

**Alliance Financial Corporation Receives National Recognition****Named Among the Top 30 Small-Cap Banks and Thrifts in the U.S. by Sandler O'Neill**

Syracuse, NY, September 9, 2009 - Alliance Financial Corporation ("Alliance or the "Company")(NASDAQ: ALNC), the holding company for Alliance Bank, N.A., announced today its inclusion in the prestigious Sandler O'Neill and Partners "2009 Bank and Thrift SM-ALL STARS" report.

In its "2009 Bank and Thrift SM-ALL STARS " report, Sandler O'Neill ("Sandler") recognized Alliance among the top 30 best performing small capitalization publicly traded banks and thrifts in the U.S. with a market capitalization of less than \$2 billion.

"We take pride in this distinction as one of the best-of-class small-cap performers in a segment of publicly traded institutions that includes more than 500 banks and thrifts nationwide," said Alliance Financial Corporation Chairman, President and Chief Executive Officer Jack H. Webb. "To be among the top six percent of small-cap banks and thrifts assessed on the basis of growth, profitability, credit quality and capital strength provides clear evidence of the strength of our performance in these challenging economic times and makes a compelling case for our differentiation within the sector. Very simply, not all banks are alike, and the Sandler O'Neill SM-ALL STARS ranking convincingly demonstrates that."

Sandler evaluated the institutions based on absolute performance in each of eight financial variables focused on growth, profitability, credit quality and capital strength. Commenting on this year's selection, Sandler O'Neill said, "In all, our screening methodology eliminated 479 institutions, or 94% of the institutions being evaluated. The performance metrics of the remaining 30 institutions are outstanding, with the Class of 2009 delivering bottom line results that are markedly better than the industry as a whole."

Sandler O'Neill is a full-service investment banking firm to the financial industry. The firm is a market-maker in hundreds of financial stocks and publishes equity and fixed income research focused on selected banks, thrifts and insurance companies, including equity research coverage on Alliance. Additional information can be found on their website at [www.sandleroneill.com](http://www.sandleroneill.com).

With approximately \$1.4 billion in assets, Alliance Financial Corporation is an independent financial holding company headquartered in Syracuse, with Alliance Bank, N.A. as its principal subsidiary providing retail and commercial banking, and trust and investment services through 29 locations in Cortland, Madison, Oneida, Onondaga and Oswego counties. Alliance also operates an investment management administration center in Buffalo, N.Y., an equipment lease financing company, Alliance Leasing, Inc., and a multi-line insurance agency, Ladd's Agency, Inc.

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