

PRESS RELEASE

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Alliance Financial Reports First Quarter Earnings

SYRACUSE, NEW YORK {April 27, 2005}

Alliance Financial Corporation (Nasdaq: ALNC), parent of Alliance Bank, N. A., announced today that earnings were \$0.55 per share on a fully diluted basis for the quarter ended March 31, 2005, up 5.8% compared to \$0.52 for the period in 2004. The Company's 2005 first quarter net income of \$2 million rose 6.3% compared to 2004 first quarter net income of \$1.9 million.

“We’re very pleased with our first quarter results. The accretive nature of our acquisition in February of a portion of the personal trust business of HSBC, USA, N.A. is already evident. Even though the acquisition closed seven weeks into the quarter, it was a positive contributor to first quarter earnings. Likewise, continued improvement in loan and lease quality and the resulting credit to the loan and lease loss provision bolstered results,” said Jack H. Webb, Chairman, President and Chief Executive Officer of Alliance Financial Corporation. “Another positive for the first quarter was loan growth, which benefited from a continued up tick in originations in our commercial leasing business as well as growth in our indirect auto lending portfolio, the result in part of expansion of that business into the Buffalo and Rochester markets. At the same time, we continued to grow our deposit base and build our market presence, particularly within Onondaga County, where we announced plans to build new branches in Camillus and East Syracuse.”

The Company further reported that its return on average assets and return on average equity for the 2005 first quarter were 0.91% and 11.66%, respectively, compared with 0.90% and 11.19%, respectively, for the first quarter of 2004.

Year-over-year first quarter net interest income declined \$165 thousand, or 2.4%, as an increase in the cost of funds narrowed the Company's net interest margin. The 2005 first quarter tax equivalent net interest margin of 3.47% declined from 3.72% for the same period a year ago. For the comparable periods average earning assets increased \$43 million, or 5.4%, with average loans and leases up 9.9%. Interest

income for the three months ended March 31, 2005, at \$10.6 million, was up 6.1% compared with last year's first quarter. The growth in average loans and leases was the primary reason for the increase in interest income. Average loans increased \$47.1 million with growth most significant in indirect auto and commercial leases. Average loan and lease yields increased 10 basis points over the comparable quarter. Investment income declined 6.4% due to a lower portfolio yield. Average investment securities for the comparable periods declined less than 1%, while the average portfolio yield fell 21 basis points. Rising market interest rates since the middle of 2004 have pushed up the Company's cost of interest-bearing liabilities, resulting in a 25.6% quarter-over-quarter increase in interest expense. The average rate paid on interest-bearing liabilities was up 36 basis points over the past twelve months, while at the same time growth in average interest-bearing liabilities of \$27.8 million, or 3.9% also contributed to the increase in interest expense. Average non-interest bearing deposits were up 26% over the past twelve months.

The Company's evaluation of the adequacy of the level of the Allowance for Loan and Lease Losses during the 2005 first quarter concluded that continued improvement in loan quality indicators supported a reduction in the level of the allowance when compared to December 31, 2004. Non-performing loans and leases at March 31, 2005 were 0.16% of total loans and leases, down from 0.53% at year-end 2004 and 0.91% at March 31, 2004. For the first quarter of 2005, the Company reported a 0.08% net loan and lease recovery as a percentage of average loans and leases for the quarter compared to 2004 first quarter net loan and lease losses as a percentage of average loans and leases of 0.16%. Loan delinquency, as measured by the percentage of loans past due 30 days or more and non-accruing to total loans, also improved for the comparable quarters declining from 1.33% at quarter end a year ago to 0.81% at the end of the current quarter. As a result of the improvement in the quality of the loan and lease portfolio, the Company recorded a credit to its provision for loan and lease loss expense of \$544,000 during the 2005 first quarter compared to a charge of \$14,000 during the first quarter of 2004.

Non-interest income for the 2005 first quarter increased 25.8% compared to last year's first quarter, with the increase primarily reflecting growth in trust revenue associated with the acquisition of a portion of the HSBC personal trust business. Non-interest income was also positively impacted in the current quarter by increased rental income from operating equipment leases. Income from service charges on deposit was lower as rising market interest rates provided customers higher earning credit rates on deposit balances offsetting charges. Income from corporate owned life insurance and security gains was \$352,000 lower (net of tax) during the 2005 first quarter. Year-over-year total operating expenses increased 12.4%. Salary and benefit costs rose 5.7%, with the increase primarily relating to staff growth in connection with the acquisition of the trust business, and growth in the leasing and small business departments. Occupancy and equipment expense rose 41.3% for the comparable periods, with over 60% of the increase attributable to an impairment loss on equipment related to an operating lease. The increase in occupancy and equipment expense also reflected higher building lease expense and

equipment service contract costs. A decline in marketing expense for the comparable periods reflected the higher 2004 costs associated with new branch openings in that period. The rise in other operating expenses related to growth in the trust business, an increase in the reserve for loan commitments, and increased audit expense.

As of March 31, 2005, total assets were \$909.2 million, increasing \$46.6 million, or 5.4%, compared to March 31, 2004. For the twelve months ended March 31, 2005, gross loans increased \$53 million, or 11%, to a record \$536.1 million. Loan growth was greatest in the commercial lease and indirect auto loan categories. Investment securities declined \$11.9 million, or 3.7% over the past twelve months to \$310.5 million. At March 31, 2005, deposits were a record \$679.9 million, increasing \$59.9 million, or 9.7%, since March 31, 2004. For the twelve months ended March 31, 2005, the Company reported an 18.8% increase in commercial deposits, a 9.6% rise in personal deposits, and a 10.5% decline in public funds deposits. The Company's borrowings declined \$9.5 million, or 5.8%, during the last twelve months to \$153.6 million at March 31, 2005.

Shareholders equity at March 31, 2005 was \$67.6 million, or 7.4% of assets. Shareholders equity declined \$1.5 million, or 2.2%, over the past twelve months, reflecting a \$4.4 million addition of net income after payment of dividends, \$352,000 from the issuance of common stock in connection with the exercise of stock options and the issuance of restricted stock, and a \$6.3 million decline in the market value (after tax) of the Company's investment portfolio. On April 8, 2005, the Company paid its regular quarterly dividend of \$0.21 per share.

For a copy of this release, including first quarter 2005 performance highlights and supporting financial information, please refer to the "Press Releases" section of the "Investor Information" module on the Company's website at www.alliancebankna.com.

Alliance Financial Corporation is an independent bank holding company with one subsidiary, Alliance Bank, N.A., that provides banking, commercial leasing, trust and investment services through 20 office locations in Cortland, Madison, Oneida and Onondaga counties.

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: (1) an increase in competitive pressure in the banking

industry; (2) changes in the interest rate environment reduce margins; (3) changes in the regulatory environment; (4) general economic conditions, either nationally or regionally, are less favorable than expected, resulting in, among other things, a deterioration in credit quality; (5) changes in business conditions and inflation; (6) changes in the securities markets; (7) changes occur in technology used in the banking business; (8) the ability to maintain and increase market share and control expenses; (9) the possibility that the expansion of the Company's trust business may fail to perform as currently anticipated; and (10) other factors detailed from time to time in the Company's SEC filings.

ALLIANCE FINANCIAL CORPORATION
Consolidated Financial Information
(\$ in thousands)
Unaudited

	March 31, 2005	Period Ended December 31, 2004	March 31, 2004
Balance Sheet			
Cash and Due From Banks	\$ 21,737	\$ 21,258	\$ 19,940
Federal Funds Sold	6,800	-	12,500
Securities Held-to-Maturity	7,156	5,367	6,997
Securities Available-for-Sale	303,310	319,758	315,388
Total Securities	310,466	325,125	322,385
Residential Real Estate Loans	174,711	176,666	172,032
Commercial Loans	151,183	148,821	144,976
Leases	20,359	15,817	4,526
Indirect Loans	127,143	117,622	103,185
Other Consumer Loans	62,753	63,862	58,364
Gross Loans and Leases	536,149	522,788	483,083
Less Unearned Income	2,942	2,055	673
Less Allowance for Loan and Lease Losses	4,829	5,267	5,893
Net Loans and Leases	528,378	515,466	476,517
Premises and Equipment, Net	13,656	14,454	13,168
Accrued Interest Receivable	4,353	4,005	4,301
Intangible Asset	7,518	-	-
Other Assets	16,252	13,626	13,793
Total Assets	\$ 909,160	\$ 893,934	\$ 862,604
Non-Interest Checking Accounts	77,193	74,549	57,629
Interest Bearing Checking Accounts	74,480	81,891	76,715
Savings Accounts	63,040	62,783	65,351
Money Market Accounts	195,359	143,952	183,036
Time Deposits	269,794	259,946	237,260
Total Deposits	679,866	623,121	619,991
Short-Term Borrowings	68,279	101,854	42,776
Long-Term Borrowings	85,310	90,310	120,310
Accrued Interest Payable	1,504	1,451	1,170
Other Liabilities	6,567	8,302	9,176
Total Liabilities	841,526	825,038	793,423
Common Stock	3,968	3,947	3,940
Surplus	10,953	10,298	10,145
Unamortized Value of Restricted Stock	(1,670)	(1,047)	(1,186)
Undivided Profits	63,495	62,235	59,122
Accumulated Other Comprehensive Income	(1,157)	1,418	5,115
Treasury Stock	(7,955)	(7,955)	(7,955)
Total Shareholders' Equity	67,634	68,896	69,181
Total Liabilities and Shareholders' Equity	\$ 909,160	\$ 893,934	\$ 862,604
Assets Under Trust Administration (Market Value)	\$ 839,444	\$ 282,255	\$ 272,619

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	Quarterly Average	
	March 31, 2005	March 31, 2004
Balance Sheet		
Cash and Due From Banks	\$ 23,065	\$ 22,125
Federal Funds Sold	5,604	8,702
Securities Held-to-Maturity	6,846	6,963
Securities Available-for-Sale	299,368	305,532
Total Securities	306,214	312,495
Residential Real Estate Loans	175,571	172,875
Commercial Loans	149,632	142,177
Leases	16,735	3,686
Indirect Loans	121,036	99,932
Other Consumer Loans	63,064	58,693
Gross Loans and Leases	526,038	477,363
Less Unearned Income	2,184	653
Less Allowance for Loan and Lease Losses	5,413	6,179
Net Loans and Leases	518,441	470,531
Premises and Equipment, Net	14,208	13,617
Accrued Interest Receivable	3,590	3,666
Intangible Asset	3,533	-
Other Assets	14,900	13,883
Total Assets	\$ 889,555	\$ 845,019
Non-Interest Checking Accounts	75,435	59,856
Interest Bearing Checking Accounts	83,780	84,638
Savings Accounts	63,485	65,313
Money Market Accounts	170,502	152,626
Time Deposits	261,900	230,651
Total Deposits	655,102	593,084
Short-Term Borrowings	66,847	55,082
Long-Term Borrowings	89,880	120,310
Other Liabilities	8,636	8,850
Total Liabilities	820,465	777,326
Common Stock	3,962	3,930
Surplus	10,766	9,830
Unamortized Value of Restricted Stock	(1,497)	(932)
Undivided Profits	62,756	58,594
Accumulated Other Comprehensive Income	1,058	4,226
Treasury Stock	(7,955)	(7,955)
Total Shareholders' Equity	69,090	67,693
Total Liabilities and Shareholders' Equity	\$ 889,555	\$ 845,019

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	Three months ended March 31,	
	2005	2004
Income Statement		
Interest Income	\$ 10,616	\$ 10,004
Interest Expense	3,813	3,036
Net Interest Income	6,803	6,968
Provision for Loan and Lease Losses	(544)	14
Net Interest Income After Provision for Loan and Lease Losses	7,347	6,954
Trust & Brokerage Income	1,219	409
Service Charges on Deposit Accounts	657	739
Investment Securities Gains	-	273
Gain on the Sale of Loans	43	69
Bank Owned Life Insurance	98	294
Rental Income from Leases	542	177
Other Non-interest Income	390	383
Total Non-interest Income	2,949	2,344
Salaries and Employee Benefits	3,911	3,700
Occupancy Expense	1,722	1,218
Communication Expense	163	153
Stationary and Supplies Expense	118	131
Marketing Expense	183	244
Other Operating Expense	1,518	1,328
Total Operating Expenses	7,615	6,774
Net Income Before Taxes	2,681	2,524
Provision for Income Taxes	667	630
Net Income	\$ 2,014	\$ 1,894

Share and Per Share Data

Period Ending Shares Outstanding	3,593,090	3,565,213
Basic Average Shares Outstanding	3,587,627	3,556,666
Diluted Average Shares Outstanding	3,663,242	3,645,914
Basic Earnings Per Share	\$ 0.56	\$ 0.53
Diluted Earnings Per Share	\$ 0.55	\$ 0.52
Cash Dividends Declared	\$ 0.21	\$ 0.21
Book Value	\$ 18.82	\$ 19.40

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Key Ratios	Three months ended March 31,	
	2005	2004
Leverage Ratio	7.73%	7.58%
Return on Average Assets	0.91%	0.90%
Return on Average Equity	11.66%	11.19%
Net Interest Margin (Tax Equivalent)	3.47%	3.72%
Efficiency Ratio	78.09%	72.74%
Net Loans (Recovered) Charged-off to Average Loans and Leases, Annualized	(0.08%)	0.16%
Provision for Loan and Lease Losses to Average Loans and Leases, Annualized	(0.42%)	0.01%
Allowance for Loan and Lease Losses to Period-end Loans and Leases	0.91%	1.21%
Allowance for Loan and Lease Losses to Nonperforming Loans and Leases	583.92%	132.83%
Nonperforming Loans and Leases to Period-end Loans and Leases	0.16%	0.91%
Nonperforming Assets to Period-end Assets	0.10%	0.52%
Allowance for Loan Losses		
Allowance for Loan Losses, Beginning of Period	\$ 5,267	\$ 6,069
Loans Charged-off	(148)	(308)
Recoveries of Loans Previously Charged-off	254	118
Net Loans Recovered (Charged-off)	106	(190)
Provision for Loan Losses	(544)	14
Allowance for Loan Losses, End of Period	\$ 4,829	\$ 5,893