediation measures may be required to remediate in connection with the material weaknesses described above, there were no changes in our internal control over financial reporting.

Even once remediated, our internal controls over financial reporting, may not prevent or detect all misstatements because of their inherent limitations. Further, no internal control over financial reporting framework can provide absolute assurance that all instances of fraud will be detected as defined in Rules 13a-15(f) and prevented. Additionally, any projections of any evaluation of effectiveness to future periods are subject to 15d-15(f) under the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies or procedures may deteriorate.

Other than the ongoing remediation efforts described above, there were no other changes in Arrow's internal control over financial reporting that occurred Exchange Act, during the quarter ended September 30, 2023, March 31, 2024 that materially affected, or are reasonably likely to materially affect, Arrow's our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1.

Legal Proceedings

Except as noted below, Arrow, including its subsidiary banks, is not currently the subject of any material pending legal proceedings, other than ordinary routine litigation occurring in the normal course of their business. On an ongoing basis, Arrow is often the subject of, or a party to, various legal claims by other parties against Arrow, by Arrow against other parties, or involving Arrow, which arise in the normal course of business. Except as noted below, the various pending legal claims against Arrow will not, in the opinion of management based upon consultation with counsel, result in any material liability. Legal expenses incurred in connection with loss contingencies are expensed as incurred.

On July 1, 2020, Daphne Richard, a customer of Glens Falls National Bank and Trust Company ("GFNB"), filed a putative class action complaint against GFNB. The complaint alleged that GFNB assessed overdraft fees on As previously disclosed in certain transactions drawn on Ms. Richard's checking account without having sufficiently disclosed its overdraft-fee practices in its account agreement. Ms. Richard, on behalf of two purported classes, sought compensatory damages, disgorgement of profits, statutory damages, treble damages, enjoinment of the conduct complained of, and costs and fees. The complaint was similar to complaints filed against other financial institutions pertaining to overdraft fees. The Court granted final approval of a settlement on July 22, 2022. The settlement, which includes and releases Arrow, GFNB, and SNB (collectively, "Defendants"), required Company's filings with the Defendants to establish a $1.475 million settlement fund, among other terms. The case has been closed, and the settlement funds have been substantially distributed to the class.

The Company became aware that SEC, on June 23, 2023, Robert C. Ashe filed a putative class action complaint (the "Ashe Lawsuit") against the Company in the United States District Court for the Northern District of New York. In addition to the Company, the complaint names as defendants Thomas J. Murphy, the Company's former CEO and from September 30, 2022 to February 20, 2023, its interim CFO, Edward J. Campanella, the Company's former CFO, and Penko Ivanov, the Company's current CFO ("Individual Defendants" and, together with the Company, the "Defendants"). The complaint alleges that the Defendants made materially false and misleading statements regarding the Company's business, operations and compliance policies in the Company's public filings between March 12, 2022 and May 12, 2023. The complaint further alleges that the Individual Defendants are liable for these materially false and misleading statements as "controlling persons" of the Company. Based on these allegations, the complaint brings two claims for violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and of Section 20(a) of the Exchange Act. Mr. Ashe, on behalf of a purported class of shareholders, seeks compensatory damages as well as recovery of the costs and fees associated with the litigation. A consolidated On December 5, 2023, plaintiff Ashe filed an amended complaint is due December 5, 2023, and Defendants' deadline to answer, move, or otherwise respond that changed the putative class period to the consolidated amended complaint is February 2, 2024. The period from August 5, 2022 through May 12, 2023, but challenged substantially the same statements on the same basis. On February 9, 2024, the Company moved to dismiss the action in its entirety. On April 22, 2024, the parties reached an agreement in principle to settle the matter, subject to final documentation and court approval. Management believes that the lawsuit terms of the proposed settlement will not have a material adverse impact on the Company's financial results. In the event that the parties are not able to be without merit and expressly denies any wrongdoing in connection with finalize a settlement, the matters claimed in the complaint and Company intends to continue to vigorously defend against the lawsuit. claims asserted in the Ashe Lawsuit.

On December 12, 2023 the Company become aware that Stephen Bull filed a complaint (the "Shareholder Derivative Complaint") on behalf of Arrow against the three individual defendants in the Ashe Lawsuit as well as against all members of Arrow's board of directors during the class period in Ashe. The Company is named solely as a nominal defendant in the action and would be the beneficiary of any recovery. The Shareholder Derivative Complaint alleges breaches of fiduciary duty (i) by the Ashe individual defendants based on substantially the same allegedly misleading statements pleaded in the Ashe complaint; and (ii) the director defendants by failing adequately to oversee the individual defendants and maintain internal and disclosure controls. Plaintiffs seek (i) unspecified damages (which would be payable to the Company) for costs incurred as a result of the alleged misstatements, including costs of investigation, remediation, and litigation, (ii) repayment of the director defendants' compensation on an unjust enrichment theory, and (iii) an order directing the Company to take all necessary actions to reform and improve its corporate governance, and (iv) the recovery of costs and fees associated with the litigation. The Shareholder Derivative Complaint also asserts various federal securities claims based on the same alleged misrepresentations as set forth in the Ashe Lawsuit. On March 5, 2024, the parties filed a stipulation under which the defendants accepted service and the case will be stayed pending disposition of the motion to dismiss filed in the Ashe Lawsuit.

The Company intends to continue to vigorously defend itself against the Shareholder Derivative Complaint.

Item 1.A.

Risk Factors

The Risk Factors identified in the 2022 2023 Form 10-K continue to represent the most significant risks to Arrow's future results of operations and financial conditions, without further modification or amendment.

Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

During the three months ended September 30, 2023, Arrow had no The following table presents information about purchases of common stock (our only class of equity securities registered pursuant to Section 12 of the Exchange Act). As of September 30, 2023 , by Arrow during the maximum approximate dollar value of share that may yet be purchased under the publicly-announced 2023 Repurchase Program. was $4,152,132. three months ended March 31, 2024. In October 2023, the Board of Directors expanded the 2023 2022 Repurchase Program by $5 million, bringing the total availability under the repurchase program to $9.1 million, and removed the expiration date previously incorporated into the existing repurchase program. Subsequent As of March 31, 2024, $458,415 remained available for the repurchase of shares under the 2022 Repurchase Program. In the first quarter of 2024, Arrow had repurchased approximately $6.0 million (244,000 shares of its common stock) under the 2022 Repurchase Program and additional purchases in April 2024 fully utilized the $9.1 million authorized program amount.

On April 24, 2024, the Board approved the 2024 Repurchase Program, under which the Board authorized management, in its discretion and to the balance sheet date, Arrow repurchased 23,779 shares of extent that it believes Arrow's common stock at is reasonably priced and such repurchases appear to be an average cost attractive use of $23.60. available capital and in the best interests of shareholders, to repurchase from time to time, in the open market or in privately negotiated transactions, up to $5 million of Arrow common stock.

First Quarter 2024 Calendar Month	(A) Total Number of Shares Purchased [1]	(B) Average Price Paid Per Share [1]	(C) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2]	(D) Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs [2]

January	1,093	$ 26.28	—	$	6,390,538
February	134,598	24.18	134,598		3,136,437
March	109,789	24.39	109,789		458,415
Total	245,480	24.28	244,387		

Further, although Arrow had suspended the operation [1]The total number of the DRIP as a result of the now resolved delay in filing the 2022 Form 10-K shares purchased and the First Quarter 10-Q, average price paid per share listed in columns (A) and (B) consist of (i) any shares surrendered or deemed surrendered to Arrow will be resuming the DRIP in the fourth quarter such periods by holders of 2023 options to acquire Arrow common stock received by them under Arrow's long-term incentive plans in connection with their stock-for-stock exercise of such options and (ii) shares repurchased by Arrow pursuant to the payment 2022 Repurchase Program. In the months indicated, the listed number of shares purchased included the quarterly cash dividend following number of $0.27 per share declared shares purchased by the Arrow Board of Directors on October 25, 2023 and payable on December 15, 2023 to shareholders of record on December 1, 2023. All shares of common stock acquired through such methods: January - stock-for-stock option exercises (1,093 shares); February - repurchased under the new DRIP will be purchased by the plan's purchasing agent (also the Plan Administrator), Equiniti Trust Company ("EQ"), on the open market for the participant's account. Participation 2022 Repurchase Program (134,598 shares); and March - repurchased under the DRIP will automatically resume for Company shareholders that were previously enrolled. 2022 Repurchase Program (109,789 shares.)

[2]Includes only those shares acquired by Arrow pursuant to the 2022 Repurchase Program.

Item 3.

Defaults Upon Senior Securities - None

Item 4.

Mine Safety Disclosures - None

Item 5.

Other Information

Rule 10b5-1 Trading Arrangements

During the three months ended September 30, 2023 March 31, 2024, none of Arrow’s directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

Item 6.

Exhibits

Exhibit Number	Exhibit
3.(i)	Certificate of Incorporation of the Registrant as Amended through June 3, 2019, incorporated by reference from the Registrant's Current Report on Form 8-K filed June 5, 2019, Exhibit 3.1
3.(ii)	By-laws of the Registrant, as amended, incorporated herein by reference from the Registrant's Current Report on Form 8-K filed on November 24, 2009February 1, 2024, Exhibit 3.(ii)1
15 10.1	Awareness Letter Employment Agreement between the Registrant and David S. DeMarco, President and Chief Executive Officer, effective February 1, 2024 incorporated herein by reference from the Registrant's Current Report on Form 8-K, filed February 6, 2024, Exhibit 10.1*
10.2	Employment Agreement between the Registrant and David D. Kaiser, Senior Executive Vice President and Chief Credit Officer, effective February 1, 2024 incorporated herein by reference from the Registrant's Current Report on Form 8-K, filed February 6, 2024, Exhibit 10.2*
10.3	Employment Agreement between the Registrant and Andrew J. Wise, Senior Executive Vice President and Chief Risk Officer, effective February 1, 2024 incorporated herein by reference from the Registrant's Current Report on Form 8-K , filed February 6, 2024, Exhibit 10.3*
10.4	Employment Agreement between the Registrant and Penko K. Ivanov, Senior Executive Vice President, Treasurer and Chief Financial Officer, effective February 1, 2024 incorporated herein by reference from the Registrant's Current Report on Form 8-K , filed February 6, 2024, Exhibit 10.4*
31.1	Certification of Chief Executive Officer under SEC Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer under SEC Rule 13a-14(a)/15d-14(a)
32	Certification of Chief Executive Officer under 18 U.S.C. Section 1350 and Certification of Chief Financial Officer under 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

ARROW FINANCIAL CORPORATION

Registrant

November 9, 2023 May 10, 2024	/s/ David S. DeMarco
Date	David S. DeMarco
	President and Chief Executive Officer
	(Principal Executive Officer)
November 9, 2023 May 10, 2024	/s/ Penko Ivanov
Date	Penko Ivanov
	Chief Financial Officer
	(Principal Financial and Accounting Officer)

Exhibit 15

November 9, 2023

Arrow Financial Corporation
Glens Falls, New York

Re: Registration Statements Form S-3 (No. 333-258552 and 333-263812) and Form S-8 (No. 333-151550, 333-188480, 333-238096, and 333-264787)

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated November 9, 2023 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

Albany, New York

Certification of the Chief Executive Officer Pursuant to
Securities Exchange Act Rules 13a-14 and 15d-14
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, David S. DeMarco, certify that:

1. I have reviewed the quarterly report on Form 10-Q of Arrow Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 10, 2024

By: /s/David S. DeMarco
David S. DeMarco
Chief Executive Officer

Certification of the Chief Financial Officer Pursuant to
Securities Exchange Act Rules 13a-14 and 15d-14
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Penko Ivanov, certify that:

1. I have reviewed the quarterly report on Form 10-Q of Arrow Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 10, 2024

By: /s/ Penko Ivanov
Penko Ivanov
Chief Financial Officer

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant To
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Arrow Financial Corporation (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024, filed with the Securities and Exchange Commission (the "Report"), we, David S. DeMarco, Chief Executive Officer of the Company, and Penko Ivanov, Chief Financial Officer of the Company, hereby certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2023 May 10, 2024

/s/ David S. DeMarco
David S. DeMarco
Chief Executive Officer

/s/ Penko Ivanov
Penko Ivanov
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Arrow Financial Corporation and will be retained by Arrow Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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