

Different is good.

Alliance Financial Corporation • 2007



# “THE LAST THING WE’D EVER WANT TO BE IS JUST ANOTHER BANK.”

*Jack H. Webb,  
President and Chief Executive Officer,  
Alliance Bank, N.A.*

Alliance Bank, N.A., the primary subsidiary of Alliance Financial Corporation (**NASDAQ:ALNC**), is anything but.

We’re a community bank. We know our market. We serve upwards of 90,000 households, primarily in Cortland, Madison, Oneida, Onondaga and Oswego Counties. We listen and we respond as only a local bank can.

While financial markets contend with the credit crunch precipitated by subprime lending, Alliance Bank, the \$1.3-billion Syracuse-headquartered community bank, continues to grow its mortgage portfolio by providing conventional fixed and variable rate residential mortgages to qualified Central New York homebuyers.

Two years ago, Alliance Bank elbowed its way into the #5 position in the Syracuse MSA deposit share rankings, where it remains the lone CNY community bank among the big banks.

Local deposits at Alliance Bank become local loans, which is one of the reasons that Alliance Bank remains a close partner with the Small Business Administration. Last year the SBA again recognized Alliance Bank as the most active lender of its size in the 34-county Syracuse district.

We’re a bank that does the unexpected for our size. We do it locally and we’re determined to do it well, which is both a hallmark of our success and the reason for it.

In a world of big and same, we’re neither.

Just as important, our market knows us. More than just brand awareness, it is reputation, built upon trust, customer service and performance coupled with community involvement.

We’re Alliance Bank and we’re proud to be different.

Alliance Bank, N.A. proved itself to be a strong, resilient, independent CNY community bank in a year characterized by intense competition, net interest margin pressure, further bank consolidation and a tightening credit environment.

In 2007, Alliance Bank:

- grew both total assets and net income,
- maintained its deposit share position among the leading banks in CNY,
- increased its residential mortgage portfolio through the sale of conventional mortgage products,
- launched a variety of new personal banking and business banking products, and
- controlled costs and improved efficiency.

In its legacy markets of Cortland and Madison Counties, Alliance Bank maintained its #1 position in deposit share.

With the de novo build-out of our branches complete, we leveraged our increased market presence, which was further strengthened by the prior year's acquisition of Oswego County National Bank (OCNB).

We converted our Cicero branch into a centralized Alliance Bank Mortgage Center, capable

of supporting our expanded network of mortgage originators and growth in mortgage loans in Onondaga County.

We rebranded our Trust business as Alliance Investment Management and continued the growth of our assets under management.

We rebranded the insurance brokerage business acquired in the OCNB merger as The Ladd's Agency, An Alliance Financial Company, and gave marketing support to its two locations in North Syracuse and Auburn.

We refocused our equipment finance business, Alliance Leasing, Inc., and increased our emphasis on the wholesale market in New York and almost 35 other states across the country.

### New Products to Market

We continued our growth of Health Savings Accounts (HSAs) through coordinated sales to employees of businesses providing so-called "high-deductible healthcare coverage." In so doing, we formed a strategic alliance with an Upstate-based business association and its network of brokers.

We launched a hybrid product suite, **Alliance bank@work**. The package acts as an additional

#### Health Savings Account (HSA)

**A healthy approach to savings.**

#### Mortgage Services

**You grab the boxes, we'll take care of the paperwork.**

- Fixed-rate Mortgages
- Bi-weekly Fixed-rate Mortgages
- Adjustable-rate Mortgages
- Competitive Rates & Terms
- Up to 100% Financing
- Jumbo Mortgages
- Local Approvals
- FHA and VA Approved Lender

#### Alliance bank@work

**Our newest location? Your workplace.**

# THROUGH ALLIANCE BANK'S CONTINUED EXPANSION, STANDARDS, UNWILLING TO COMPROMISE FOR

benefit to a company's employees — at no cost to the company — and a convenience to the employee in managing his or her personal finances.

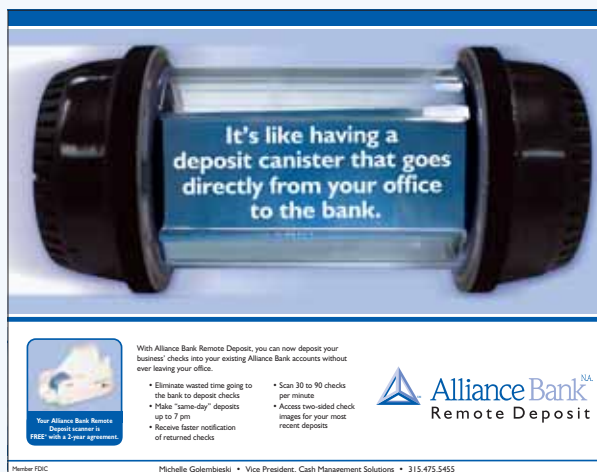
We enhanced our residential mortgage offerings by adding FHA- and VA-approved mortgage products.

On the business banking side, we launched Alliance Bank Remote Deposit, a product that enables businesses to make deposits without coming into a branch, without having to worry about branch hours, and with a substantially longer "same-day business" window for deposits.

We also introduced Client Administration and fraud protection filters to our ACH offering for our Business Online Banking customers to provide them the tools for better cash management.

## Maintaining Credit Quality

Through Alliance Bank's continued expansion, we have maintained our credit quality standards, unwilling to compromise for the sake of growth. Key in assessing credit quality and maintaining standards is, of course, knowledge of the market and a depth of understanding about relationships and our customers.



**It's like having a deposit canister that goes directly from your office to the bank.**

With Alliance Bank Remote Deposit, you can now deposit your business' checks into your existing Alliance Bank accounts without ever leaving your office.

- Eliminate wasted time going to the bank to deposit checks
- Make "same-day" deposits up to 7 pm
- Receive faster notification of returned checks
- Scan 30 to 90 checks per minute
- Access two-sided check images for your most recent deposits

**Alliance Bank<sup>NA</sup>**  
Remote Deposit

Your Alliance Bank Remote Deposit canister is FREE\* with a 2-year agreement.

Member FDIC Michelle Golembieski • Vice President, Cash Management Solutions • 315.475.5455

The smart alternative to keeping your fingers crossed.

Insurance Services

- Personal Coverage
- Business Coverage
- Employee Benefits

The Ladd's Agency  
An Alliance Financial Company

Being present in the market and making our decisions here where we are part of the daily commerce and the economy are also critical to our ability to make timely assessments.

The recent events surrounding what has been dubbed "the credit crunch" are largely external to the CNY market. While we are both vigilant and prudent, it is not clear to what extent, if at all, these external events will affect us, for instance, in the housing market or what they will do to the region's economy and businesses. To this degree we remain watchful as we continue to conduct business, foster new relationships and cultivate broader existing relationships.

Notable is that the growth of our loan portfolio has been achieved by doing what community banks have always done best, responding to local needs and opportunities, rather than resorting to higher-risk, speculative and unproven lending vehicles, and that's how we'll continue to achieve our growth.

# WE HAVE MAINTAINED OUR CREDIT QUALITY THE SAKE OF GROWTH.

## Everywhere You Look

Alliance Bank's name, brand and differentiation remained strongly evident throughout our CNY market, whether on Alliance Bank Stadium, Syracuse's home to Triple-A baseball, or Colgate University's scoreboards in Hamilton, home to the Raiders, or on banners at the 25th anniversary opening gala at Harborfest, Oswego's annual festival on the shore of Lake Ontario.

We were visible and much talked about on Earth Day in April '07 when the bank hosted Community Shred Day at Alliance Bank branches in Cortland, Madison, Onondaga and Oswego counties, encouraging customers and non-customers alike to clean out their attics, garages and old file drawers and to shred outdated confidential documents, bank statements and bills, free of charge. The much-publicized event set in motion an annual community event for the bank.

The bank was again highly visible in the summer months as title sponsor of the Alliance Bank Golf Classic, a Duramed FUTURES Tour event, the developmental tour owned and operated by the LPGA. Advertising and on-site media coverage before, during and after the week-long July event put the spotlight on Syracuse and the bank as one of the 19 tour stops around the country.

Just as important in building visibility, getting our message out and setting ourselves apart from the bland sameness of the "other," generally bigger banks, were our TV and radio advertising campaigns, which differentiated Alliance Bank, steadfast and independent, from the banks who changed names and headquarters. We said about the only time you would see one of our signs coming down is when it's time to put up a new one, so that our name is clear, distinct and evident.



Spring cleaning starts with Alliance Bank.

Join us for  
**Community Shred Day!**  
Saturday, April 21, 9 a.m. – noon  
FREE and open to the public.

Protect your identity — dispose of old ATM receipts, deposit slips, pay stubs, credit card statements and other financial documents safely and securely. Special trucks from Shred-it will be on hand to receive documents for shredding, no questions asked.

# WHEN WE SUCCEED AS WE HAVE DONE, WE REINVEST IN OUR BUSINESS, OUR PRODUCTS AND SERVICES, AND OUR TECHNOLOGY, BUT JUST AS IMPORTANTLY WE REINVEST IN OUR COMMUNITIES.

## Active in Our Communities

We work here in CNY, but we also live here, and we participate a lot in the life of our communities, corporately and individually. Many of our employees serve on not-for-profit boards or as volunteers, or on capital drives and fundraisers. Corporately, we support close to 100 different civic and charitable programs in the communities in the five-county footprint in which we operate. We support museums, a symphony,

an opera company, theater productions, libraries and education programs, hospitals and disaster relief. Some programs provide much-needed relief, aid and comfort, some just put smiles on the faces of children, maybe our own or maybe the neighbor's kids down the street.



The merger of OCNB into Alliance Bank also provided us an opportunity to become affiliated with the Oswego County Charitable Foundation, originally established through OCNB. Through that affiliation, funding has been granted to a host of worthy causes, including the Cortland College Foundation for use in providing scholarships to local high school graduates attending SUNY Cortland, the Oswego Public Library, the Oswego College Foundation, and to the M.O.S.T., Syracuse's Museum of Science and Technology, for the construction of new interactive exhibits.



When we succeed as we have done, we reinvest in our business, our products and services, and our technology, but just as importantly we reinvest in our communities. It's part of being a community bank—a big part.

## Actions That Speak Loudly

We believe resolutely in what we're doing as a bank, and as a business. We're steadfast in our pursuit of a strategy put in motion with our formation through the merger of two community banks in 1999. This year, our actions demonstrated the conviction we have about the value of what we've created through the declaration in the fourth quarter of an increased dividend to shareholders and the approval of a share repurchase program. While the financial services sector has been buffeted by a broad market decline, we remain convinced our difference from the rest will distinguish us among customers and investors alike.

Toward that end we will continue doing what we have done so well, serving as CNY's community bank, responsive to the needs of the people, businesses and communities among whom we live, and striving to set a standard for customer service and performance.

We're proud to be Alliance Bank and we're proud to be different.



# BOARD OF DIRECTORS

## **Mary Pat Adams**

Associate Broker  
Prudential First Properties  
Director Since 2001

## **Samuel J. Lanzafame**

President and CEO  
Datacom Systems, Inc.  
Director Since 1988

## **Paul M. Solomon**

P.J. Equities, LLP  
Director Since 2001

## **Jack H. Webb**

Chairman, President and CEO  
Alliance Financial Corporation  
President and CEO  
Alliance Bank, N.A.  
Director Since 2000

## **Donald S. Ames**

President  
Cortland Laundry, Inc.  
Director Since 1986

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CNY Community Foundation, Inc.  
Director Since 2001

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Director Since 1993

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Diemolding Corporation  
Director Since 1988

## **Lowell A. Seifter**

Principal  
Green & Seifter, Attorneys, PLLC  
Director Since 2006

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President  
State University of New York  
at Oswego  
Director Since 2006

## **John M. Endries**

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Endries Wealth Management, LLC  
Director Since 2005

## **Charles E. Shafer**

Managing Member  
Green Lake Associates, LLC  
Director Since 1998

## **John H. Watt, Jr.**

Executive Vice President  
Alliance Financial Corporation  
Executive Vice President  
Alliance Bank, N.A.  
Director Since 2007

## Alliance Financial Corporation Officers

### **Jack H. Webb**

Chairman, President and CEO

### **John H. Watt, Jr.**

Executive Vice President

### **J. Daniel Mohr**

CFO and Treasurer

### **Judy A. Schultz**

Corporate Secretary

# SENIOR MANAGEMENT TEAM

## Alliance Bank, N.A. Senior Management Team

### **Jack H. Webb**

President and CEO

### **John H. Watt, Jr.**

Executive Vice President,  
Commercial Banking Sales  
and Service, Alliance  
Investment Management

### **J. Daniel Mohr**

Executive Vice President,  
CFO and Treasurer

### **James W. Getman**

Executive Vice President and  
Senior Loan Officer,  
Credit Management and  
Administration

### **Mark A. Baker**

Senior Vice President and CIO

### **Steven G. Cacchio**

Senior Vice President,  
Retail Banking Sales and Service

### **Kathy L. Davis**

Senior Vice President and  
Senior Credit Officer

### **Kenneth J. Entenmann**

Senior Vice President  
and Director of Alliance  
Investment Management

### **Colleen K. Lefevre**

Senior Vice President,  
Human Resources

### **Dana C. Loucks**

Senior Vice President  
and Manager, Commercial  
Banking Group

### **Joseph M. Russo**

Senior Vice President,  
Marketing and Investor  
Relations

### **Claudia J. Tavernese**

Senior Vice President,  
Risk Management

## Alliance Bank, N.A. Market Executives

### **Barbara J. Bateman**

Senior Vice President and  
Oswego Market Executive

### **John A. Mason**

Senior Vice President,  
Commercial Banking and  
Cortland Market Executive

## Alliance Leasing, Inc.

### **John H. Watt, Jr.**

Chief Executive Officer

### **Joseph R. Messineo**

President

## **The Ladd's Agency**

### **An Alliance Financial Company**

### **Robert J. Rowe**

President



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