

Alliance Financial Announces Third Quarter Earnings

Syracuse, NY, October 22, 2007- Alliance Financial Corporation (NASDAQ: ALNC), the holding company for Alliance Bank, N.A., announced today that its net income for the third quarter of 2007 was \$2.4 million, an increase of 32.5% compared with \$1.8 million in the year-ago quarter. Diluted earnings per share were \$0.51 in the third quarter, which was unchanged from the third quarter of 2006. Net income for the nine months ended September 30, 2007 was \$7.0 million or \$1.47 per diluted share, compared with \$5.2 million or \$1.47 per diluted share in the year-ago period. The growth in net income for the three months and nine months ended September 30, 2007 compared with the year-ago periods resulted primarily from the acquisition of Bridge Street Financial, Inc. ("Bridge Street"), a \$219.3 million bank holding company, in October 2006. Improvements in the Company's net interest margin and non-interest income also contributed to the earnings growth.

Jack H. Webb, President and CEO of Alliance said, "The increase in our net interest margin and disciplined expense control had a positive impact on earnings in the third quarter despite continuing competitive and economic challenges in our markets. Net income increased 6% from the second quarter of this year, with gains in net interest income and non-interest income and lower non-interest expenses offsetting an increase in loan loss provisions."

Total assets were \$1.3 billion at September 30, 2007, which was an increase of \$20.6 million or 1.6% from December 31, 2006. Total loans and leases (net of unearned income) were \$891.4 million at September 30, 2007, compared with \$886.9 million and \$882.6 million at June 30, 2007 and December 31, 2006, respectively.

Residential mortgages totaled \$268.8 million or 30.2% of total loans and leases at September 30, 2007, reflecting increases of \$6.9 million and \$15.5 million compared with June 30, 2007 and December 31, 2006, respectively. This growth in residential mortgages has come entirely from conventional mortgages originated in our local markets as the result of our long established plan to grow our mortgage origination operations. The Company does not originate and has no sub-prime, Alt-A, negative amortizing or other higher risk residential mortgages in its portfolio.

Commercial loans totaled \$214.2 million or 24.1% of total loans and leases at September 30, 2007, compared with \$221.7 million or 25.1% and \$223.6 million or 25.4% of total loans and leases at June 30, 2007 and December 31, 2006, respectively. The decrease in commercial loans occurred largely as a result of the payoffs of several commercial relationships where the Company elected not to offer certain aggressive rate and credit terms that would have been necessary to retain these relationships. In addition, the Company experienced seasonal paydowns of several lines of credit.

The Company's commercial lease portfolio (net of unearned income) totaled \$130.2 million or 14.7% of total loans and leases at September 30, 2007, compared with \$129.8 million or 14.7% and \$131.0 million or 14.9% at June 30, 2007 and December 31, 2006, respectively.

Total deposits increased to \$944.1 million at September 30, 2007, compared with \$929.3 million and \$935.6 million at June 30, 2007 and December 31, 2006, respectively.

Nonperforming assets were \$4.8 million or 0.37% of total assets at September 30, 2007, compared with \$5.5 million or 0.43% of total assets and \$2.6 million or 0.21% of total assets at June 30, 2007 and December 31, 2006, respectively. Commercial loans on nonaccrual status decreased \$924,000 in the third quarter due largely to one relationship's return to performing status during the quarter. Loans and leases past due 30 days or more (including nonperforming loans) totaled \$12.9 million or 1.45% of total loans and leases at September 30, 2007, compared with \$12.7 million or 1.43% at June 30, 2007 and \$16.3 million or 1.85% at December 31, 2006. Delinquencies at December 31, 2006 were impacted by the acquisition of the Bridge Street loan portfolio.

The provision for loan and lease losses was \$1.1 million and \$2.6 million in the quarter and nine months ended September 30, 2007, compared with \$550,000 and \$2.0 million, respectively, in the year-ago periods. Net charge-offs were \$815,000 and \$1.8 million in the quarter and nine months ended September 30, 2007, compared with \$318,000 and \$1.5 million in the respective year-ago periods. The allowance for loan and lease losses was \$7.9 million at September 30, 2007, compared with \$7.5 million and \$7.0 million at June 30, 2007 and December 31, 2006, respectively. The ratio of the allowance for loan and lease losses to nonperforming loans and leases was 176.1% at September 30, 2007, compared with 139.3% and 266.4% at June 30, 2007 and December 31, 2006, respectively. The ratio of the allowance for loan and lease losses to total loans and leases was 0.88% at September 30, 2007, compared with 0.85% and 0.80% at June 30, 2007 and December 31, 2006, respectively.

Webb added, "We have continued to build our loan loss reserves in response to higher net charge-offs and our perception of the weakening economic and credit conditions, with the provision for loan losses exceeding our net charge-offs by nearly 40% in the third quarter."

Shareholders' equity was \$113.4 million at September 30, 2007, compared with \$110.3 million and \$109.5 million at June 30, 2007 and December 31, 2006, respectively. Net income of \$2.4 million in the third quarter of 2007 was partially offset by dividends of \$1.1 million. Additionally, accumulated other comprehensive loss decreased \$1.7 million in the third quarter due to an improvement in unrealized losses on securities available-for-sale as a result of changes in market conditions and interest rates. The securities available-for-sale portfolio is predominantly comprised of investment grade mortgage-backed securities, securities issued by U.S. government-sponsored corporations and municipal securities. Our mortgage-backed securities portfolio is comprised of pass-through securities guaranteed by either Fannie

Mae, Freddie Mac or Ginnie Mae, and does not include any securities backed by subprime or other high-risk mortgages.

Net interest income totaled \$8.2 million in the three months ended September 30, 2007, an increase of \$1.7 million or 27.0% compared with the third quarter of 2006. Net interest income totaled \$24.3 million in the nine months ended September 30, 2007, which was an increase of \$4.8 million or 24.6% compared with the same period in 2006. The growth in net interest income resulted largely from the acquisition of Bridge Street and growth in the Company's lease portfolio in the second half of 2006, along with improvement in the Company's net interest margin. Loans and leases comprised 77.0% of average earning assets in the third quarter of 2007, compared with 74.1% in the year-ago quarter. The higher proportion of earning assets in loans and leases, combined with general upward repricing of the Company's earning assets, contributed to an increase in the Company's earning asset yield which offset an increase in its cost of funds. The Company's earning asset yield was 6.43% in the third quarter of 2007, an increase of 31 basis points compared with the same quarter in 2006. The earning asset yield was 6.35% in the second quarter of 2007.

The Company's cost of funds was 3.86% in the third quarter of 2007, an increase of 20 basis points compared with the third quarter of 2006. The increase in the cost of funds compared with the year-ago quarter resulted primarily from higher short-term interest rates and highly competitive pricing for time accounts and municipal deposits in our market area. The Company's cost of funds was 3.78% in the second quarter of 2007.

The Company's net interest margin on a tax-equivalent basis was 3.04% in the third quarter of 2007, compared with 2.93% in the third quarter of 2006. The net interest margin was 3.01% in the second quarter of 2007. The net interest margin was 3.03% and 3.00% for the nine months ended September 30, 2007 and 2006, respectively.

Non-interest income was \$5.5 million in the third quarter of 2007, which was an increase of \$1.3 million or 32.1% compared with \$4.2 million in the third quarter of 2006. Non-interest income was \$15.8 million in the nine months ended September 30, 2007, which was an increase of \$3.5 million or 28.1% compared with the year-ago period. The increases in non-interest income are due primarily to the effect of the Bridge Street acquisition, higher investment management income, and organic growth in customer service charges and transaction fees. Rental income from leases decreased \$185,000 or 100% in the third quarter due to the planned winding down of the operating lease portfolio. Non-interest income comprised 40.2% of total revenue in the third quarter of 2007 compared with 39.2% in the year-ago quarter and 39.3% in the second quarter of 2007.

Webb said, "We are very pleased with the performance of our investment management business, with income from this business up more than 8% in the third quarter compared with the year ago quarter. Assets under management exceeded \$1.0 billion for the first time ever in the third quarter through a

combination of overall market performance and growth in our personal, institutional, and not-for-profit segments.”

Non-interest expenses were \$9.4 million in the quarter ended September 30, 2007, an increase of \$1.7 million or 22.6% compared to \$7.7 million in the third quarter of 2006. Non-interest expenses were \$28.4 million in the nine months ended September 30, 2007, which was an increase of \$5.1 million or 22.1% compared with the year-ago period. These increases resulted primarily from the incremental costs associated with the operation of Bridge Street’s branches and its insurance agency, the costs associated with processing the increased volume of customer transactions and amortization of intangible assets recorded in connection with the acquisition. The Company’s efficiency ratio was 68.7% in the third quarter of 2007, compared with 72.3% in the year-ago quarter and 72.5% in the second quarter of 2007, and 70.7% for the nine months ended September 30, 2007, compared with 72.9% in the year-ago period.

The Company’s effective tax rate was 23.4% in the third quarter, compared with 24.0% in the year-ago quarter.

Alliance Financial Corporation is an independent financial holding company with Alliance Bank, N.A. as its principal subsidiary. It provides banking, commercial leasing, and trust and investment services through 29 office locations in Cortland, Madison, Oneida, Onondaga and Oswego counties, and insurance brokerage through its wholly-owned subsidiary, Ladd’s Agency, Inc. The Bank also operates a trust administration center in Buffalo, NY and offers equipment lease financing through its wholly-owned subsidiary, Alliance Leasing, Inc.

This press release contains certain forward-looking statements with respect to the financial condition, results of operations and business of Alliance Financial Corporation. These forward-looking statements involve certain risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: an increase in competitive pressure in the banking industry; changes in the interest rate environment reduce margins; changes in the regulatory environment; general economic conditions, either nationally or regionally, that are less favorable than expected, resulting, among other things, in a deterioration in credit quality; changes in business conditions and inflation; changes in the securities markets; changes in technology used in the banking business; our ability to maintain and increase market share and control expenses; the possibility that our trust business will fail to perform as currently anticipated; and other factors detailed from time to time in our SEC filings.

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Alliance Financial Corporation
Consolidated Balance Sheets (Unaudited)

| | <u>September 30, 2007</u> | <u>December 31, 2006</u> |
|---|---|--------------------------|
| Assets | (Dollars in thousands, except share and per share data) | |
| Cash and due from banks | \$ 28,160 | \$ 27,398 |
| Securities available-for-sale | 267,703 | 254,002 |
| Federal Home Loan Bank of NY (“FHLB”) and Federal Reserve Bank (“FRB”) Stock | 9,228 | 7,985 |
| Total loans and leases, net of unearned income | 891,368 | 882,566 |
| Less allowance for loan and lease losses | 7,863 | 7,029 |
| Net loans and leases | <u>883,505</u> | <u>875,537</u> |
| Premises and equipment, net | 18,210 | 20,125 |
| Accrued interest receivable | 5,836 | 4,605 |
| Bank-owned life insurance | 16,922 | 16,449 |
| Assets held for sale | 2,866 | 2,367 |
| Goodwill | 33,501 | 33,456 |
| Intangible assets, net | 13,593 | 14,912 |
| Other assets | 14,035 | 16,131 |
| Total assets | <u>\$ 1,293,559</u> | <u>\$ 1,272,967</u> |
| Liabilities and shareholders’ equity | | |
| Liabilities: | | |
| Deposits: | | |
| Non-interest bearing | \$ 128,835 | \$ 129,575 |
| Interest bearing | 815,233 | 806,021 |
| Total deposits | <u>944,068</u> | <u>935,596</u> |
| Borrowings | 189,135 | 179,650 |
| Accrued interest payable | 3,442 | 2,651 |
| Other liabilities | 17,705 | 19,790 |
| Junior subordinated obligations issued to unconsolidated subsidiary trusts | 25,774 | 25,774 |
| Total liabilities | <u>1,180,124</u> | <u>1,163,461</u> |
| Common stock | 4,910 | 4,895 |
| Surplus | 39,386 | 38,986 |
| Undivided profits | 74,539 | 70,658 |
| Accumulated other comprehensive loss | (1,507) | (2,122) |
| Treasury stock | (3,893) | (2,911) |
| Total shareholders’ equity | <u>113,435</u> | <u>109,506</u> |
| Total liabilities and shareholders’ equity | <u>\$ 1,293,559</u> | <u>\$ 1,272,967</u> |
| | | |
| Common shares outstanding | 4,783,509 | 4,800,512 |
| Book value per share | \$ 23.71 | \$ 22.81 |
| Tangible book value per share | \$ 13.87 | \$ 12.74 |

Alliance Financial Corporation
Consolidated Average Balances (Unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|---------------------|------------------------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | (Dollars in thousands) | | | |
| Earning assets: | | | | |
| Federal funds sold and interest bearing deposits | \$ 269 | \$ 179 | \$ 184 | \$ 2,965 |
| Securities | 257,123 | 240,289 | 255,931 | 249,396 |
| FHLB and FRB stock | 8,713 | 5,983 | 8,563 | 5,918 |
| Loans and leases receivable: | | | | |
| Residential real estate loans | 265,633 | 194,210 | 259,844 | 189,691 |
| Commercial loans | 221,373 | 164,079 | 221,605 | 163,104 |
| Leases, net of unearned income | 130,580 | 98,513 | 131,032 | 80,316 |
| Indirect loans | 182,285 | 182,757 | 181,148 | 178,421 |
| Other consumer loans | 91,579 | 66,221 | 90,519 | 66,827 |
| Loans and leases receivable, net of unearned income | 891,450 | 705,780 | 884,148 | 678,359 |
| Total earning assets | 1,157,555 | 952,231 | 1,148,826 | 936,638 |
| Non-earning assets | 121,075 | 55,913 | 122,948 | 56,085 |
| Total assets | <u>\$ 1,278,630</u> | <u>\$ 1,008,144</u> | <u>\$ 1,271,774</u> | <u>\$ 992,723</u> |
| Interest bearing liabilities: | | | | |
| Interest bearing checking accounts | \$ 98,959 | \$ 86,010 | \$ 97,004 | \$ 84,971 |
| Savings accounts | 83,923 | 54,025 | 84,728 | 55,069 |
| Money market accounts | 188,892 | 160,121 | 195,958 | 170,833 |
| Time deposits | 441,531 | 371,922 | 433,242 | 358,448 |
| Borrowings | 177,903 | 147,176 | 178,524 | 139,040 |
| Junior subordinated obligations | 25,774 | 12,028 | 25,774 | 10,883 |
| Total interest bearing liabilities | 1,016,982 | 831,282 | 1,015,230 | 819,244 |
| Non-interest bearing deposits | 129,436 | 96,332 | 126,304 | 93,438 |
| Other non-interest bearing liabilities | 20,747 | 9,684 | 19,613 | 9,704 |
| Total liabilities | 1,167,165 | 937,298 | 1,161,147 | 922,386 |
| Shareholders' equity | 111,465 | 70,846 | 110,627 | 70,337 |
| Total liabilities and shareholders' equity | <u>\$ 1,278,630</u> | <u>\$ 1,008,144</u> | <u>\$ 1,271,774</u> | <u>\$ 992,723</u> |

Alliance Financial Corporation
Loan and Deposit Composition (Unaudited)

| | September 30, 2007 | | June 30, 2007 | | December 31, 2006 | |
|-------------------------------------|---------------------------|----------------|------------------------|----------------|--------------------------|----------------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Loan portfolio composition | | | (Dollars in thousands) | | | |
| Residential real estate loans | \$ 268,774 | 30.2% | \$ 261,886 | 29.5% | \$ 253,289 | 28.7% |
| Commercial loans | 214,217 | 24.1% | 221,687 | 25.1% | 223,600 | 25.4% |
| Leases, net of unearned income | 130,224 | 14.7% | 129,823 | 14.7% | 131,048 | 14.9% |
| Indirect loans | 182,104 | 20.5% | 180,944 | 20.5% | 181,929 | 20.7% |
| Other consumer loans | 92,997 | 10.5% | 89,754 | 10.2% | 90,438 | 10.3% |
| Total loans and leases | <u>\$ 888,316</u> | <u>100.0%</u> | <u>\$ 884,094</u> | <u>100.0%</u> | <u>\$ 880,304</u> | <u>100.0%</u> |
| Net deferred loan costs | 3,052 | | 2,793 | | 2,262 | |
| Allowance for loan and lease losses | (7,863) | | (7,538) | | (7,029) | |
| Net loans and leases | <u>\$ 883,505</u> | | <u>\$ 879,349</u> | | <u>\$ 875,537</u> | |
| Deposit composition | | | | | | |
| Non-interest bearing checking | \$ 128,835 | 13.7% | \$ 126,606 | 13.6% | \$ 129,575 | 13.9% |
| Interest bearing checking | 103,370 | 10.9% | 97,806 | 10.5% | 93,819 | 10.0% |
| Total checking | 232,205 | 24.6% | 224,412 | 24.1% | 223,394 | 23.9% |
| Savings | 82,176 | 8.7% | 84,965 | 9.2% | 86,025 | 9.2% |
| Money market | 192,358 | 20.4% | 184,357 | 19.8% | 189,142 | 20.2% |
| Time deposits | 437,329 | 46.3% | 435,558 | 46.9% | 437,035 | 46.7% |
| Total deposits | <u>\$ 944,068</u> | <u>100.0%</u> | <u>\$ 929,292</u> | <u>100.0%</u> | <u>\$ 935,596</u> | <u>100.0%</u> |

Alliance Financial Corporation
Consolidated Statements of Income (Unaudited)

| | <u>Three months ended September 30,</u> | | <u>Nine months ended September 30,</u> | |
|---|---|-----------------|--|-----------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| | (Dollars in thousands, except share and per share data) | | | |
| Interest income: | | | | |
| Interest and fees on loans and leases | \$ 15,057 | \$ 11,498 | \$ 44,280 | \$ 32,267 |
| Federal funds sold and interest bearing deposits | 7 | 4 | 16 | 121 |
| Securities | 2,964 | 2,564 | 8,758 | 7,852 |
| Total interest income | <u>18,028</u> | <u>14,066</u> | <u>53,054</u> | <u>40,240</u> |
| Interest expense: | | | | |
| Deposits: | | | | |
| Savings accounts | 114 | 74 | 339 | 225 |
| Money market accounts | 1,533 | 1,188 | 4,673 | 3,624 |
| Time accounts | 5,355 | 4,203 | 15,343 | 11,130 |
| NOW accounts | 252 | 135 | 665 | 336 |
| Total | <u>7,254</u> | <u>5,600</u> | <u>21,020</u> | <u>15,315</u> |
| Borrowings: | | | | |
| Repurchase agreements | 742 | 709 | 2,248 | 1,880 |
| FHLB advances | 1,331 | 1,047 | 3,985 | 2,864 |
| Junior subordinated obligations | 495 | 248 | 1,465 | 644 |
| Total interest expense | <u>9,822</u> | <u>7,604</u> | <u>28,718</u> | <u>20,703</u> |
| Net interest income | 8,206 | 6,462 | 24,336 | 19,537 |
| Provision for loan and lease losses | 1,140 | 550 | 2,590 | 1,967 |
| Net interest income after provision for loan and lease losses | 7,066 | 5,912 | 21,746 | 17,570 |
| Non-interest income: | | | | |
| Investment management income | 2,335 | 2,157 | 6,834 | 6,637 |
| Service charges on deposit accounts | 1,382 | 1,001 | 3,924 | 2,938 |
| Card-related fees | 486 | 293 | 1,421 | 851 |
| Insurance agency income | 479 | - | 1,335 | - |
| Income from bank-owned life insurance | 160 | 102 | 473 | 300 |
| Gain on the sale of loans | 46 | 24 | 129 | 70 |
| Rental income from leases | - | 185 | 125 | 601 |
| Other non-interest income | 619 | 408 | 1,567 | 945 |
| Total non-interest income | <u>5,507</u> | <u>4,170</u> | <u>15,808</u> | <u>12,342</u> |
| Non-interest expense: | | | | |
| Salaries and employee benefits | 4,634 | 3,903 | 13,631 | 11,722 |
| Occupancy and equipment expense | 1,560 | 1,495 | 5,087 | 4,528 |
| Communication expense | 174 | 146 | 583 | 407 |
| Stationery and supplies expense | 156 | 125 | 450 | 336 |
| Marketing expense | 296 | 196 | 1,012 | 801 |
| Amortization of intangible asset | 435 | 126 | 1,319 | 378 |
| Professional fees | 641 | 697 | 2,069 | 2,083 |
| Other operating expense | 1,529 | 1,000 | 4,212 | 2,979 |
| Total non-interest expense | <u>9,425</u> | <u>7,688</u> | <u>28,363</u> | <u>23,234</u> |
| Income before income tax expense | 3,148 | 2,394 | 9,191 | 6,678 |
| Income tax expense | 738 | 575 | 2,154 | 1,447 |
| Net income | <u>\$ 2,410</u> | <u>\$ 1,819</u> | <u>\$ 7,037</u> | <u>\$ 5,231</u> |
| Share and Per Share Data | | | | |
| Basic average shares outstanding | 4,709,334 | 3,503,851 | 4,714,379 | 3,496,132 |
| Diluted average shares outstanding | 4,756,088 | 3,585,204 | 4,776,138 | 3,569,326 |
| Basic earnings per share | \$ 0.51 | \$ 0.52 | \$ 1.49 | \$ 1.50 |
| Diluted earnings per share | \$ 0.51 | \$ 0.51 | \$ 1.47 | \$ 1.47 |
| Cash dividends declared | \$ 0.22 | \$ 0.22 | \$ 0.66 | \$ 0.66 |

Alliance Financial Corporation
Consolidated Financial Information (Unaudited)

| | <u>September 30,</u> <u>2007</u> | <u>June 30,</u> <u>2007</u> | <u>December 31,</u> <u>2006</u> |
|--|-------------------------------------|--------------------------------|------------------------------------|
| | (Dollars in thousands) | | |
| Asset quality | | | |
| Non-accruing loans and leases | | | |
| Residential real estate loans | \$ 294 | \$ 295 | \$ 298 |
| Commercial loans | 2,562 | 3,486 | 1,248 |
| Leases | 347 | 350 | 99 |
| Indirect loans | 43 | 40 | 63 |
| Other consumer loans | 138 | 231 | 141 |
| Total non-accruing loans and leases | <u>3,384</u> | <u>4,402</u> | <u>1,849</u> |
| Accruing loans and leases delinquent 90 days or more | <u>1,080</u> | <u>1,009</u> | <u>790</u> |
| Total non-performing loans and leases | 4,464 | 5,411 | 2,639 |
| Other real estate and repossessed assets | <u>326</u> | <u>66</u> | <u>-</u> |
| Total non-performing assets | <u>\$ 4,790</u> | <u>\$ 5,477</u> | <u>\$ 2,639</u> |

| | <u>Three months ended</u> <u>September 30,</u> | | <u>Nine months ended</u> <u>September 30,</u> | |
|--|---|-----------------|--|-----------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| | (Dollars in thousands) | | | |
| Allowance for loan and lease losses, beginning of period | \$ 7,538 | \$ 5,170 | \$ 7,029 | \$ 4,960 |
| Loans and leases charged-off | (924) | (519) | (2,377) | (2,030) |
| Recoveries of loans and leases previously charged-off | <u>109</u> | <u>201</u> | <u>621</u> | <u>505</u> |
| Net loans and leases charged-off | (815) | (318) | (1,756) | (1,525) |
| Provision for loan and lease losses | <u>1,140</u> | <u>550</u> | <u>2,590</u> | <u>1,967</u> |
| Allowance for loan and lease losses, end of period | <u>\$ 7,863</u> | <u>\$ 5,402</u> | <u>\$ 7,863</u> | <u>\$ 5,402</u> |

Alliance Financial Corporation
Consolidated Financial Information (Unaudited)

| Key Ratios | At or for the three months ended September 30 | | At or for the nine months ended September 30 | |
|--|--|--------|---|--------|
| | 2007 | 2006 | 2007 | 2006 |
| Return on average assets | 0.75% | 0.72% | 0.74% | 0.70% |
| Return on average equity | 8.64% | 10.27% | 8.48% | 9.91% |
| Yield on earning assets | 6.43% | 6.12% | 6.36% | 5.94% |
| Cost of funds | 3.86% | 3.66% | 3.77% | 3.37% |
| Net interest margin (tax equivalent) ⁽¹⁾ | 3.04% | 2.93% | 3.03% | 3.00% |
| Non-interest income to total income ⁽²⁾ | 40.15% | 39.22% | 39.38% | 38.72% |
| Efficiency ratio ⁽³⁾ | 68.74% | 72.31% | 70.65% | 72.88% |
| Dividend payout ratio ⁽⁴⁾ | 43.14% | 43.14% | 44.90% | 44.90% |
| Net loans and leases charged-off to average loans and leases, annualized | 0.37% | 0.18% | 0.26% | 0.30% |
| Provision for loan and lease losses to average loans and leases, annualized | 0.51% | 0.31% | 0.39% | 0.39% |
| Allowance for loan and lease losses to total loans and leases | 0.88% | 0.74% | 0.88% | 0.74% |
| Allowance for loan and lease losses to non-performing loans and leases | 176.1% | 495.8% | 176.1% | 495.8% |
| Non-performing loans and leases to total loans and leases | 0.50% | 0.15% | 0.50% | 0.15% |
| Non-performing assets to total assets | 0.37% | 0.11% | 0.37% | 0.11% |

(1) Tax equivalent net interest income divided by average earning assets

(2) Non-interest income (net of realized gains and losses on securities) divided by the sum of net interest income and non-interest income (net of realized gains and losses on securities)

(3) Non-interest expense divided by the sum of net interest income and non-interest income (net of realized gains and losses on securities)

(4) Cash dividends declared per share divided by diluted earnings per share

Alliance Financial Corporation
Selected Quarterly Financial Data (Unaudited)

| | 2007 | | | 2006 | |
|--|---|-----------|-----------|-----------|-----------|
| | Third | Second | First | Fourth | Third |
| | (Dollars in thousands, except per share data) | | | | |
| Interest income | \$ 18,028 | \$ 17,649 | \$ 17,377 | \$ 17,433 | \$ 14,066 |
| Interest expense | 9,822 | 9,600 | 9,296 | 9,248 | 7,604 |
| Net interest income | 8,206 | 8,049 | 8,081 | 8,185 | 6,462 |
| Provision for loan and lease losses | 1,140 | 700 | 750 | 510 | 550 |
| Net interest income after provision for loan and leases losses | 7,066 | 7,349 | 7,331 | 7,675 | 5,912 |
| Other non-interest income | 5,507 | 5,212 | 5,089 | 5,476 | 4,170 |
| Other non-interest expense | 9,425 | 9,617 | 9,321 | 10,756 | 7,688 |
| Income before income tax expense | 3,148 | 2,944 | 3,099 | 2,395 | 2,394 |
| Income tax expense | 738 | 671 | 745 | 315 | 575 |
| Net income | \$ 2,410 | \$ 2,273 | \$ 2,354 | \$ 2,080 | \$ 1,819 |
| Stock and related per share data | | | | | |
| Basic earnings per share | \$ 0.51 | \$ 0.48 | \$ 0.50 | \$ 0.44 | \$ 0.52 |
| Diluted earnings per share | \$ 0.51 | \$ 0.48 | \$ 0.49 | \$ 0.43 | \$ 0.51 |
| Basic weighted average shares outstanding | 4,709,334 | 4,709,334 | 4,724,638 | 4,720,384 | 3,503,851 |
| Diluted weighted average shares outstanding | 4,756,088 | 4,771,091 | 4,799,638 | 4,801,544 | 3,585,204 |
| Cash dividends paid per share | \$ 0.22 | \$ 0.22 | \$ 0.22 | \$ 0.22 | \$ 0.22 |
| Dividend payout ratio ⁽¹⁾ | 43.14% | 45.83% | 44.90% | 51.16% | 43.14% |
| Book value | \$ 23.71 | \$ 23.06 | \$ 23.07 | \$ 22.81 | \$ 20.51 |
| Tangible book value ⁽²⁾ | \$ 13.87 | \$ 13.10 | \$ 13.01 | \$ 12.74 | \$ 17.92 |
| Capital | | | | | |
| Tier 1 leverage ratio | 7.53% | 7.41% | 7.34% | 7.34% | 8.93% |
| Tier 1 risk based capital | 10.62% | 10.41% | 10.15% | 10.14% | 12.45% |
| Total risk based capital | 11.53% | 11.29% | 11.01% | 10.97% | 13.39% |
| Selected ratios | | | | | |
| Return on average assets | 0.75% | 0.71% | 0.75% | 0.67% | 0.72% |
| Return on average equity | 8.64% | 8.22% | 8.58% | 8.31% | 10.27% |
| Yield on earning assets | 6.43% | 6.35% | 6.30% | 6.34% | 6.12% |
| Cost of funds | 3.86% | 3.78% | 3.67% | 3.70% | 3.66% |
| Net interest margin (tax equivalent) ⁽³⁾ | 3.04% | 3.01% | 3.04% | 3.08% | 2.93% |
| Non-interest income to total income ⁽⁴⁾ | 40.15% | 39.31% | 38.64% | 40.08% | 39.22% |
| Efficiency ratio ⁽⁵⁾ | 68.74% | 72.52% | 70.77% | 78.74% | 72.31% |
| Asset quality ratios | | | | | |
| Net loans and leases charged-off to average loans and leases, annualized | 0.37% | 0.22% | 0.20% | 0.08% | 0.18% |
| Provision for loans and lease losses to average loans and leases, annualized | 0.51% | 0.32% | 0.34% | 0.24% | 0.31% |
| Allowance for loan and lease losses to total loans and leases | 0.88% | 0.85% | 0.83% | 0.80% | 0.75% |
| Allowance for loan and lease losses to non-performing loans and leases | 176.1% | 139.3% | 132.7% | 266.4% | 495.8% |
| Non-performing loans and leases to total loans and leases | 0.50% | 0.61% | 0.62% | 0.30% | 0.15% |
| Non-performing assets to total assets | 0.37% | 0.43% | 0.44% | 0.21% | 0.11% |

(1) Cash dividends declared per share divided by diluted earnings per share

(2) Shareholders' equity less goodwill and intangible assets divided by common shares outstanding

(3) Tax equivalent net interest income divided by average earning assets

(4) Non-interest income (net of realized gains and losses on securities) divided by the sum of net interest income and non-interest income (net of realized gains and losses on securities)

(5) Non-interest expense divided by the sum of net interest income and non-interest income (net of realized gains and losses on securities)