



# Alliance Financial Corporation

**Second Quarter 2008**

**Keefe, Bruyette & Woods**

**9<sup>th</sup> Annual Community Bank Investor Conference**

**July 2008**

NASDAQ Listed: ALNC

[www.alliancebankna.com](http://www.alliancebankna.com)

# Forward Looking Statement

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about Alliance Financial Corporation's ("Alliance" or "ALNC") future financial condition, operating results, cost savings and accretion to reported earnings that may be realized from mergers and acquisitions, management's expectations regarding future growth opportunities and business strategy and other statements contained in this presentation that are not historical facts, as well as other statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" or words with similar meaning. These forward-looking statements are based upon the current beliefs and expectations of Alliance's management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the anticipated results discussed in these forward-looking statements. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) changes in general economic conditions, either nationally or locally in the areas in which we conduct or will conduct our business; (2) the interest rate environment may compress margins and adversely affect net interest income; (3) increases in competitive pressures among financial institutions and businesses offering similar products and services; (4) higher defaults on our loan portfolio than we expect; (5) changes in management's estimate of the adequacy of the allowance for loan losses; (6) the risks associated with continued diversification of assets and adverse changes to credit quality; (7) difficulties associated with achieving expected future financial results; (8) legislative or regulatory changes or changes in accounting principles, policies or guidelines; (9) management's estimates and projections of interest rates and interest rate policy; and (10) cost savings and accretion to earnings from mergers and acquisitions may not be fully realized or may take longer to realize than expected. Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in Alliance's reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the Securities and Exchange Commission and available at the SEC's Internet site (<http://www.sec.gov>). Alliance cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date they were made. Except as required by law, Alliance does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statement is made.

# Snapshot of Alliance

- Alliance posted record second quarter earnings of \$0.63 per share
- Alliance is Well Capitalized
- Alliance is a conventional residential mortgage lender
  - No sub-prime, Alt-A or loans to residential or condo developers
  - Stayed in our market
- Alliance does not originate non-recourse residential or commercial construction loans
- Alliance maintains a conservative investment portfolio
  - High-quality portfolio, no securities tied to high-risk mortgages

# Alliance Financial Core Business Strategy

- Continued expansion in Upstate New York
- Build infrastructure for excellence
- Maintain strong balance sheet
- Continued revenue diversification
- Maintain strong asset quality
- Financial results at or above peer median
- Enhance shareholder value

# Alliance Bank, N.A. Management Team

Jack H. Webb	President & CEO	34 Years in banking
John H. Watt, Jr.	Executive Vice President	24 Years
J. Daniel Mohr	Executive Vice President & CFO	12 Years
James W. Getman	Executive Vice President & Senior Loan Officer	38 Years
Steven G. Cacchio	Senior Vice President	17 Years

# Stock and Dividend Information

## General

- NASDAQ ALNC
- Shares o/s 4,636,000
- Market cap.\* \$106.5 million
- Tangible capital ratio 5.6%

## Price

- Recent price\* \$22.92
- P/E (forward 1 yr.)\* 10.3
- Price/book\* 92%
- Price/tang. book\* 151%
- 52-week range \$19.45 - \$27.70

## Dividend

- Annual rate \$0.96
- Yield\* 4.2%
- Payout ratio 38.1%

\* Closing price on July 23, 2008

# Alliance Today

- \$1.3B community bank
- Syracuse, NY headquarters with 28 banking locations in 5 counties
  - 3 non-bank sales and service locations
- Diversified commercial bank
  - #1 Deposit Share – Cortland County
  - #1 Deposit Share – Madison County
  - Growing deposit share in Onondaga County
- Investment management - approximately \$915mm AUM
- \$120MM equipment finance subsidiary
- Insurance agency

Information as of 6/30/2008, except Deposit Share Information  
As of 6/30/2007 – Source: FDIC Deposit Market Share Report

# Alliance Branch Franchise



ALNC branches represented by blue squares  
Source: SNL Financial, Microsoft Mappoint

# Deposit Rankings

## SYRACUSE MSA RANKINGS

1. Keybank National	\$1.7B
2. M&T Bank	\$1.5B
3. HSBC Bank	\$991M
4. JP Morgan Chase	\$842M
<b>5. Alliance Bank, NA</b>	<b>\$701M</b>
6. Bank of America	\$488M

## LEGACY COUNTIES

Cortland County - #1	\$203M
Madison County - #1	\$302M

As of 6/30/2007 – Source: FDIC Deposit Market Share Report

**J. Daniel Mohr**  
**Chief Financial Officer**  
**Alliance Financial Corporation**

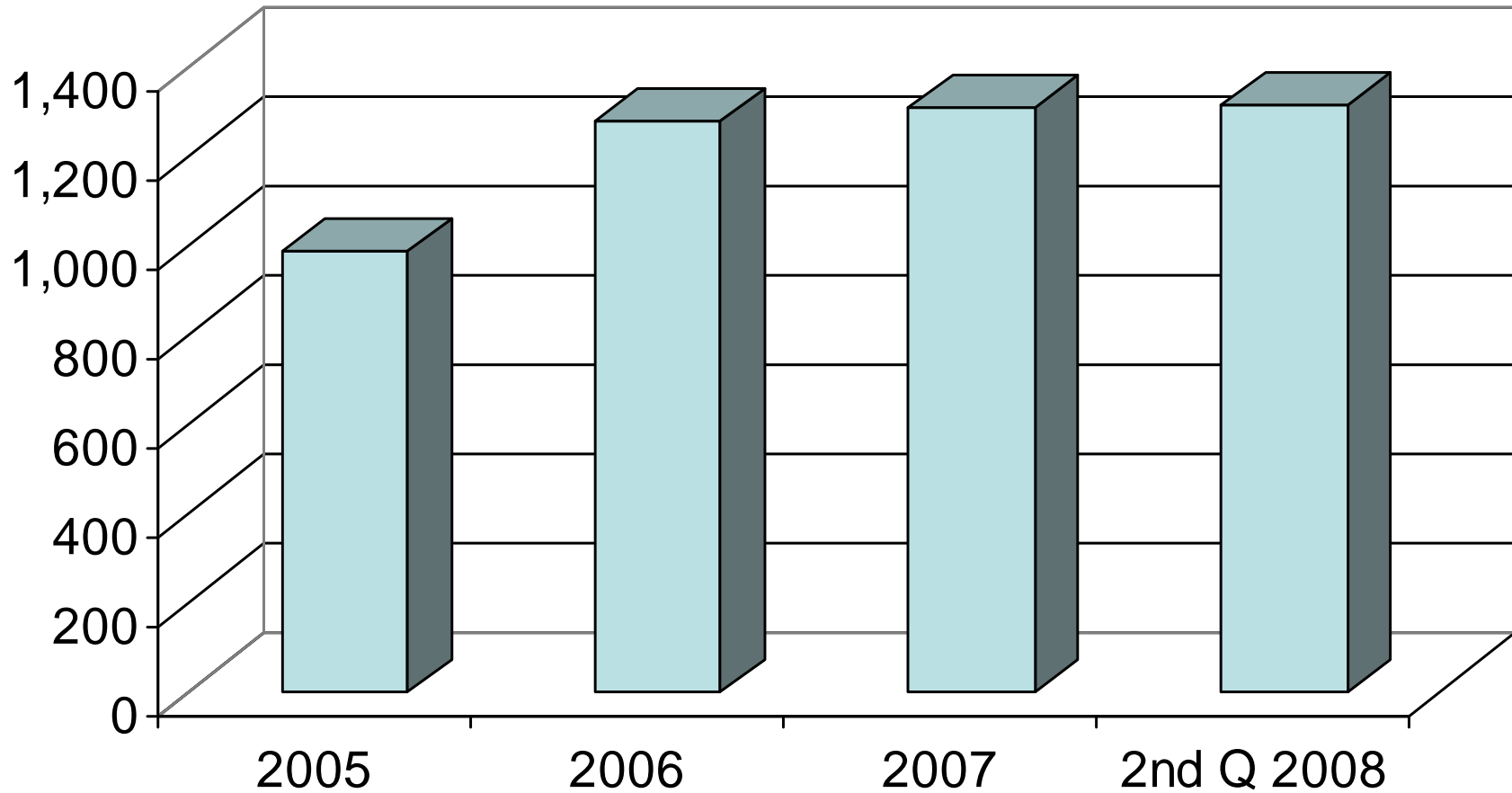
# First Half 2008 Financial Highlights

	<u>Six Months Ended June 30,</u>		<u>Change</u>
	<u>2008</u>	<u>2007</u>	
Net income	\$ 4,963	\$ 4,627	7.3%
Net interest income	18,274	16,130	13.3%
Provision for credit losses	2,677	1,450	84.6%
Non-interest income	10,473	10,155	3.1%
Non-interest expense	19,425	18,792	3.4%
Net interest margin	3.27%	3.02%	25 bp
Diluted EPS	\$ 1.07	\$ 0.97	10.3%

Dollars in thousands, except per share amounts

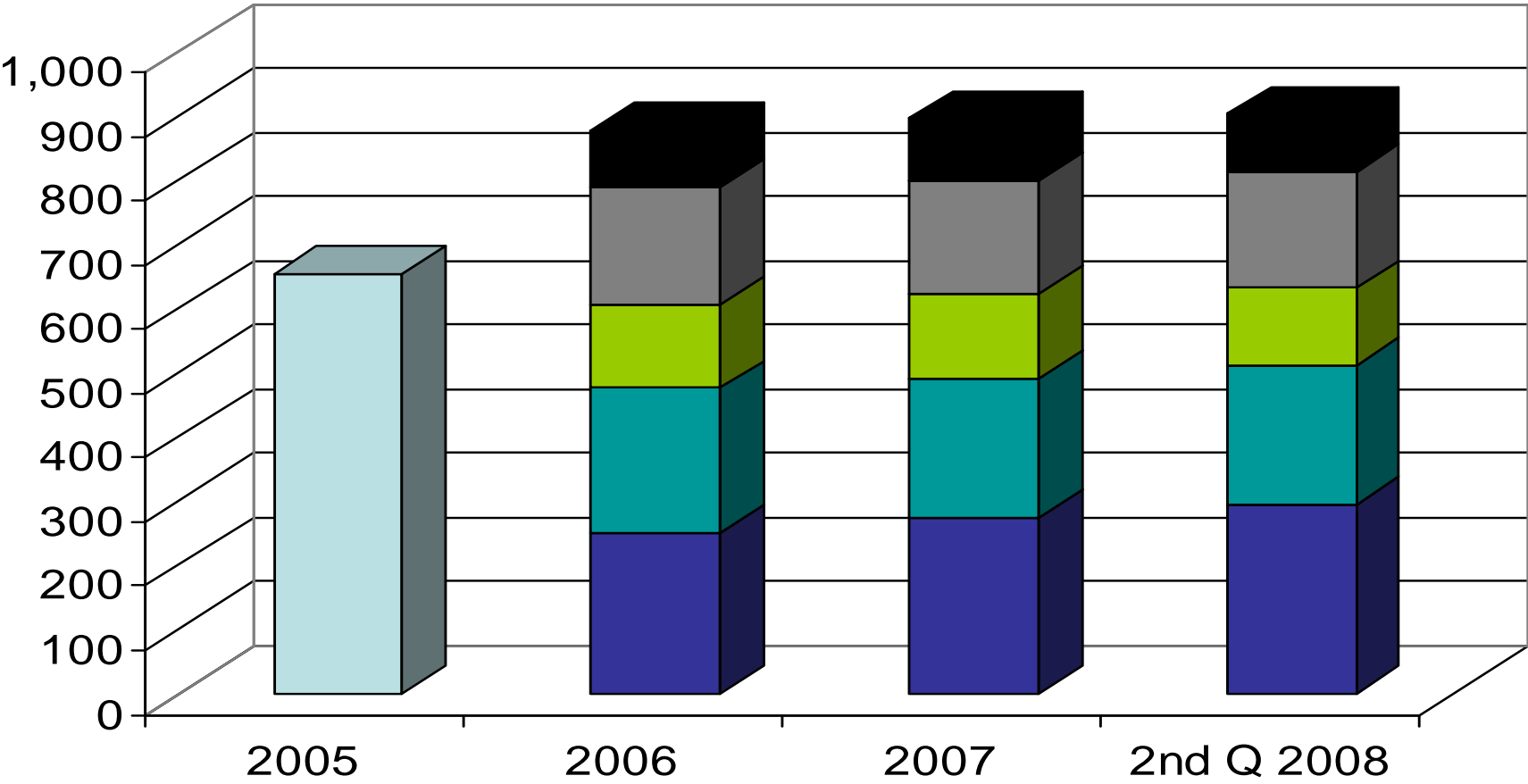
# Assets

\$ in Millions



# Loans and Leases

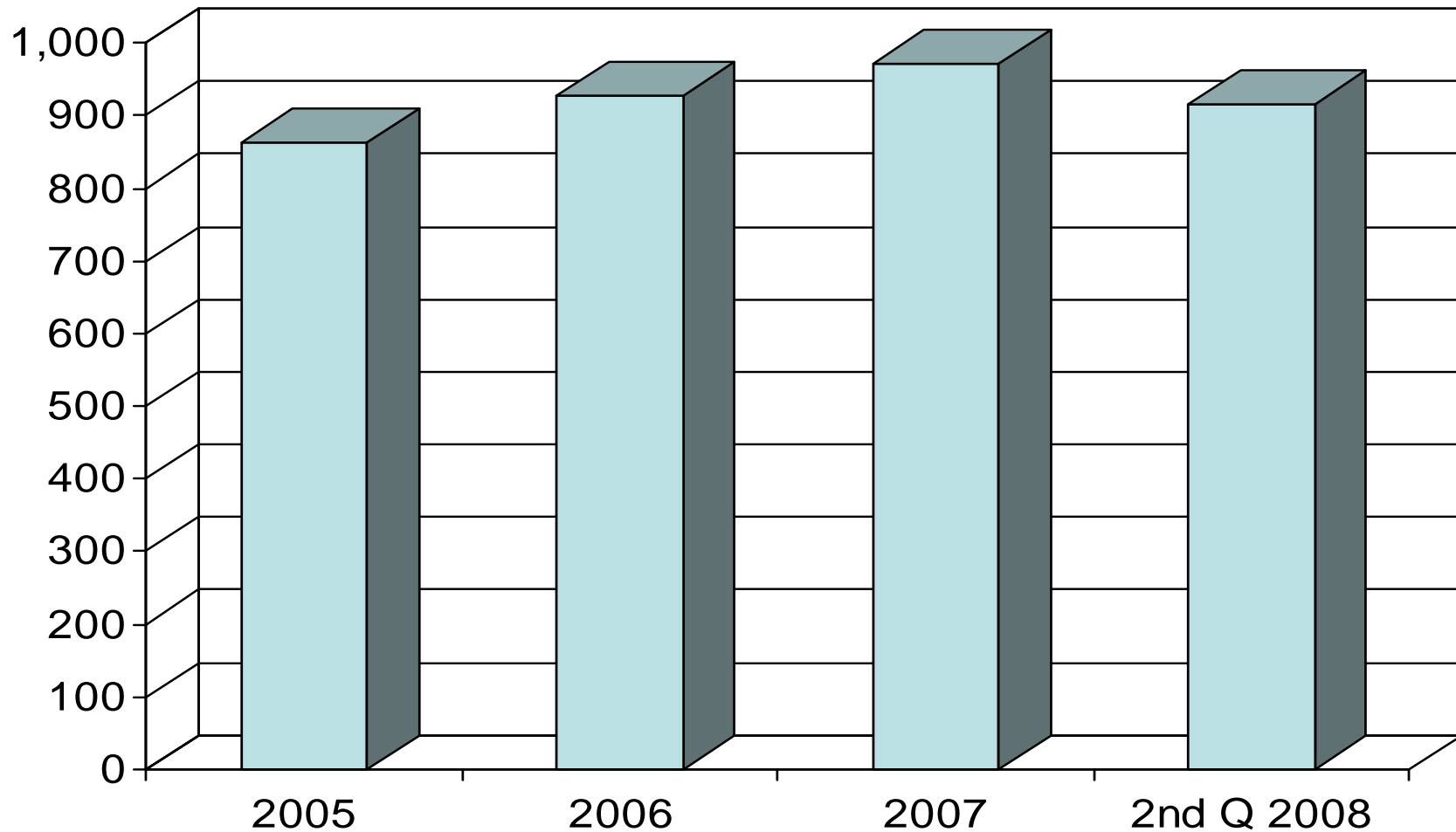
\$ in Millions



Total
  Mortgage
  Commercial Loans
  Leases, net
  Indirect Auto
  Consumer

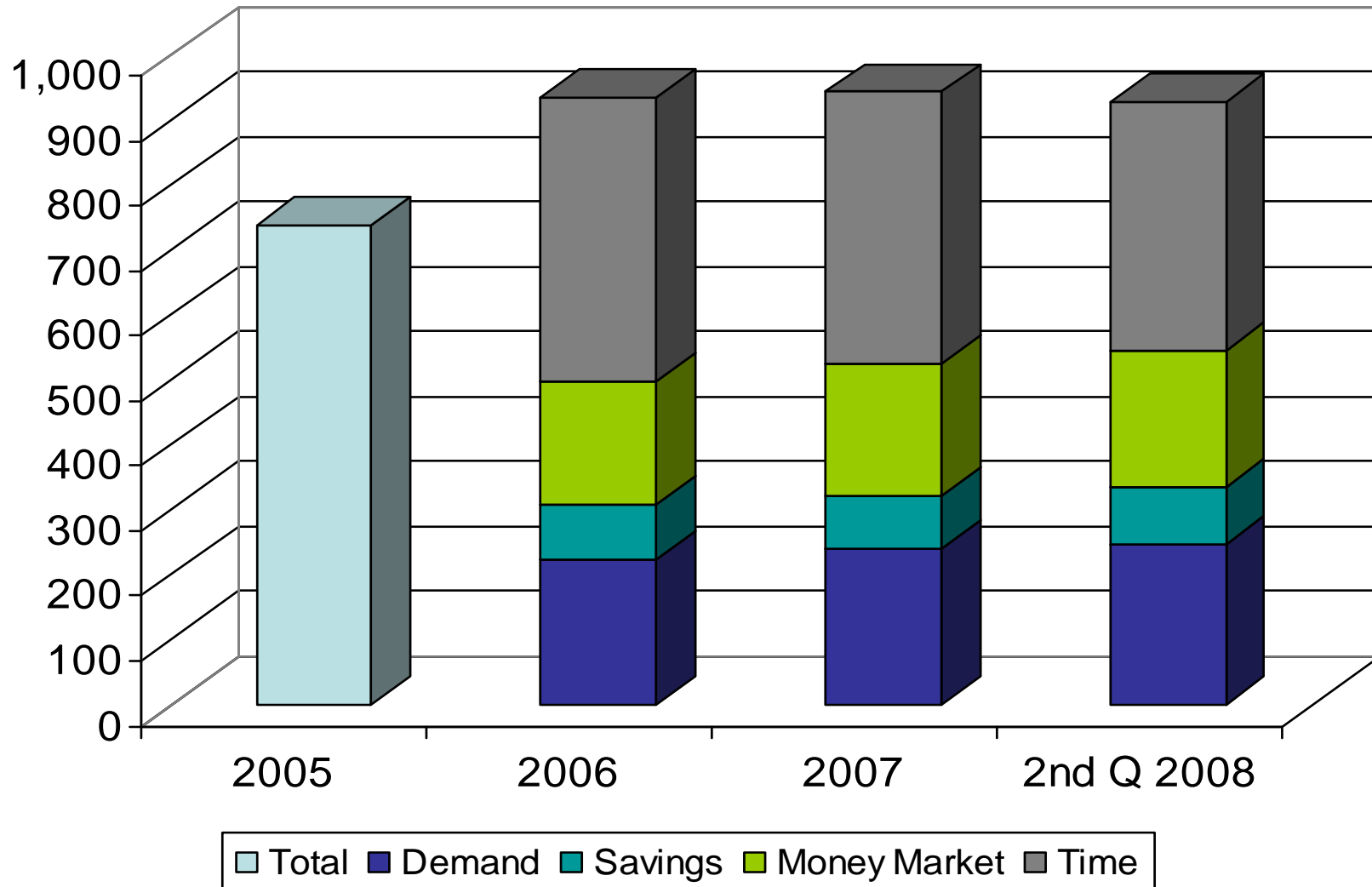
# Investment Assets Under Management

Market Value  
\$ in Millions



# Deposits

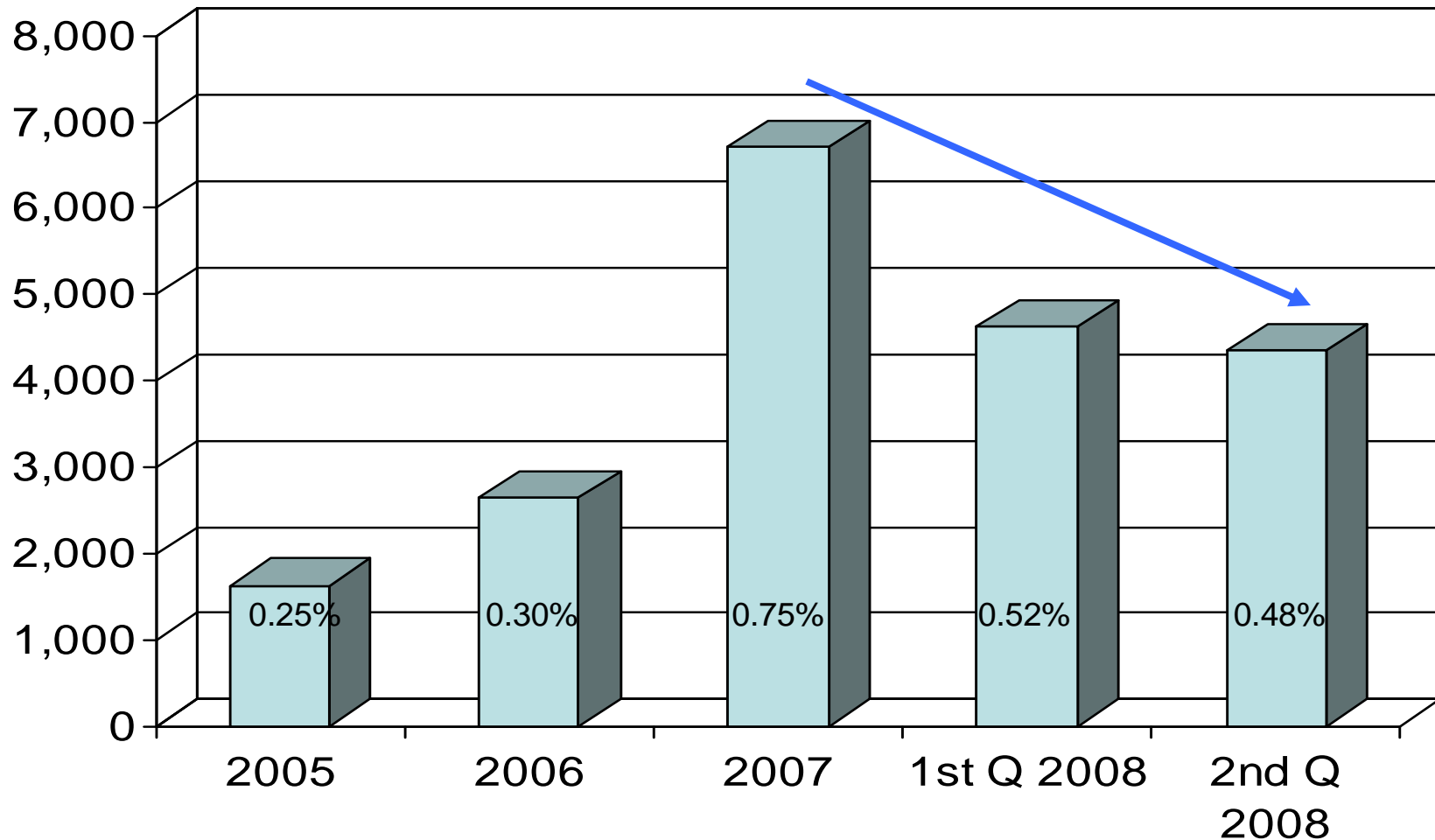
\$ in Millions



# Non-performing Loans and Leases

## Non-performing L&L/Total L&L

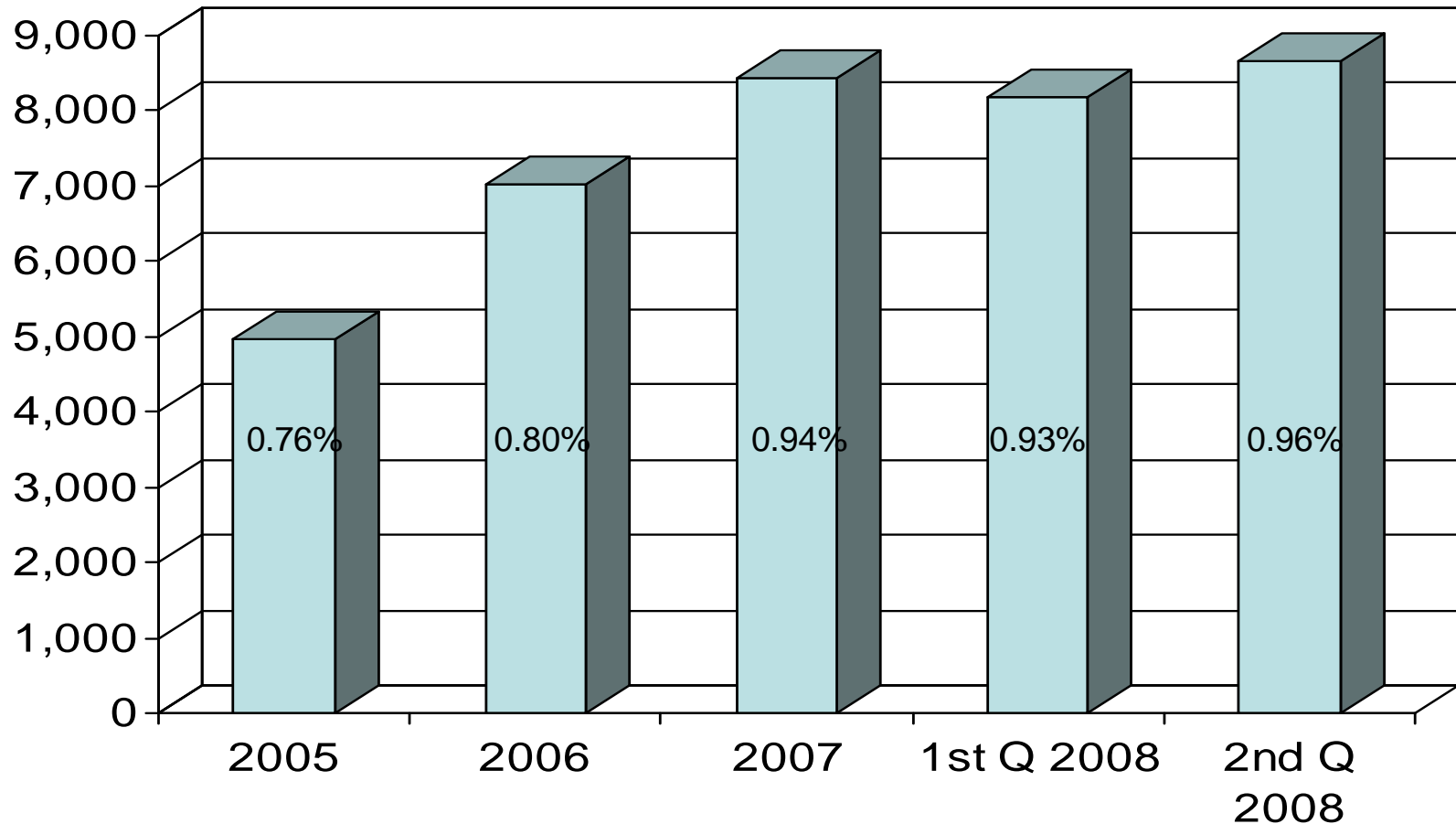
\$ in Thousands



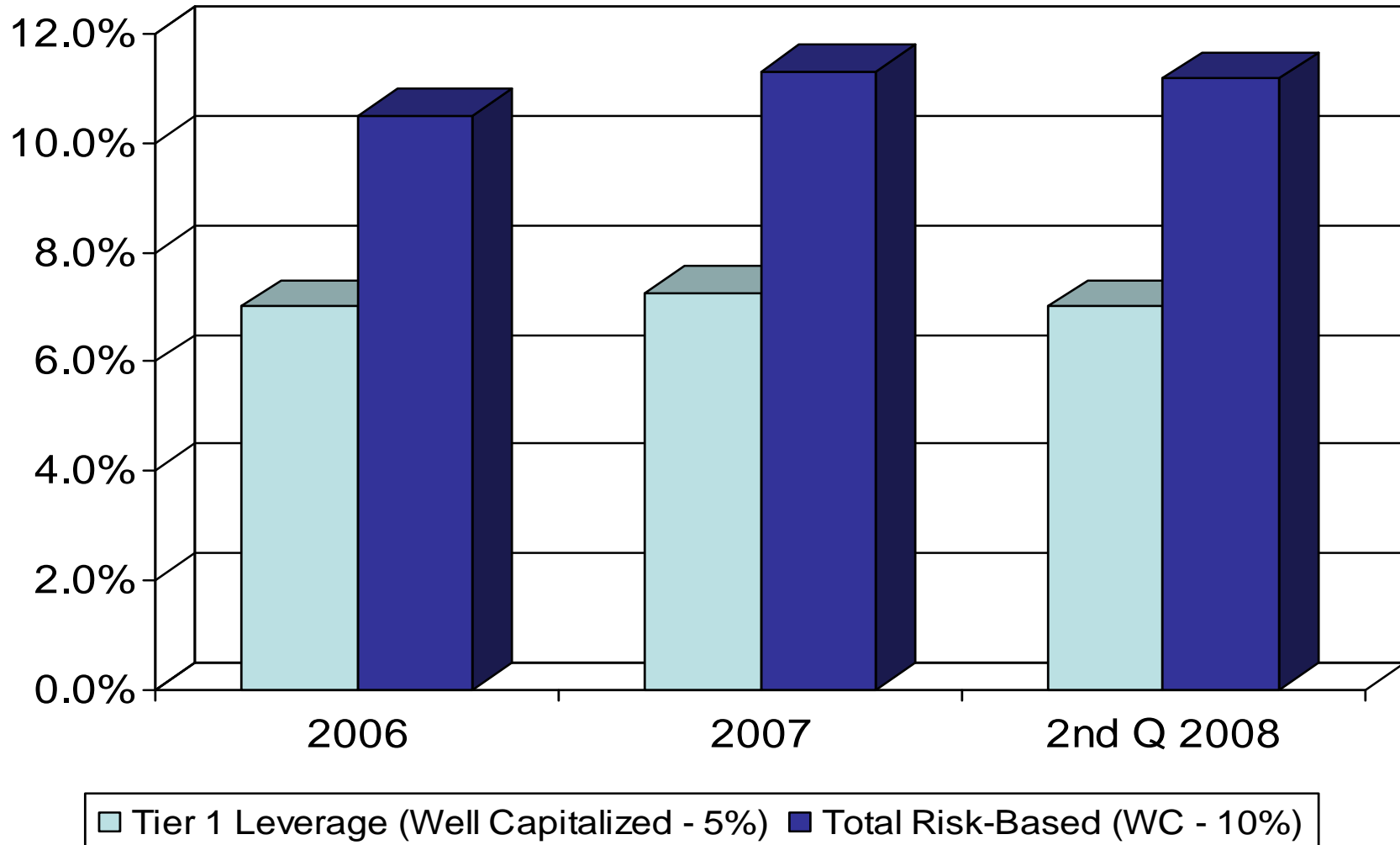
# Allowance for Credit Losses

## Allowance Coverage/Total Loans & Leases

\$ in Thousands

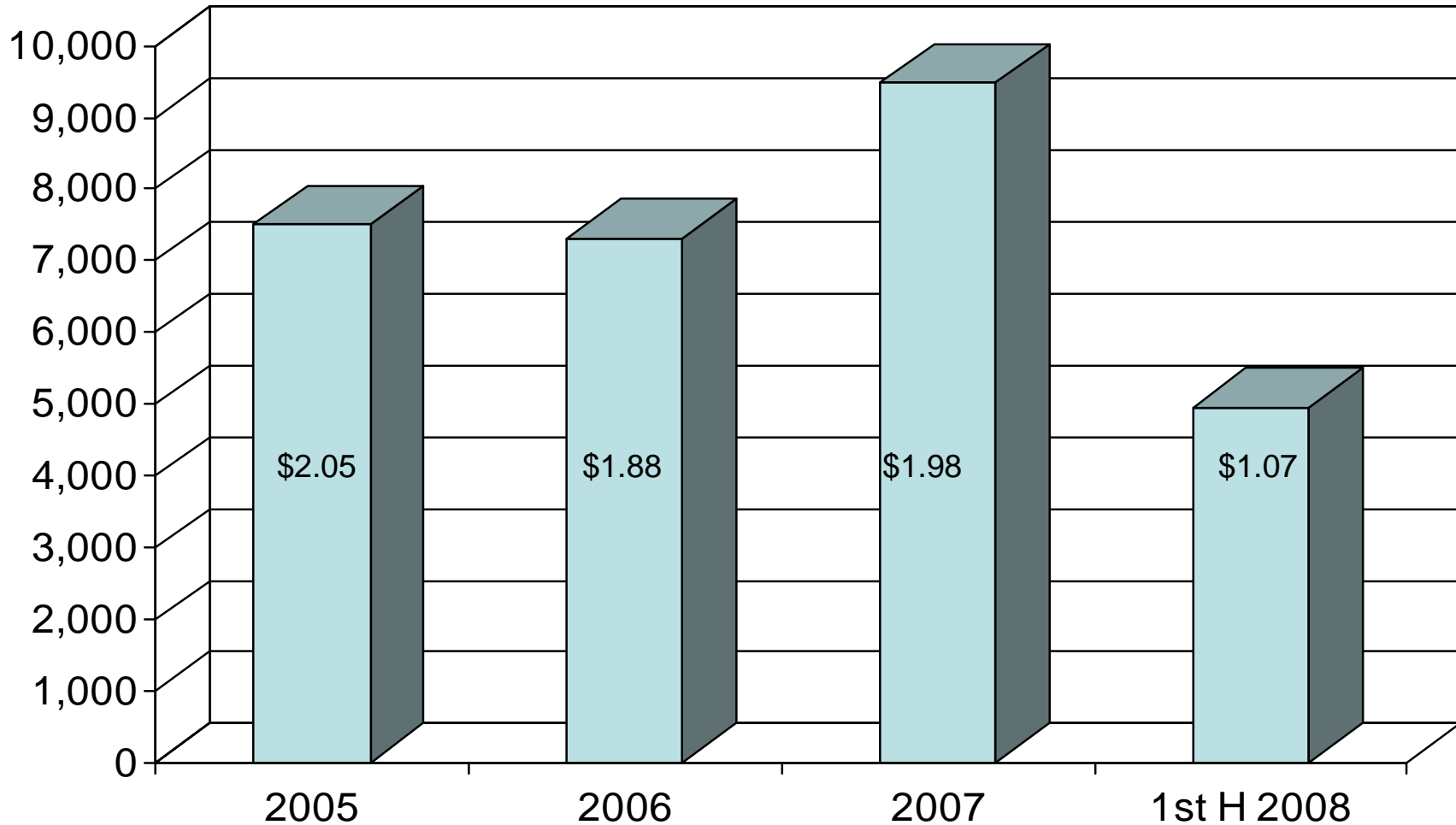


# Alliance Bank Regulatory Capital



# Net Income Diluted Earnings Per Share

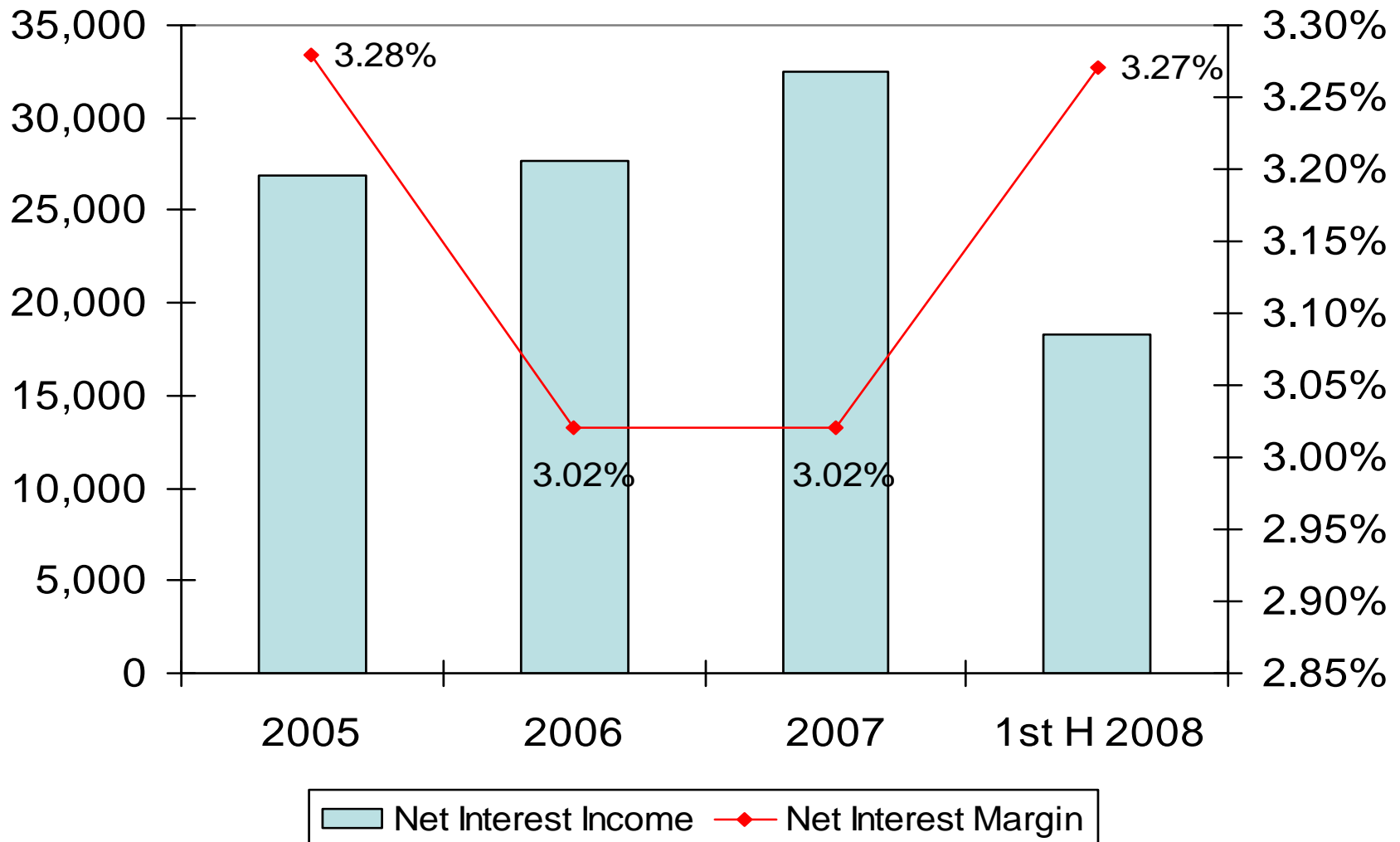
\$ in Thousands



# Net Interest Income

## Net Interest Margin

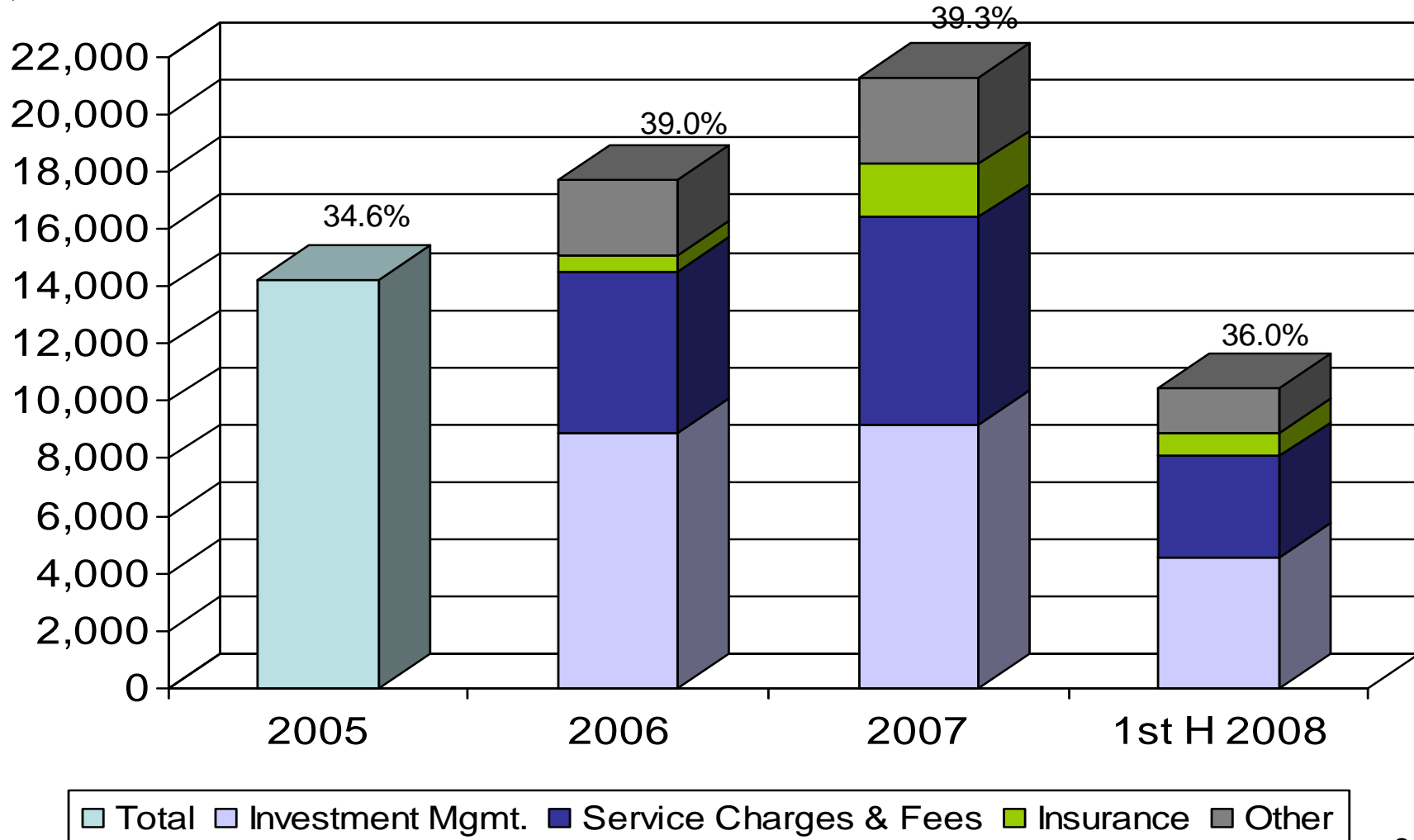
\$ in Thousands



# Non-Interest Income

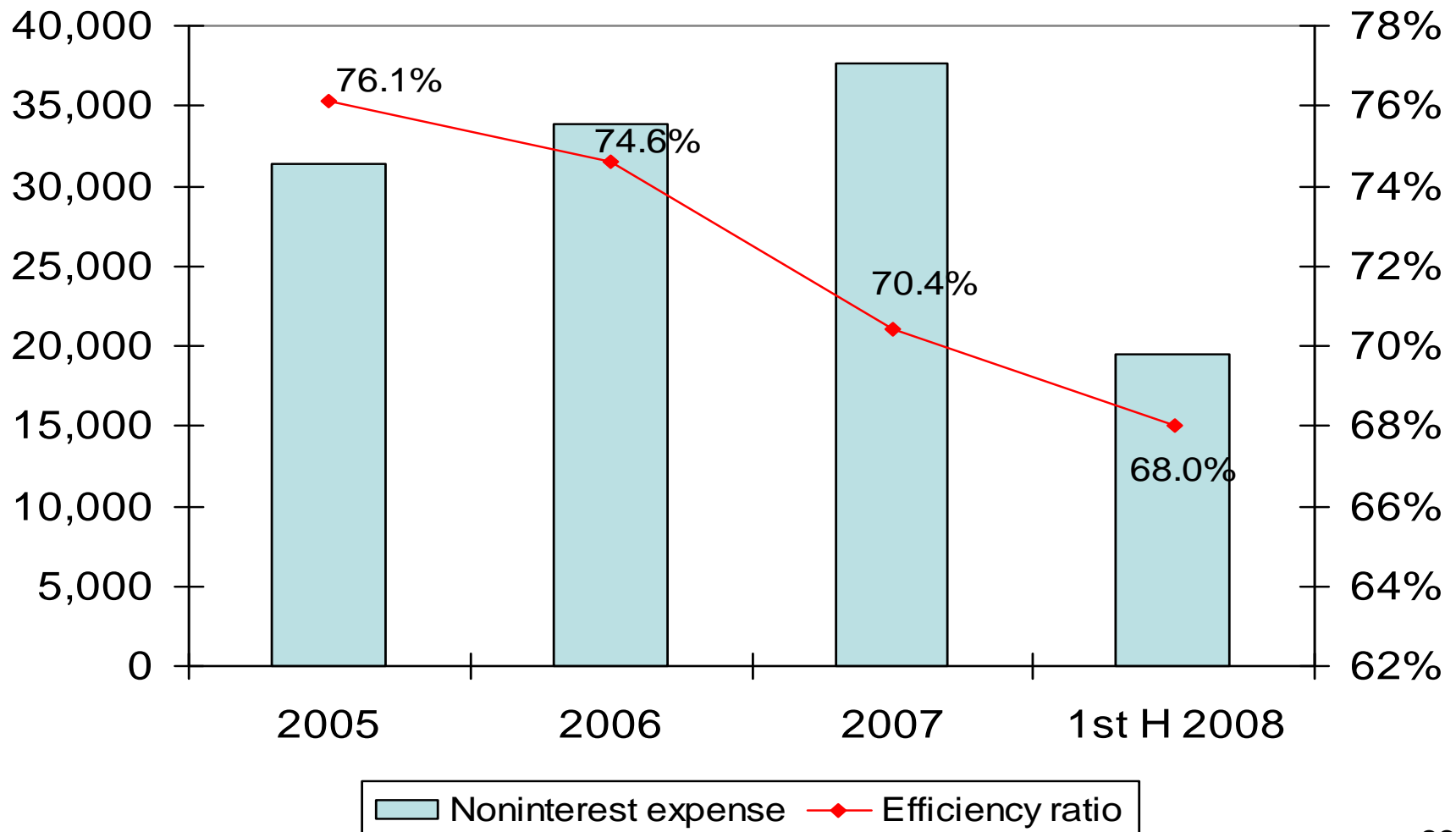
## Non-Interest Income/Total Income

\$ in Thousands



# Non-Interest Expenses Efficiency Ratio

\$ in Thousands



# **Jack H. Webb**

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

# Alliance Growth History

Alliance has been successful in driving its growth both as a proven acquirer and by de-novo expansion

## Acquisitions

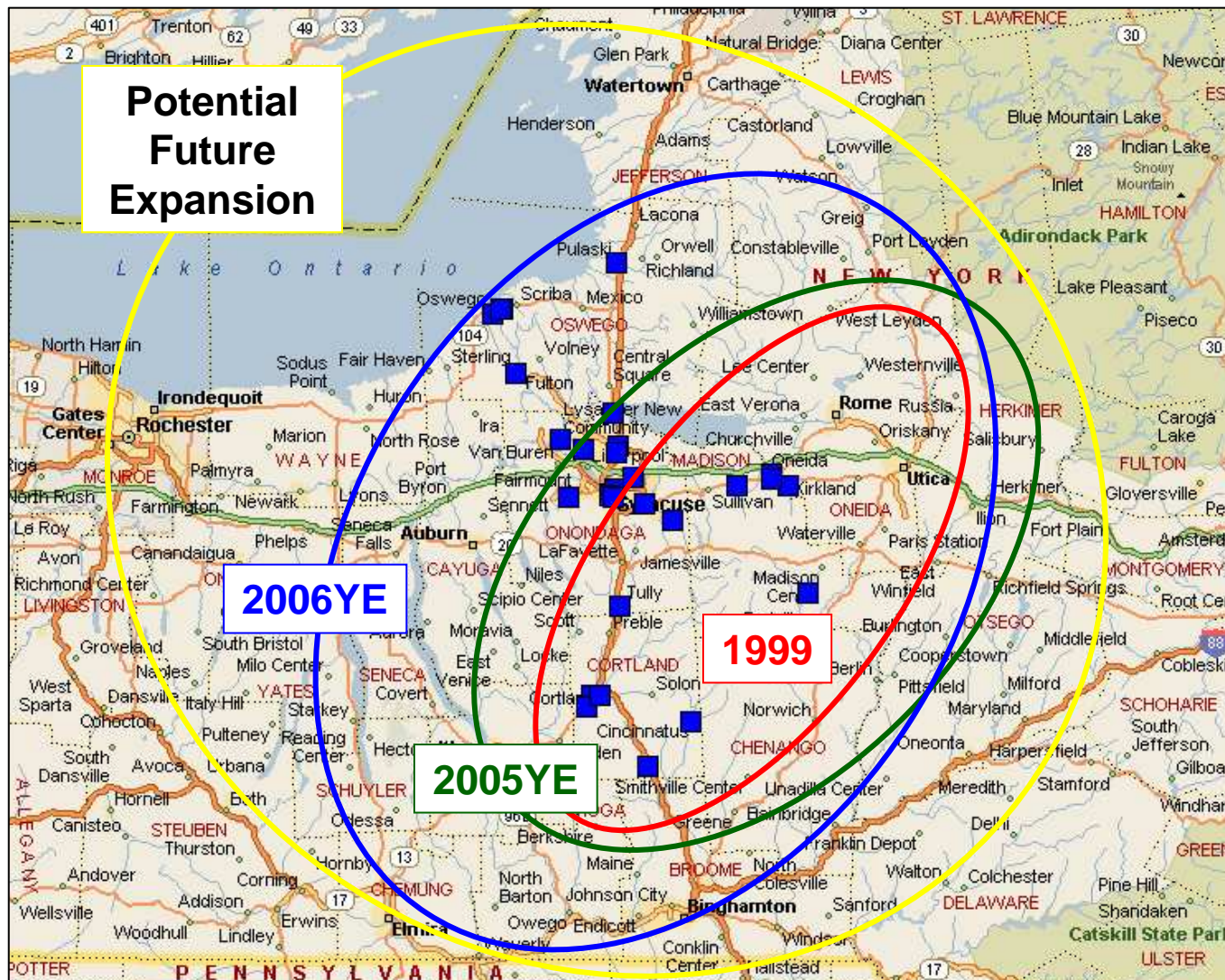
- Q4 2006 – Bridge Street Financial Corporation
  - \$219MM in Assets
  - \$173MM in Deposits
  - 7 Branches
- Q1 2004 – HSBC Trust Portfolio
  - \$560MM Portfolio - Managed in Buffalo, NY Office

## De-novo expansion

- Onondaga County, NY
  - 2000 – 2006 - Opened 8 branches in the city of Syracuse and surrounding towns
  - Eleven branches including former Bridge Street branches

# ALLIANCE AS AN INVESTMENT OPPORTUNITY

# Alliance's Core Footprint



# 2008 Initiatives

- Managed organic growth
- Emphasis on credit quality across all portfolios
- Continued focus on expense management
- Introduction of new website and “Virtual Bank”
- Target student demographic in 14 colleges and universities in our footprint which have combined enrollment of over 90,000
- Seeking whole bank acquisition opportunities
- Investment Management business – growth by line of business acquisition



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