

# NEWS RELEASE

 ARROW Financial Corporation

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## Arrow Financial Corporation to Acquire McPhillips Insurance

Arrow Financial Corporation (NasdaqGS® - AROW): Thomas L. Hoy, Chairman, President and Chief Executive Officer of Arrow Financial Corporation (“Arrow”) announced today that Arrow and Glens Falls National Bank and Trust Company, Arrow’s lead banking subsidiary, have signed definitive agreements to acquire W. Joseph McPhillips, Inc. and McPhillips-Northern, Inc., property and casualty insurance agencies operating four offices in the Greater Glens Falls area. The McPhillips agencies will be merged into a subsidiary of Glens Falls National Bank. Arrow expects to close both transactions on August 1, 2011. The closings are subject to customary conditions.

The McPhillips agencies are full service property and casualty insurance agencies owned and operated by Paul R. McPhillips, Neil G. McPhillips and James J. Goodspeed. Upon completion of the merger, Paul R. McPhillips, Neil G. McPhillips and James J. Goodspeed will continue to manage the business of the acquired agencies as a separate division of Glens Falls National Insurance Agencies, LLC, a wholly owned subsidiary of Glens Falls National Bank and Trust Company. Mr. Hoy stated, “We are very pleased to have the professionals of McPhillips Insurance join Arrow and the Glens Falls National Bank team. This transaction will complement Arrow’s other property and casualty insurance operations, Upstate Agency, LLC and Loomis and LaPann, Inc., as well as its health insurance agency, Capital Financial Group, Inc.” Mr. Hoy added, “We are confident the acquisitions will benefit our customers and our company as well as provide additional convenience and new opportunities in our communities.”

Mr. Paul McPhillips indicated, “We are extremely pleased to have the opportunity to join forces with Arrow and Glens Falls National Bank. This affiliation will allow us to add to the services we provide. Quality customer service has been the benchmark for both Glens Falls National Bank and McPhillips Insurance agencies for decades.”

Arrow Financial Corporation is a multi-bank holding company headquartered in Glens Falls, New York with 35 banking locations in northeastern New York. Arrow Financial Corporation is the parent company of Glens Falls National Bank and Trust Company and Saratoga National Bank and Trust Company. Other subsidiaries include North Country Investment Advisers, Inc., Capital Financial Group, Inc., Loomis and LaPann, Inc., and Upstate Agency, LLC.

The information contained in this News Release may contain statements that are not historical in nature but rather are based on management’s beliefs, assumptions, expectations, estimates and projections about the future. These statements may be “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, involving a degree of uncertainty and attendant risk. In the case of all forward-looking statements, actual outcomes and results may differ materially from what the statements predict or forecast, explicitly or by implication. The company undertakes no obligation to revise or update these forward-looking statements to reflect the occurrence of unanticipated events. This News Release should be read in conjunction with the company’s Annual Report on Form 10-K for the year ended December 31, 2010 and other filings with the Securities and Exchange Commission.