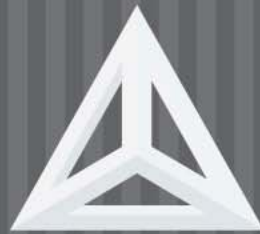


A N N U A L



M E E T I N G

Alliance Financial Corporation



Events of 2008

- **March:** Collapse of Bear Stearns
- **July:** Bank of America buys Countrywide Financial
- **September:**
 - Emergency Economic Stabilization Act of 2008
 - Troubled Asset Relief Program (TARP)
 - Bankruptcy of Lehman Brothers
 - Federal takeover of Fannie Mae and Freddie Mac
 - Federal bailout of American International Group (AIG)
 - Merrill Lynch sold to Bank of America
 - Morgan Stanley and Goldman Sachs confirm that they would become traditional bank holding companies
 - JP Morgan buys Washington Mutual
- **October:**
 - Large losses reported in financial markets around the world
 - National City Bank denied TARP, forced to consolidate with PNC
 - Well capitalized banks urged to consider TARP as a means to ensure availability of credit
- **December:**
 - Madoff Ponzi scheme made public



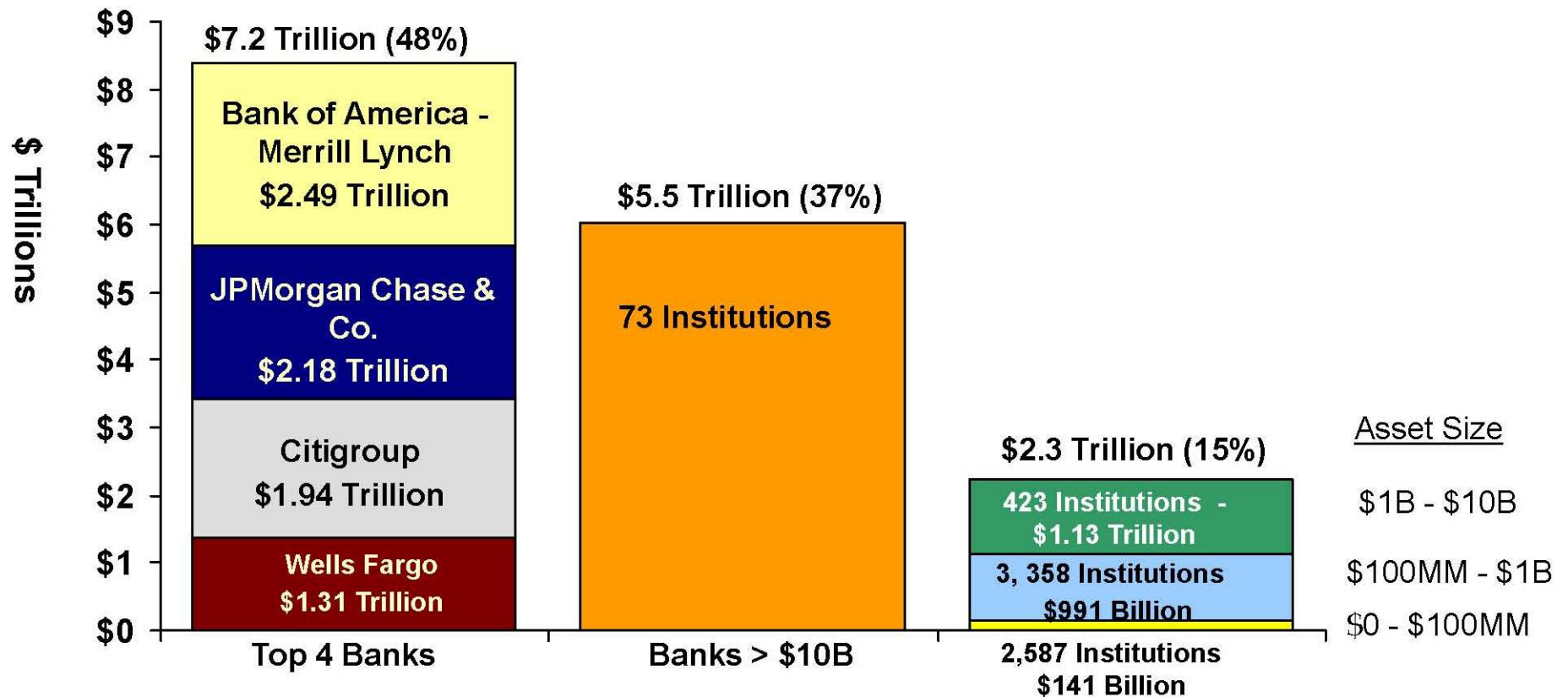
Events of 2009

- U.S. House of Representatives passes \$787 billion stimulus
- Major banks announce temporary moratorium on mortgage foreclosures
- February 17: President Obama signs \$787 billion American Recovery and Reinvestment Act of 2009
- February 23: Dow Jones Industrial Average and the S&P drop to the lowest levels since 1997
- February 27: Same indexes drop to their lowest levels since December 1996



Asset Distribution - Proforma

Total Industry Assets = \$15.0 Trillion



December 31, 2008 Data Consolidated by HC

Note: Does not reflect conversion of Goldman Sachs and Morgan Stanley, each with over \$600 Billion in assets, but less than \$50 Billion in deposits, to bank holding companies.



Alliance Financial Corporation's Participation in TARP

- October 2008 Primary regulators urge financially strong banks to consider accepting TARP.
- This was followed by significant due diligence by the Board of Directors.
- \$26.9 million transaction closed on December 19, 2008 (At December 31, 2008 there were over 500 TARP participants).
- February 2009 American Recovery and Reinvestment Act formalized significant government oversight resulting in burdensome corporate governance oversight.





“In my many years I have come to a conclusion that one useless man is a shame, two is a law firm and three or more is a congress.”

- John Adams, 2nd U.S. President



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- February 2009 American Recovery and Reinvestment Act formalized significant government oversight resulting in burdensome corporate governance oversight.
- All participants declared “bailed out”.
- ALNC completes significant stress testing in connection with our request to redeem all preferred stock related to TARP.
- May 8, 2009 ALNC was 14th bank to be approved to redeem.
- May 13, 2009 ALNC redemption of preferred stock accomplished.
- Currently negotiating stock warrant liquidation.



2008 ALNC Performance

Commercial Banking

- Demonstrated a sustained willingness to lend via disciplined underwriting criteria
- Full relationship banking versus stand alone product
- Distraction and lack of focus among larger banks have created opportunity

Investment Management

- Contribution impacted by decline in market values
- Business remains extremely important to our strategic plan
- Grow organically and via acquisition

Retail Banking

- Branches are operating well and delivering excellent customer service
- Indirect auto continues to operate very efficiently, generating approximately \$8 million in car loans per month
- Equally important, the credit quality within that portfolio is considered to be best in class



Residential Mortgages

- Continue to be #1 in Cortland County
- Sustained leadership share in Madison County
- Onondaga County market now represents over 50% of ALNC residential mortgage volume
- Through mid-May 2009, already surpassed all of 2007 in residential mortgage closings



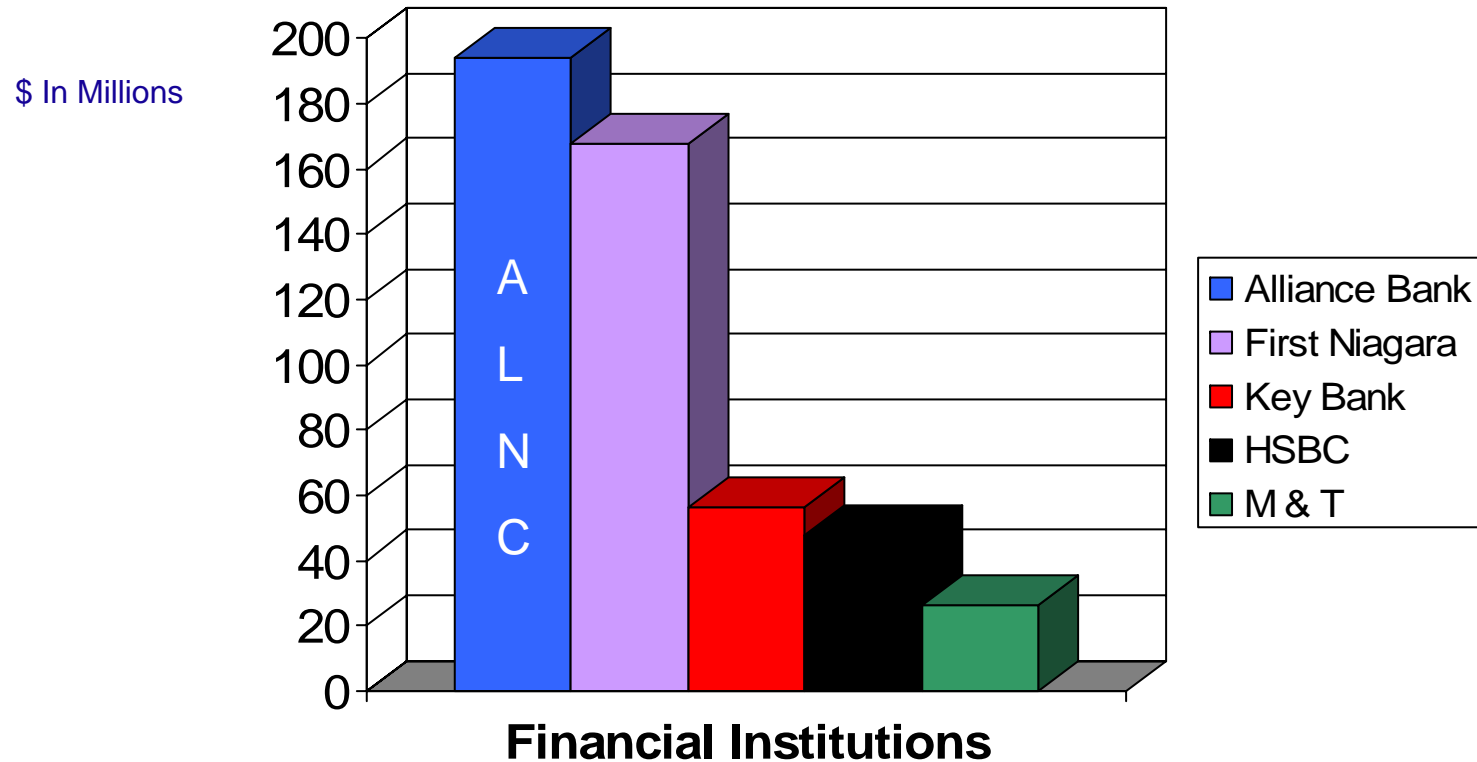


Level of Deposits Continue to
Increase





Cortland County

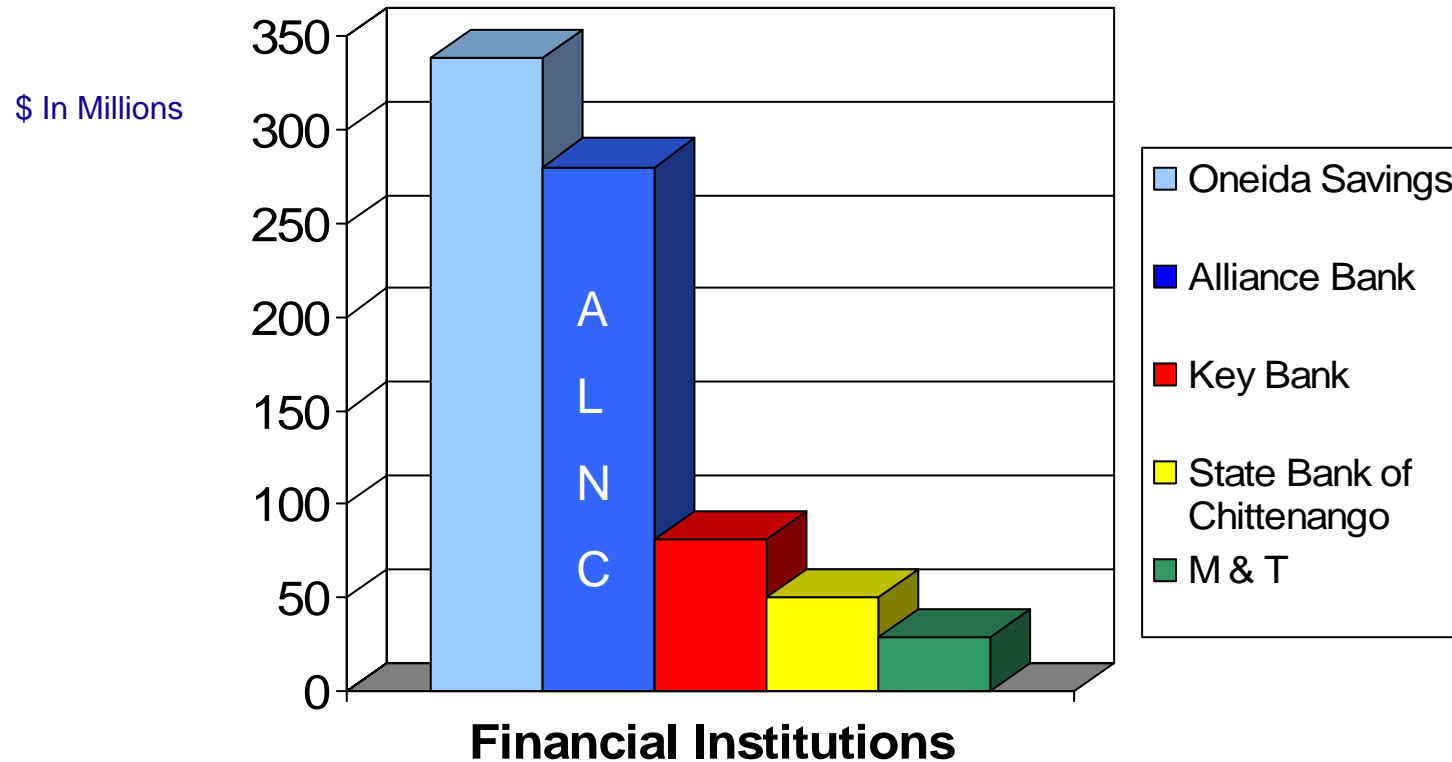


ALNC= 34.97% of Deposit Market Share

As of June 30, 2008 FDIC data reported in 2009 Highline



Madison County

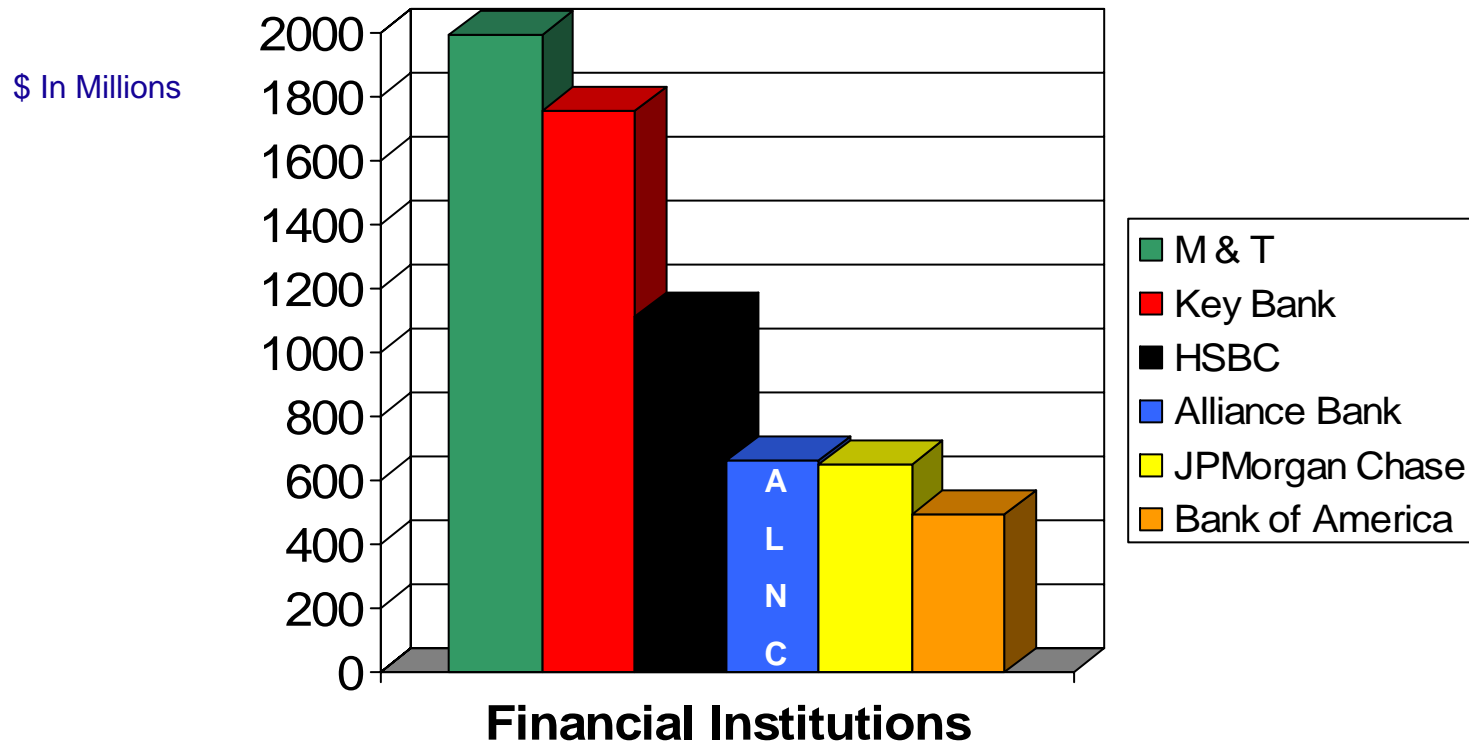


ALNC= 34.51% of Deposit Market Share

As of June 30, 2008 FDIC data reported in 2009 Highline



Syracuse MSA

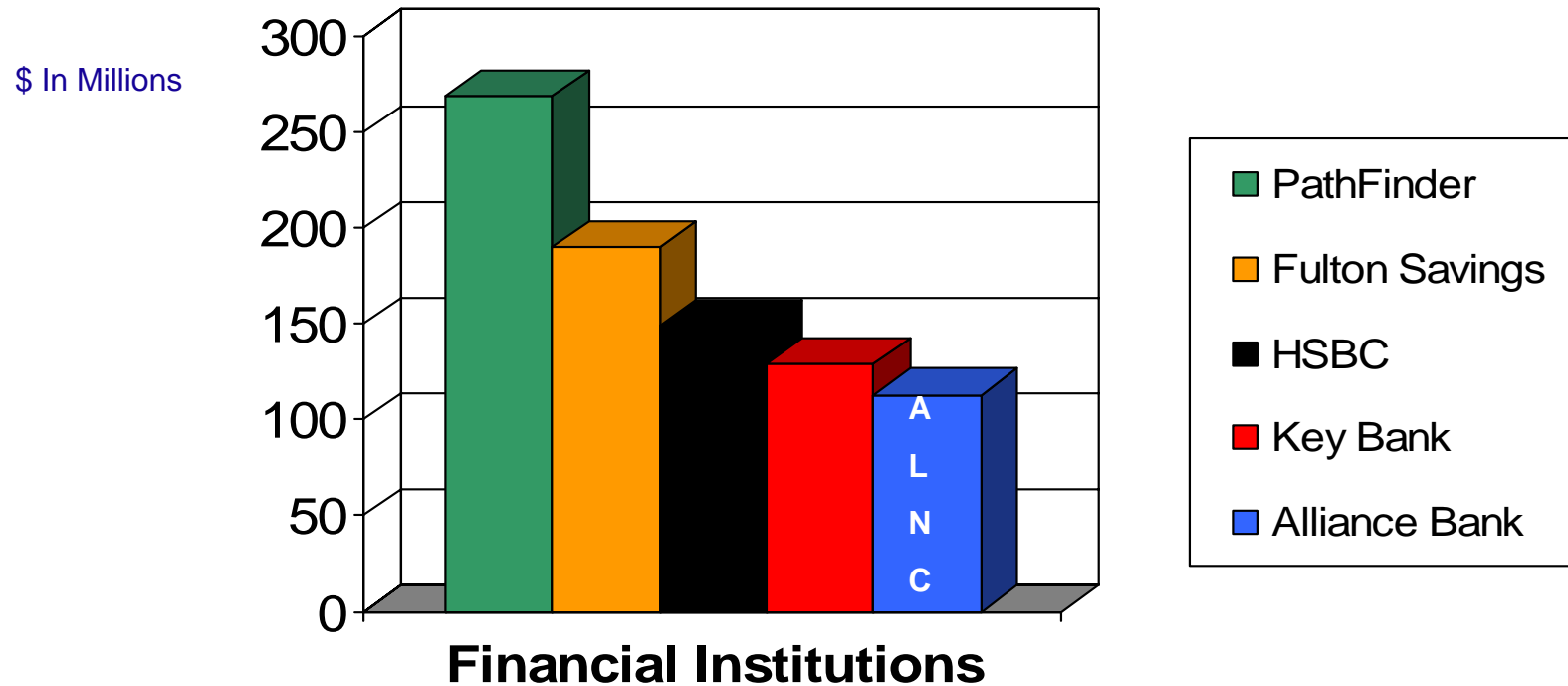


ALNC= 7.24% of Deposit Market Share

FDIC Deposit Market Share Report (June 30, 2008)



Oswego County



ALNC= 10.45% of Deposit Market Share

As of June 30, 2008 FDIC data reported in 2009 Highline



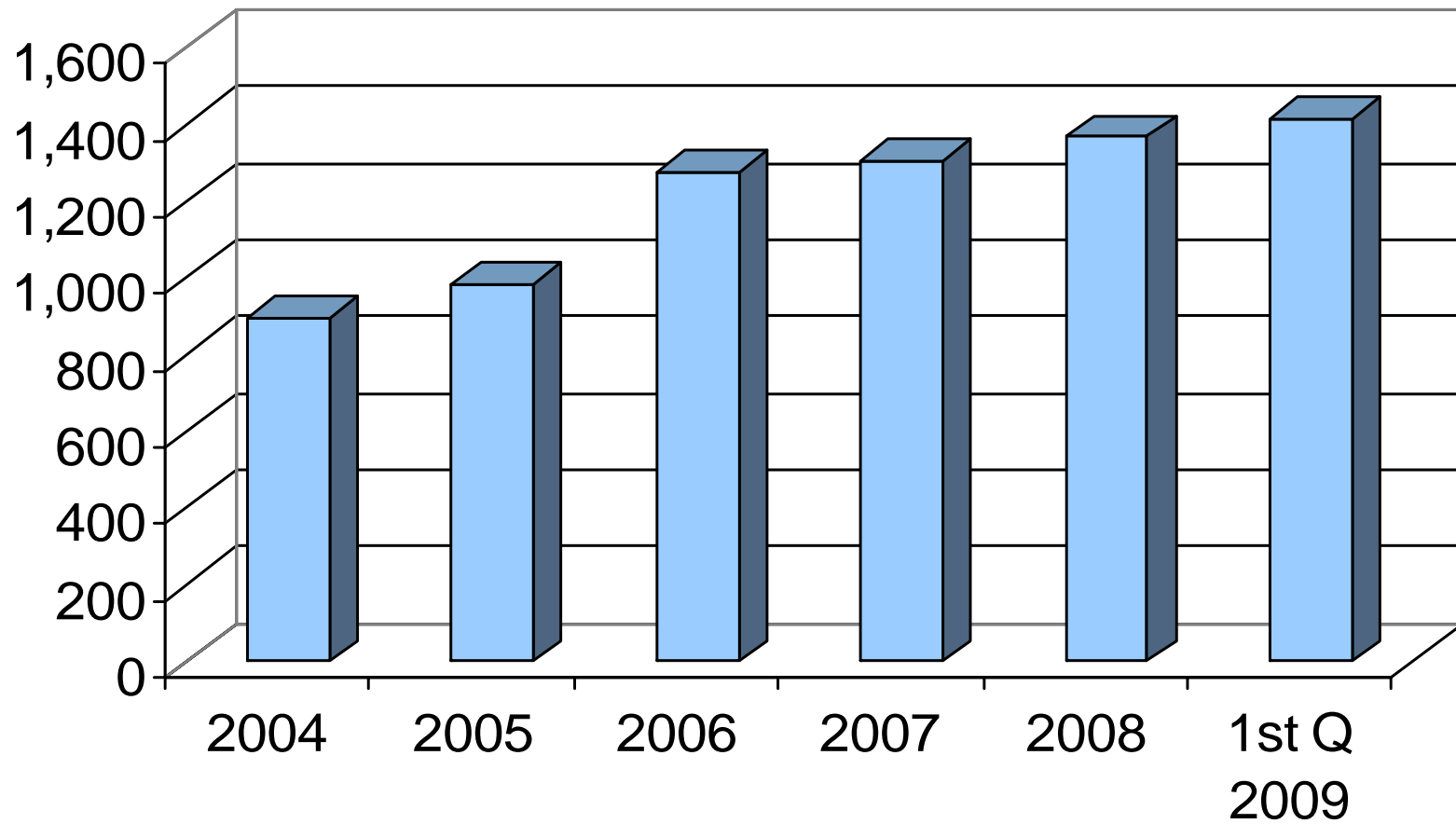
J. Daniel Mohr
Chief Financial Officer
Alliance Financial Corporation





Assets

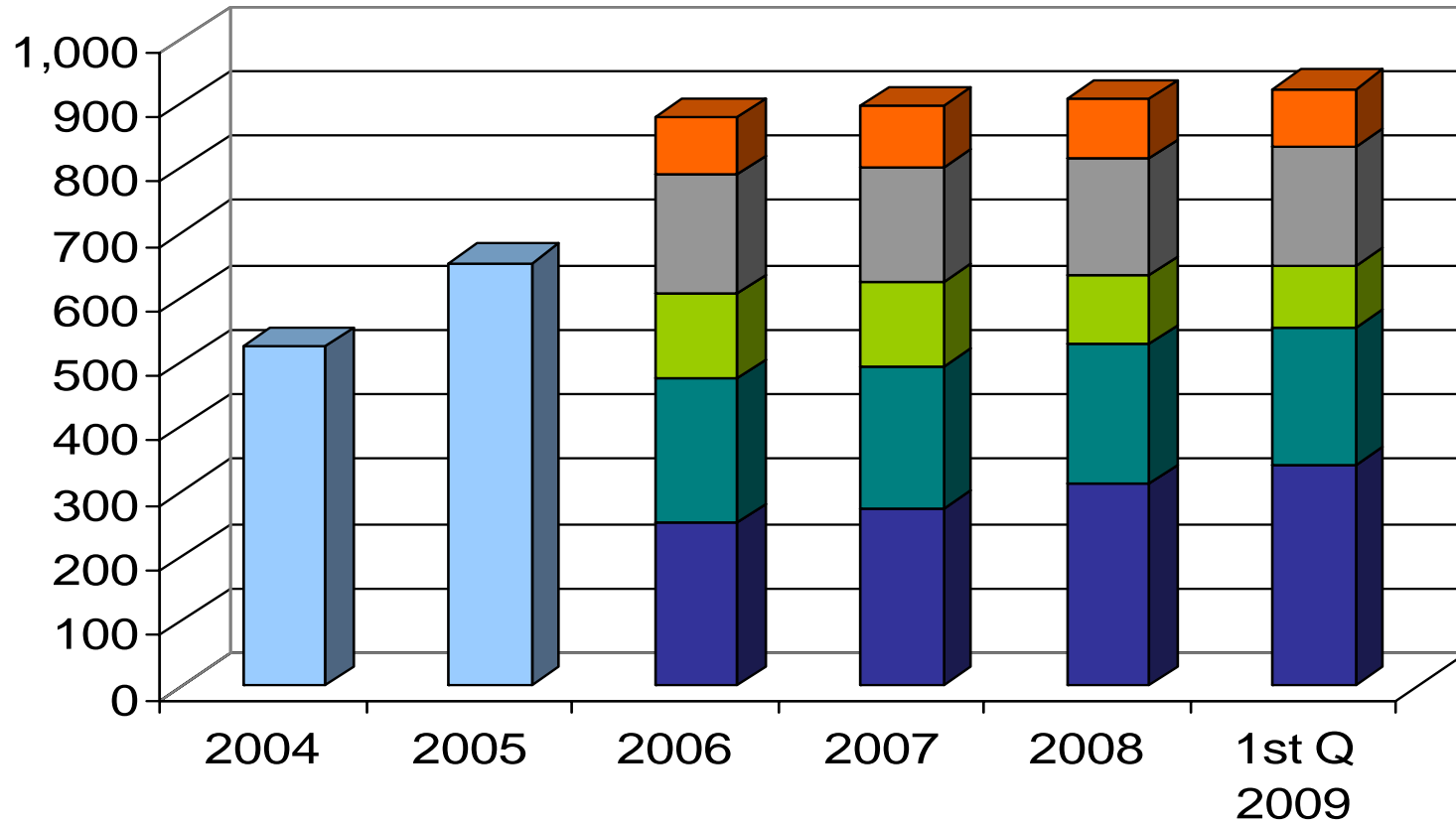
\$ in Millions





Loans and Leases

\$ in Millions



Legend: Total (light blue), Mortgage (dark blue), Commercial Loans (teal), Leases, net (light green), Indirect Auto (grey), Consumer (orange)

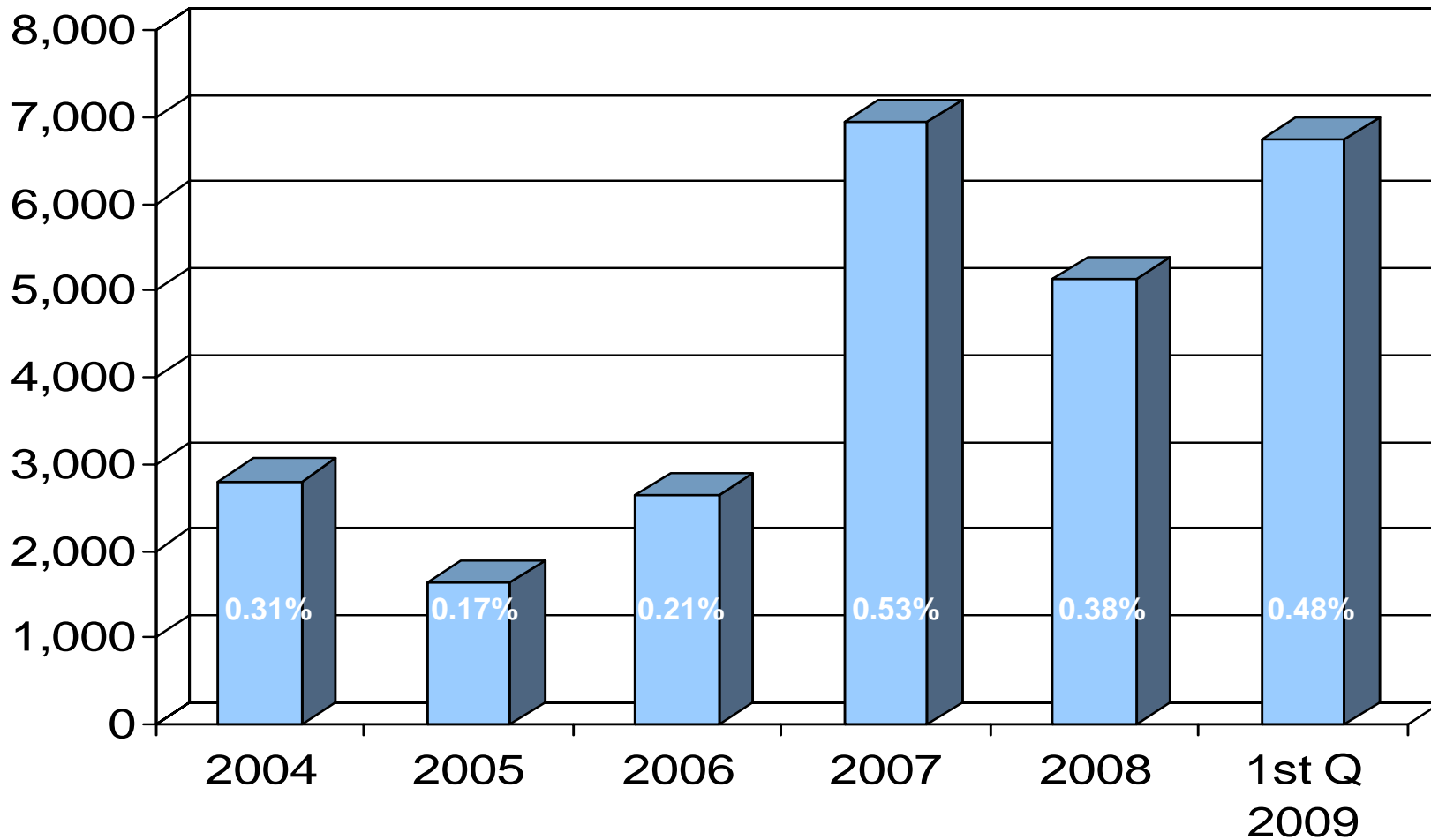




Non-performing Assets

Non-performing Assets/Total Assets

\$ in Thousands

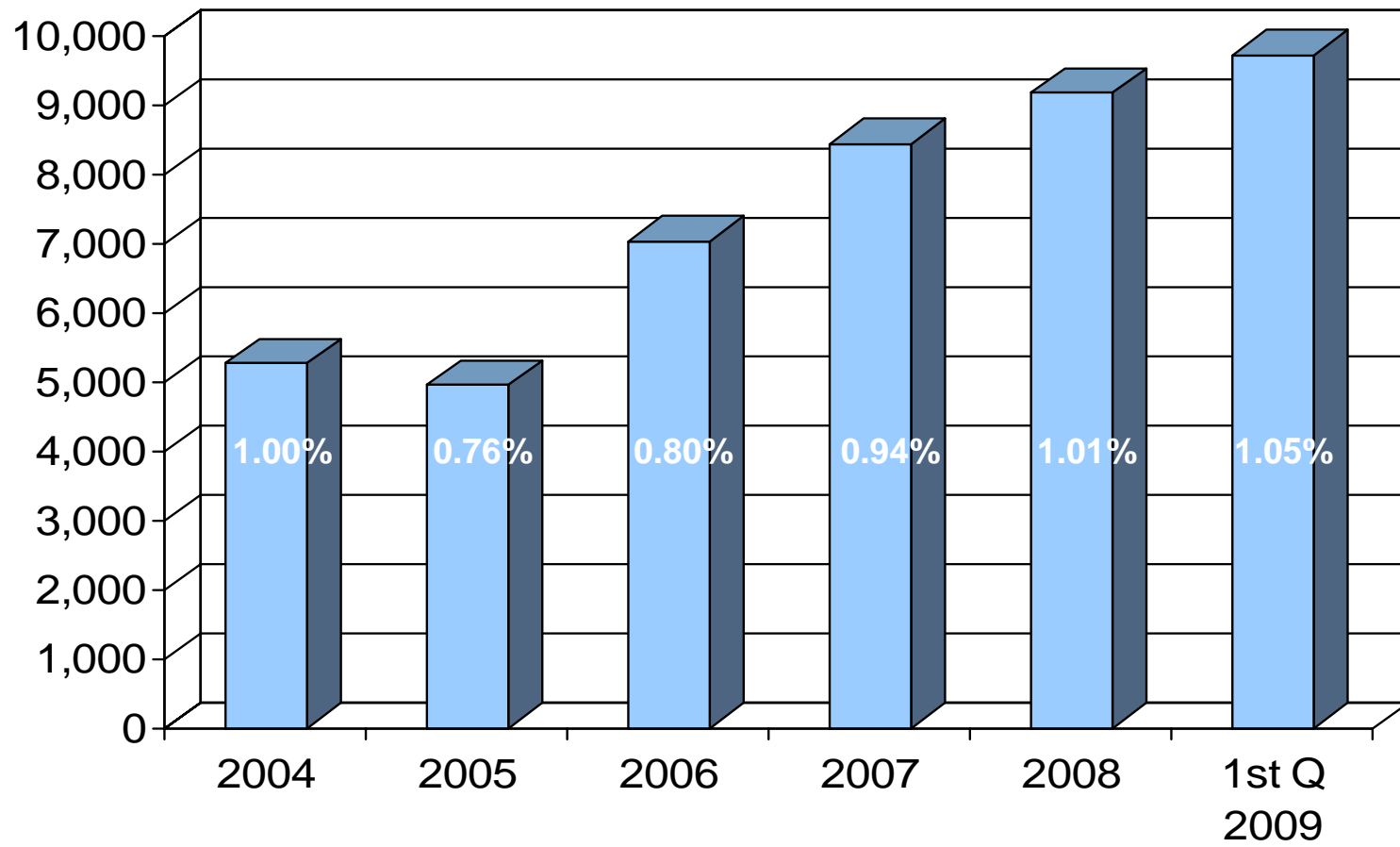




Allowance for Credit Losses

Allowance Coverage/Total Loans & Leases

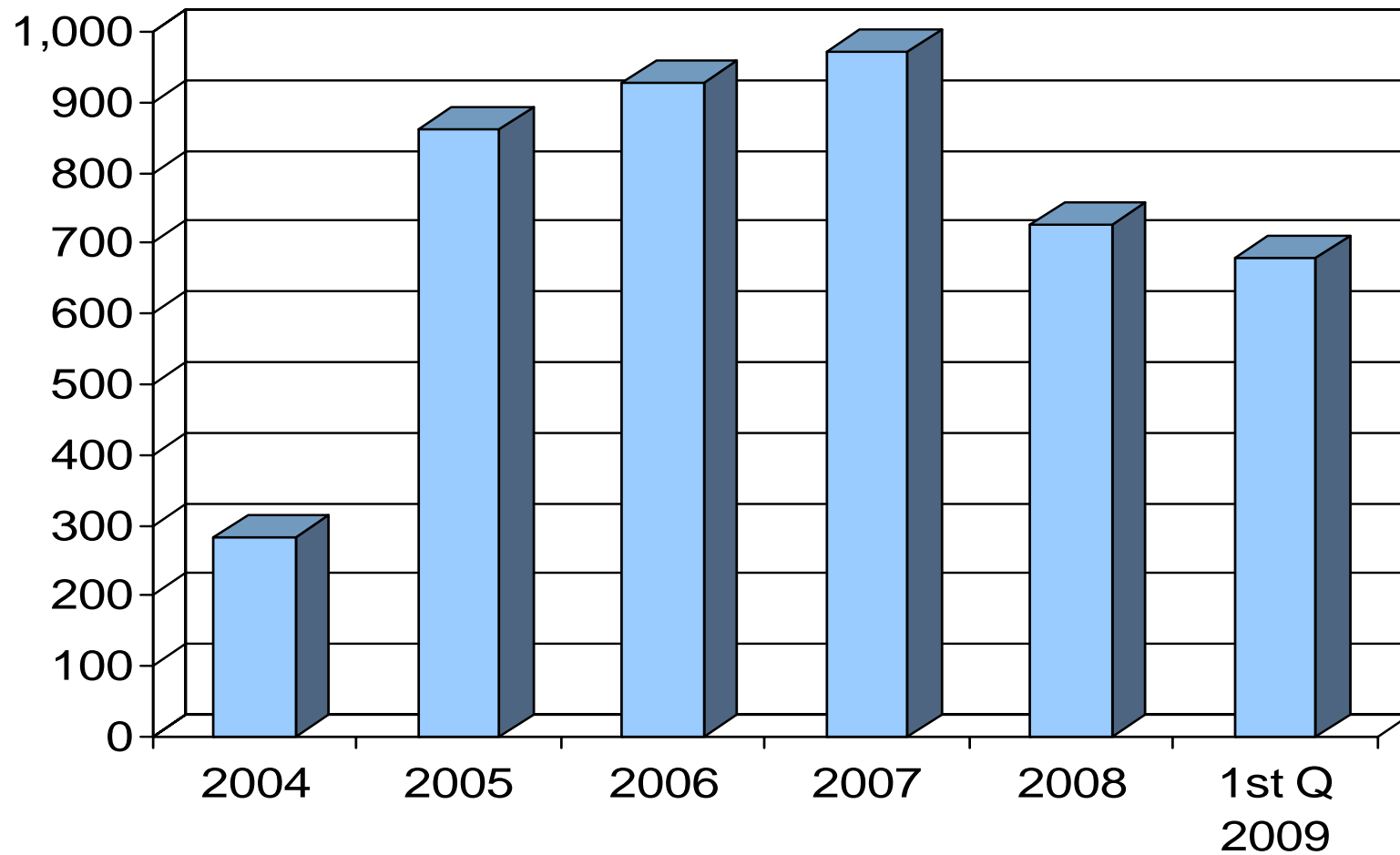
\$ in Thousands





Investment Assets Under Management

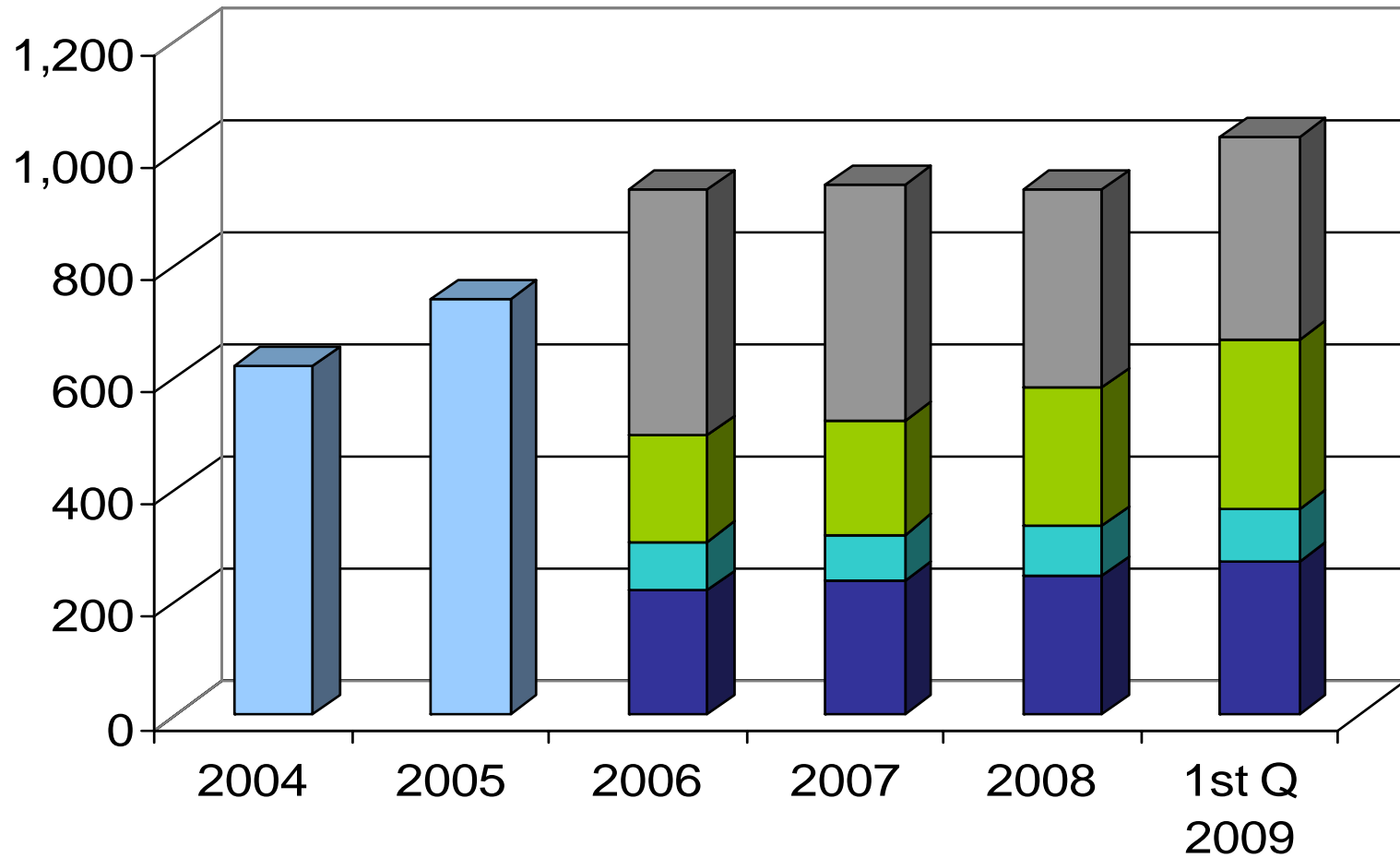
Market Value
\$ in Millions





Deposits

\$ in Millions



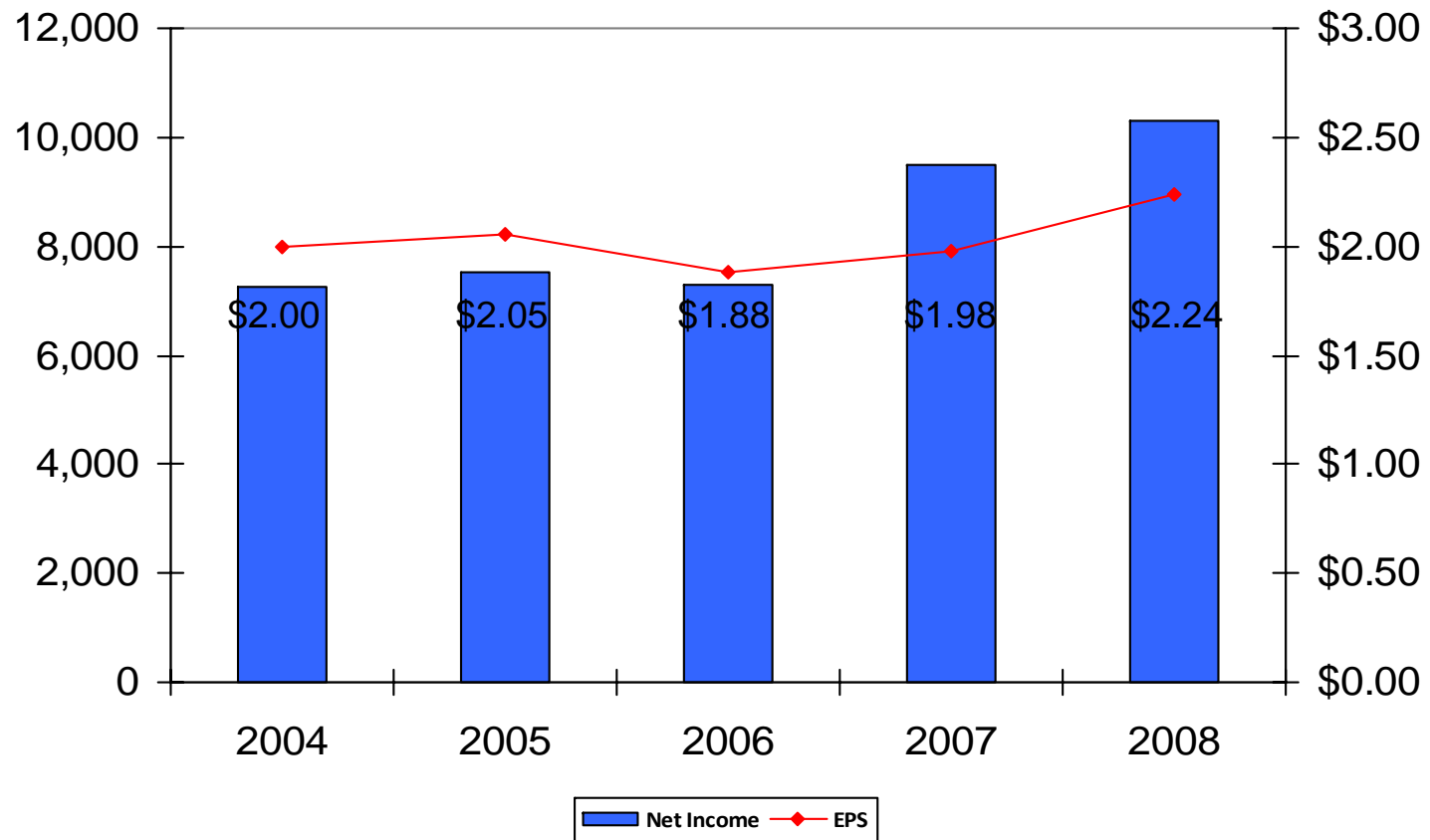
■ Total ■ Demand ■ Savings ■ Money Market ■ Time



Net Income

Diluted Earnings Per Share

Net Income \$ in Thousands

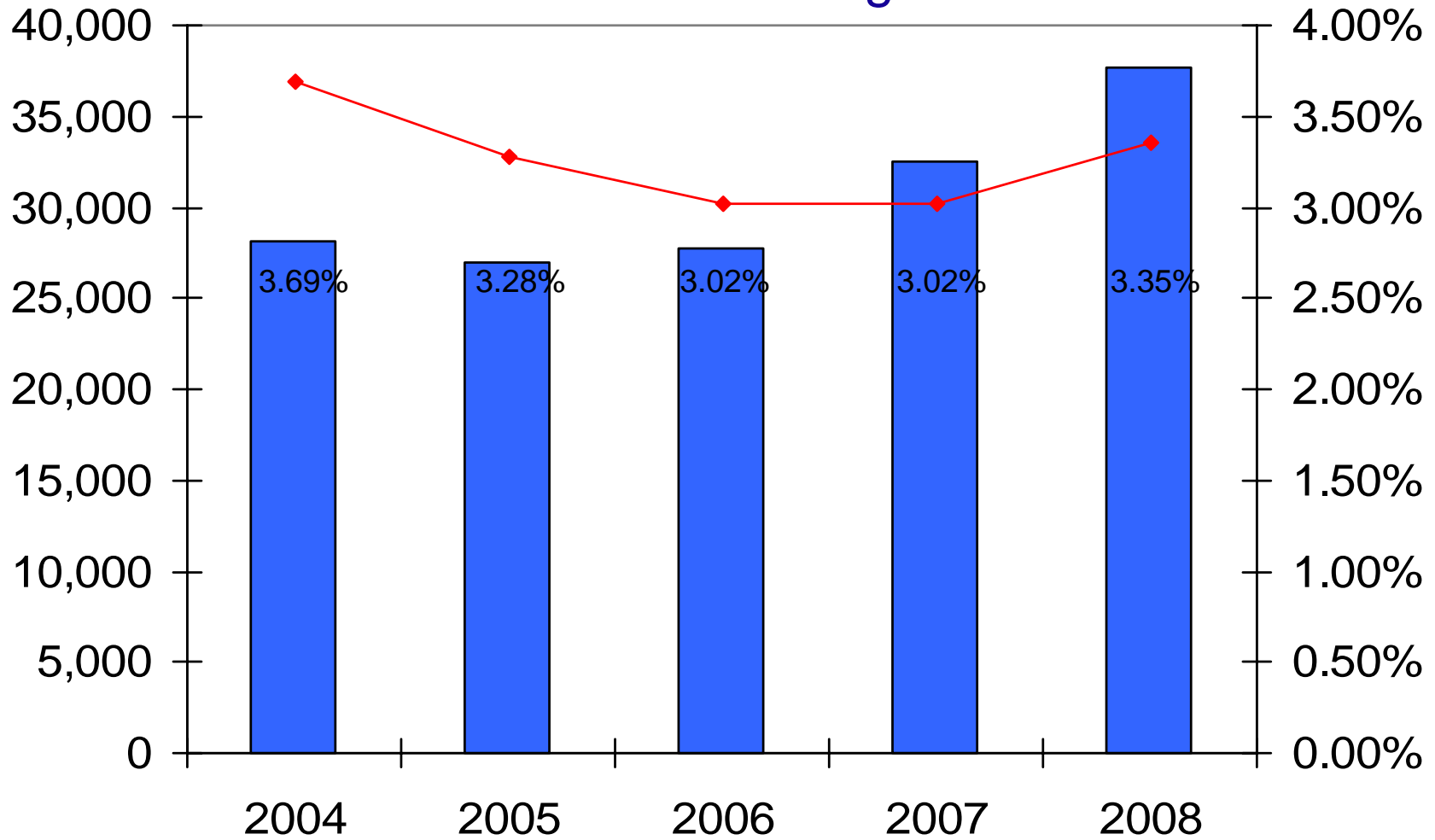




Net Interest Income

Net Interest Margin

Net Interest Income
\$ in Thousands



■ Net Interest Income ◆ Net Interest Margin

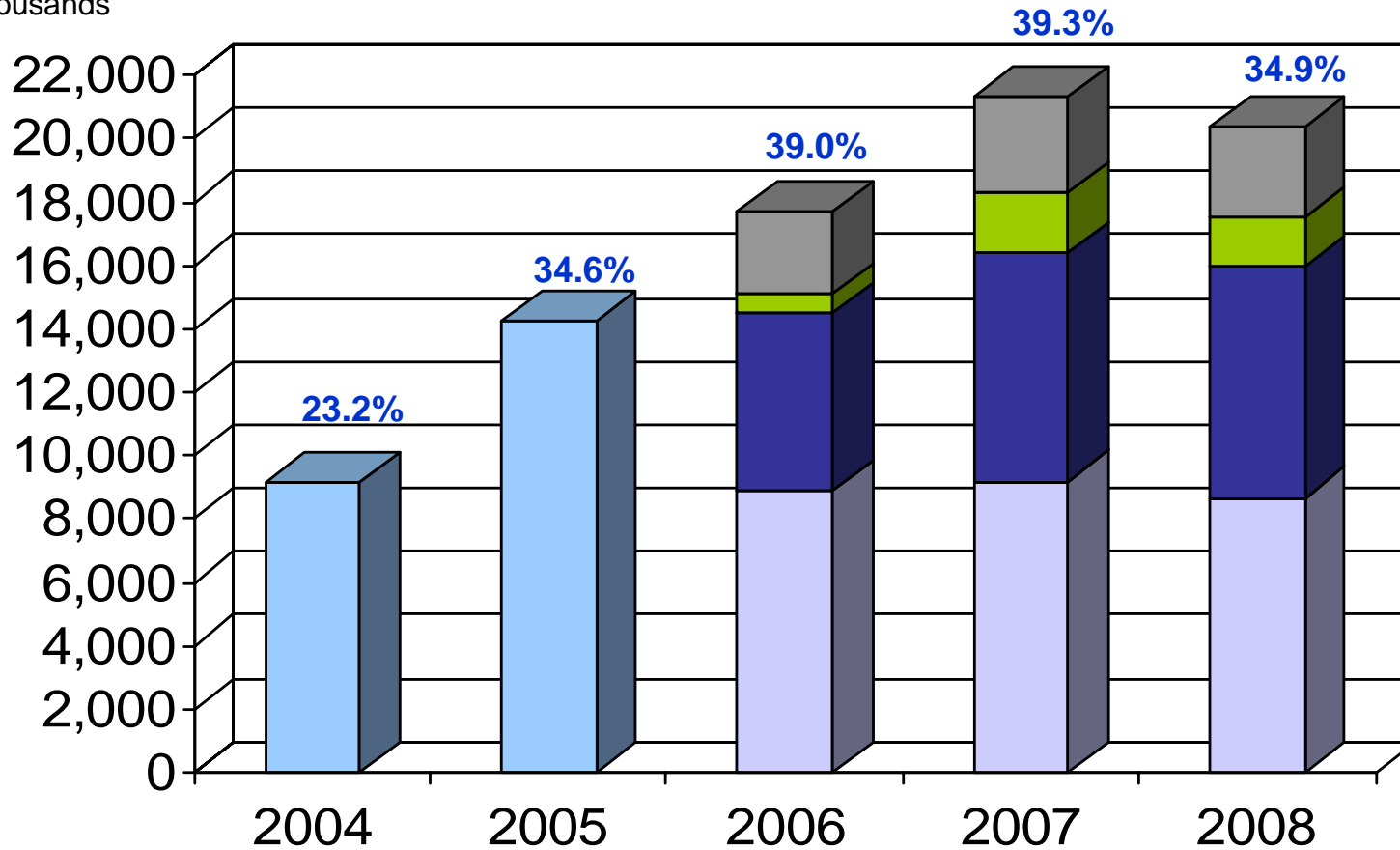
*First quarter 2009 – 3.42%



Non-Interest Income

Non-Interest Income/Total Income

\$ in Thousands

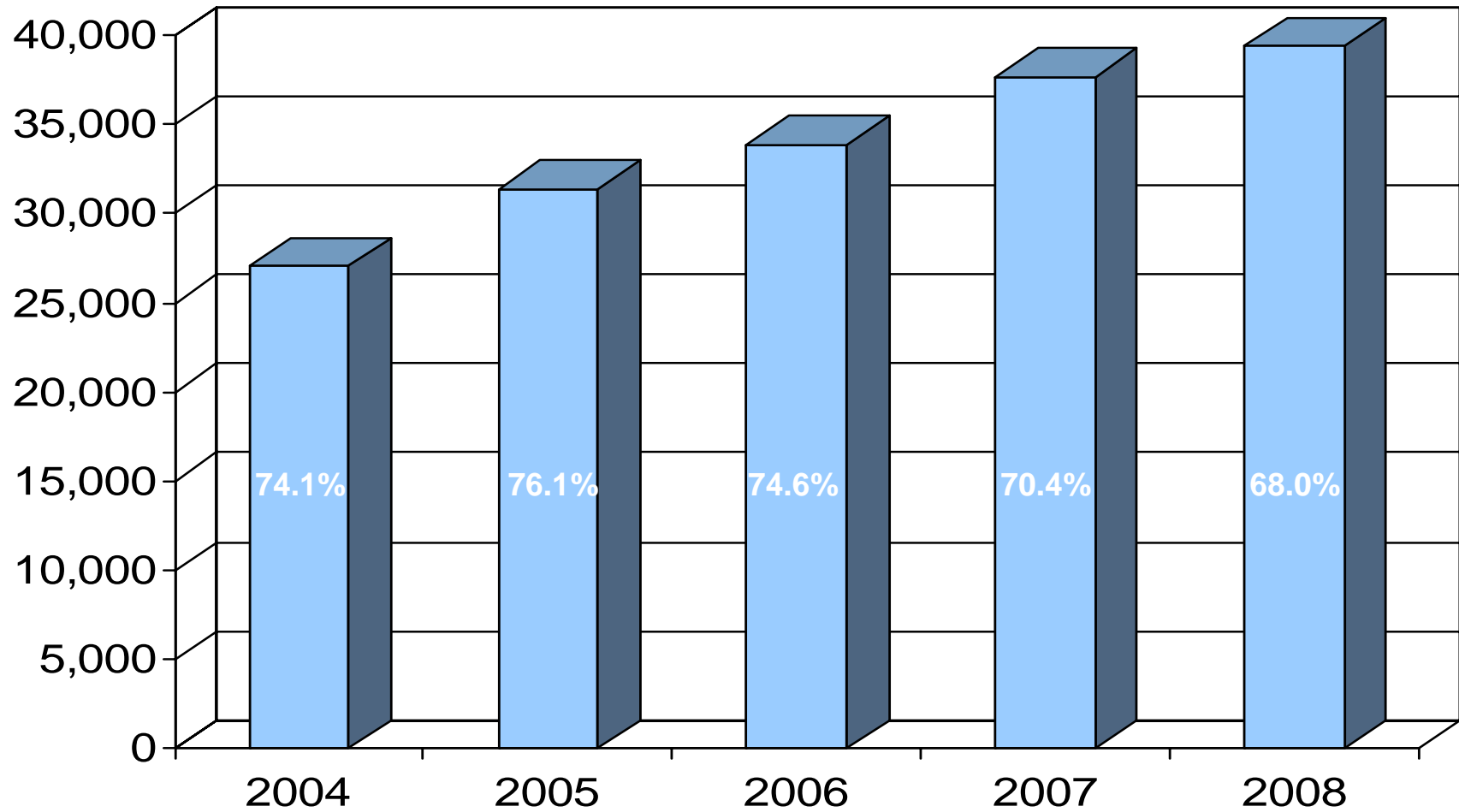


First Quarter 2009 – 30.2%



Non-Interest Expenses Efficiency Ratio

\$ in Thousands



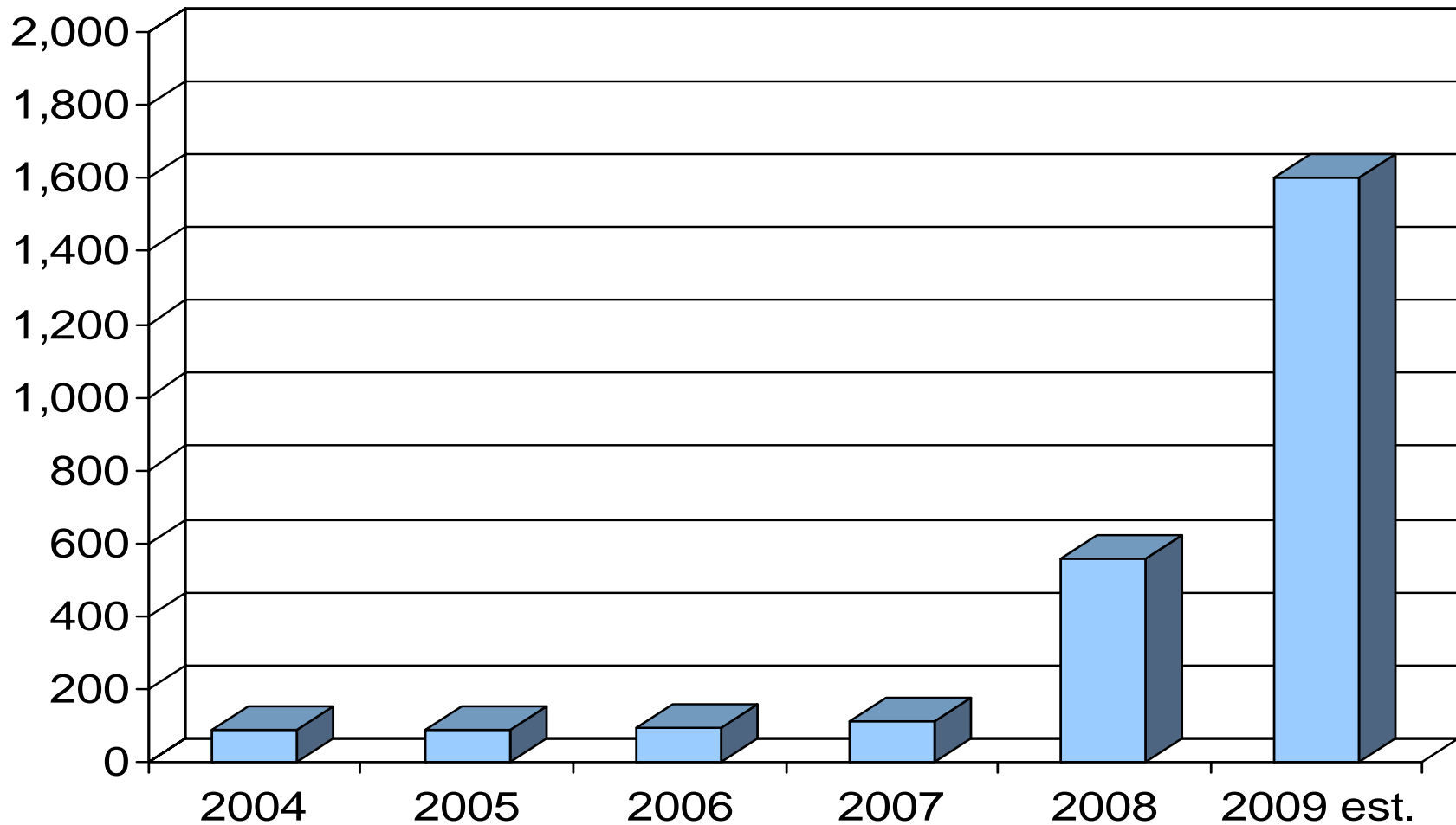
First Quarter 2009 – 70.0%



FDIC Insurance

Paying for the mistakes of others...

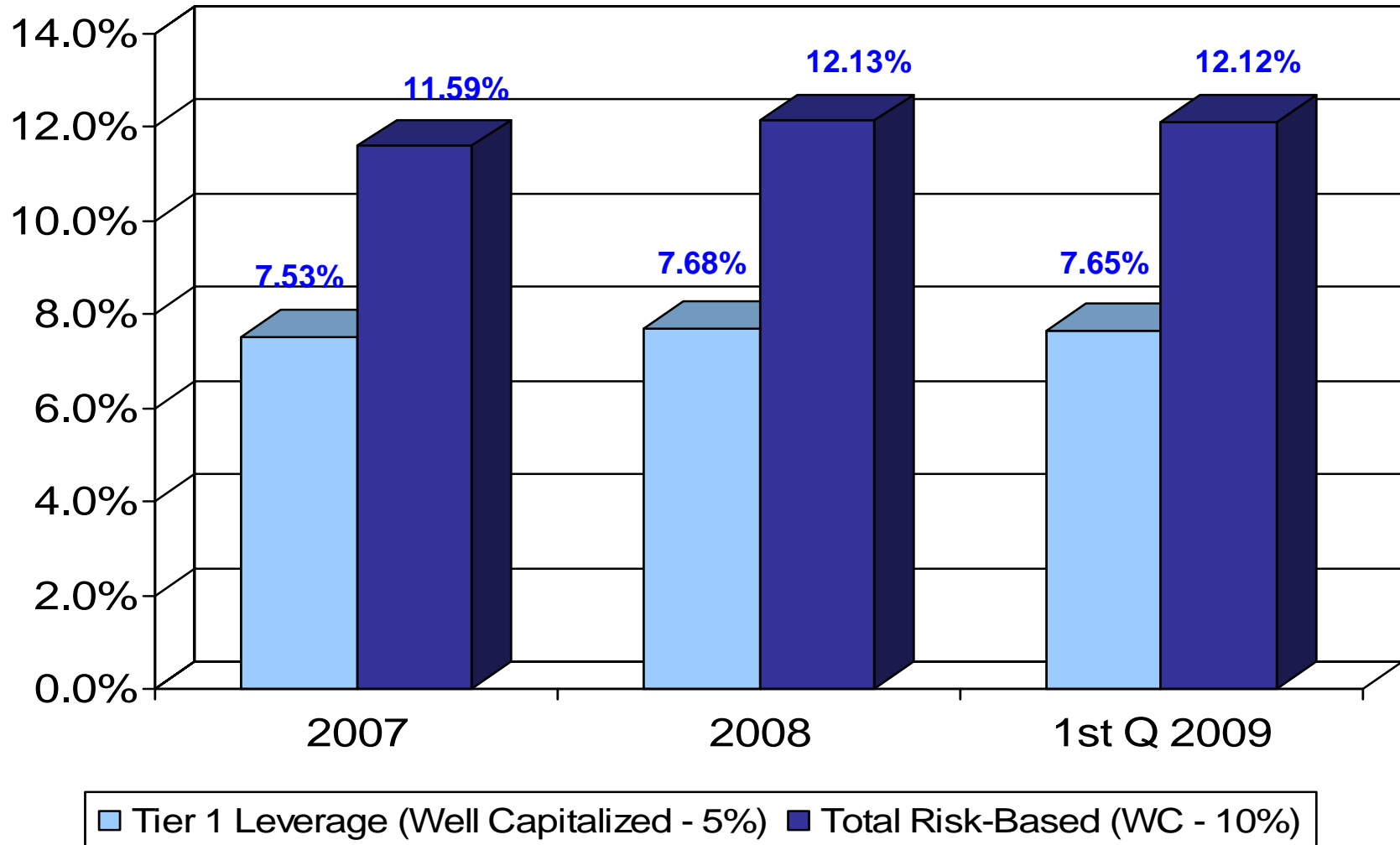
\$ in Thousands



First Quarter 2009 – \$347,000



Regulatory Capital Excludes TARP





First Quarter 2009 Highlights

	<u>1st Q 2009</u>	<u>1st Q 2008</u>	<u>Change</u>
Net income available to common shareholders	\$ 2,599	\$ 2,076	25.2%
Net interest income	10,045	8,767	14.6%
Provision for credit losses	1,750	1,366	28.1%
Non-interest income¹	5,360	5,185	3.4%
Non-interest expense	10,067	9,794	2.8%
Net interest margin	3.42%	3.15%	27 bp
Diluted EPS²	\$ 0.57	\$ 0.44	29.5%

Dollars in thousands, except per share amounts

1. Includes gains on the sale of securities available-for-sale of \$1,015,000 and \$137,000 in 2009 and 2008, respectively.

2. Includes gains on the sale of securities, net of tax, of \$0.14 and \$0.02 per diluted share in 2009 and 2008, respectively.



Alliance Financial Three-Year Stock Chart



ACBQ – America's Community Bankers NASDAQ Index



Alliance Financial One-Year Stock Chart





Jack H. Webb

**Chairman, President and CEO
Alliance Financial Corporation**





2009 Initiatives

- Continued focus on Central New York
- Residential Mortgage lending
- Delivering exceptional customer service
- Continue to pursue strategically important acquisitions





Continued Investment in Technology

- Blend of traditional and evolving delivery
- Launched our upgraded personal online banking system on February 19, 2009:
 - Personal online banking registration increased 13.6% (1,973) Numbers as of 6/7/09
- Launched our upgraded business online banking system on May 11, 2009:
 - Business customers are pleased with the system's enhanced functionality and we continue to attract new customers with this product.





It is good to be Alliance Financial Corporation

Alliance Bank

Community banks are being recognized for our stability.

- We were turned to as the voice of reason during the series of events in Fall 2008.

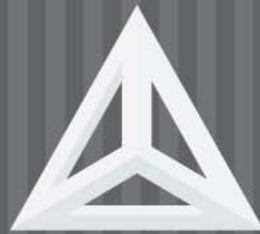
The events of the past year exposed the risk of viewing banking as merely a commodity.

We are seeing increased opportunities as the result of larger banks declaring “one size fits all” and their lack of awareness of the Central New York market.

Employee pride continues to increase as ALNC remains a financial organization that cares about its employees, customers and the communities it operates in.

Bankers have traditionally been taught to know their customers—today it is critically important for customers to know their bank.

A N N U A L



M E E T I N G

Alliance Financial Corporation