

STERLING FINANCIAL CORP /WA/  
Form 424B3  
April 20, 2011

Filed Pursuant to Rule 424(B)(3)  
Registration Statement No. 333-169579

PROSPECTUS SUPPLEMENT  
(To Prospectus dated November 16, 2010)

STERLING FINANCIAL CORPORATION  
63,764,208 Shares of Common Stock  
Warrants to Purchase 2,722,541 Shares of Common Stock

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RECENT DEVELOPMENTS

We have attached to this prospectus supplement, and incorporated by reference into it, our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 20, 2011.

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April 20, 2011

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): April 19, 2011

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STERLING FINANCIAL CORPORATION  
(Exact name of registrant as specified in its charter)

Washington  
(State or other jurisdiction of  
incorporation or organization)

001-34696  
(Commission File Number)

91-1572822  
(I.R.S. Employer  
Identification No.)

111 North Wall Street, Spokane, Washington 99201  
(Address of principal executive offices) (Zip Code)

(509) 458-3711  
(Registrant's telephone number, including area code)

Not Applicable  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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INFORMATION TO BE INCLUDED IN THE REPORT

Item 2.02. Results of Operations and Financial Condition.

On April 19, 2011, Sterling Financial Corporation ("Sterling") issued a press release regarding its results of operations and financial condition for the quarter ended March 31, 2011. The text of the press release is included as Exhibit 99.1 to this report. The information included in the press release is considered to be "furnished" under the Securities Exchange Act of 1934. Sterling will include final financial statements and additional analyses for the period ended March 31, 2011, as part of its quarterly report on Form 10-Q covering that period.

Item 9.01. Financial Statements and Exhibits.

(d) The following exhibit is being furnished herewith:

| Exhibit No. | Exhibit Description  |
|-------------|--|
| 99.1        | Press release text of Sterling Financial Corporation dated April 19, 2011. |

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S I G N A T U R E

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STERLING FINANCIAL CORPORATION  
(Registrant)

April 19, 2011

By: /s/ Patrick J. Rusnak  
Patrick J. Rusnak  
Chief Financial Officer

EXHIBIT INDEX

| Exhibit No. | Exhibit Description  |
|-------------|--|
| 99.1        | Press release text of Sterling Financial Corporation dated April 19, 2011. |

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Spokane, Wash. 99201-0696

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Sterling Financial Corporation of Spokane, Wash. Reports First-Quarter 2011 Earnings and Operating Results

SPOKANE, Wash.--(BUSINESS WIRE)--April 19, 2011--Sterling Financial Corporation (NASDAQ:STSA), the bank holding company of Sterling Savings Bank, today announced results for the quarter ended March 31, 2011. For the quarter, Sterling recorded net income attributable to common shareholders of \$5.4 million, or \$0.09 per common share, compared to a net loss of \$88.8 million, or \$112.70 per common share for the first quarter of 2010 (per share amounts adjusted for a 1-for-66 reverse stock split in November 2010).

For the first quarter, Sterling reported a lower provision for credit losses of \$10.0 million, compared to \$88.6 million for the first quarter of 2010. Net charge-offs for the reporting period were \$24.1 million, compared to \$136.5 million for the same period a year ago. Non-interest income increased \$4.7 million and non-interest expense decreased by \$7.7 million from the same period last year. Improvements in asset quality metrics included notable decreases in delinquent loans, classified assets and nonperforming assets.

“The first quarter financial results and the return to profitability reflect the efforts to reposition Sterling that were initiated over a year ago,” said Greg Seibly, Sterling president and chief executive officer. “While we still have work to do towards the resolution of our remaining troubled assets, Sterling gained significant momentum and we believe we are on the right track for growth in loans and core deposits, and improved earnings.”

Following are selected financial metrics for the first quarter of 2011:

Net interest margin expanded to 3.22 percent, improving 42 basis points during the quarter, and 37 basis points from the first quarter of 2010.

Total funding costs were reduced by 38 basis points from the same period last year.

Nonperforming assets decreased \$187.4 million, or 23 percent, to \$628.8 million during the first quarter of 2011, and are down 41 percent from the same period in 2010.

The loan loss allowance at March 31, 2011 was \$232.9 million, or 4.19 percent of total loans, compared to \$294.8 million, or 4.19 percent of total loans at March 31, 2010.

Tier 1 leverage ratio increased to 10.6 percent at March 31, 2011, from 2.6 percent a year ago, and tangible common equity to tangible assets increased to 8.1 percent at March 31, 2011.

## Balance Sheet Management

Seibly said, “During the quarter, Sterling continued to focus on its primary goals: improving the mix of deposits, resolving problem assets, managing operating expenses, and increasing loan production to qualified borrowers, with the expectation that this focus will ultimately drive sustainable profits. Our special assets team has reduced Sterling’s exposure to problem assets, and our deposit shift has resulted in lower funding costs at the bank. We have attracted new loan production talent to expand our reach to customers within our footprint, and are pursuing lending relationships that are consistent with our business plan.”

|                            | Mar 31, 2011   |               | Dec 31, 2010 |               | Mar 31, 2010  |               | Annual<br>% Change |
|----------------------------|----------------|---------------|--------------|---------------|---------------|---------------|--------------------|
|                            | Amount         | % of<br>Loans | Amount       | % of<br>Loans | Amount        | % of<br>Loans |                    |
|                            | (in thousands) |               |              |               |               |               |                    |
| Total assets               | \$ 9,352,469   |               | \$ 9,493,169 |               | \$ 10,554,567 |               | -11%               |
| Investments and<br>MBS     | 2,820,772      |               | 2,838,474    |               | 1,986,397     |               | 42%                |
| Loans receivable:          |                |               |              |               |               |               |                    |
| Residential real<br>estate | 719,458        | 13%           | 758,410      | 14%           | 812,517       | 12%           | -11%               |
| Multifamily real<br>estate | 638,250        | 12%           | 517,022      | 9%            | 496,368       | 7%            | 29%                |
| Commercial real<br>estate  | 1,400,867      | 25%           | 1,314,657    | 23%           | 1,380,955     | 20%           | 1%                 |
| Construction               | 396,300        | 7%            | 525,668      | 9%            | 1,282,585     | 18%           | -69%               |
| Consumer                   | 715,206        | 13%           | 744,068      | 13%           | 858,486       | 12%           | -17%               |
| Commercial<br>banking      | 1,686,573      | 30%           | 1,770,426    | 32%           | 2,215,241     | 31%           | -24%               |
| Gross loans<br>receivable  | \$ 5,556,654   | 100%          | \$ 5,630,251 | 100%          | \$ 7,046,152  | 100%          | -21%               |

During the first quarter, gross loan balances declined \$73.6 million, including anticipated reductions in construction loans that totaled \$129.4 million. Multifamily real estate originations increased \$92.2 million from the linked quarter, reflecting Sterling’s strategic focus on multifamily lending, principally within its footprint. Loan purchases included \$100.8 million of seasoned commercial real estate loans for both owner-occupied and non-owner-occupied properties within Sterling’s footprint.



|                           | Mar 31,<br>2011 | Dec 31,<br>2010 | Mar 31,<br>2010 | Annual<br>% Change           |
|---------------------------|-----------------|-----------------|-----------------|------------------------------|
| Deposits:                 |                 | (in thousands)  |                 |                              |
| Retail                    | \$ 5,701,174    | \$ 5,865,954    | \$ 6,037,527    | -6%                          |
| Brokered                  | 331,726         | 249,029         | 722,957         | -54%                         |
| Public                    | 691,527         | 796,024         | 864,655         | -20%                         |
| Total deposits            | \$ 6,724,427    | \$ 6,911,007    | \$ 7,625,139    | -12%                         |
| Net loans to deposits     | 79%             | 78%             | 88%             | -9%                          |
|                           |                 |                 |                 | Annual Basis<br>Point Change |
| Funding costs:            |                 |                 |                 |                              |
| Cost of deposits          | 1.01%           | 1.13%           | 1.45%           | (44)                         |
| Total funding liabilities | 1.39%           | 1.56%           | 1.77%           | (38)                         |

Sterling's total deposits were \$6.72 billion at March 31, 2011, down from \$6.91 billion at the end of 2010 and from \$7.63 billion a year ago. The decrease during the first quarter reflects the expected reduction in retail CDs, as Sterling allowed some higher-rate CDs to run off, thereby improving the deposit mix and reducing funding costs. This run-off was partially offset by the increase in transaction, savings and MMDA accounts. Also contributing to the reduction of funding costs was a prepayment of \$295.0 million in FHLB borrowings during the fourth quarter of 2010. Total funding costs declined to 1.39 percent for the first quarter of 2011, compared to 1.56 percent for the linked quarter and 1.77 percent for the same period a year ago.

As of March 31, 2011, Sterling had total shareholders' equity of \$774.5 million, compared to \$770.8 million as of Dec. 31, 2010, and \$245.5 million as of March 31, 2010. Sterling's ratio of shareholders' equity to total assets was 8.28 percent at the end of the first quarter of 2011, compared to 8.12 percent at the end of the fourth quarter of 2010 and 2.33 percent at the end of the first quarter 2010. The increase from a year ago in both total shareholders' equity and the ratio of shareholders' equity to total assets was primarily due to the \$730.0 million capital raise completed in August 2010.

## Operating Results

### Net Interest Income

Sterling reported net interest income of \$73.7 million for the quarter ending March 31, 2011, compared to \$68.6 million in the linked quarter and \$74.9 million for the quarter ended March 31, 2010.

|                                      | Mar 31,<br>2011 | Three Months Ended<br>Dec 31,<br>2010<br>(in thousands) | Mar 31,<br>2010 |
|--------------------------------------|-----------------|---|-----------------|
| Net interest income                  | \$ 73,743       | \$ 68,607   | \$ 74,890       |
| Net interest margin (tax equivalent) | 3.22%           | 2.80%   | 2.85%           |

Improvements in both net interest income and net interest margin during the quarter as compared to the linked quarter primarily reflect the decline in nonperforming assets and reduced deposit and borrowing funding costs. The reversal of interest income from nonperforming loans reduced the net interest margin by 53 basis points for the first quarter of 2011, and 63 basis points for the fourth quarter of 2010.

#### Non-interest Income

Non-interest income includes income from mortgage banking operations, fee and service-charges income, and other items such as net gains on sales of securities and loan servicing fees. For the first quarter of 2011, non-interest income was \$30.0 million, compared to \$30.8 million for the linked quarter and \$25.3 million for the same period a year ago.

Income from mortgage banking operations during the reporting period totaled \$10.3 million, down from \$20.2 million during the prior quarter, and \$11.2 million from the year-ago period, reflecting a lower level of refinancing activity due to higher mortgage rates. The decrease from the linked quarter is a result of lower residential loan originations, compounded by lower margins on loan sales. The table below highlights residential loan originations and sales for the periods indicated.

|  | Mar 31,<br>2011 | Three Months Ended<br>Dec 31,<br>2010<br>(in thousands) | Mar 31,<br>2010 | Annual<br>% Change                 |
|--|-----------------|---|-----------------|------------------------------------|
| Loan originations - residential real estate for sale | \$ 363,118      | \$ 715,843  | \$ 414,443      | -12%                               |
| Loan sales - residential                             | 498,310         | 757,558   | 486,605         | 2%                                 |
| Margin - residential loan sales                      | 2.48%           | 2.80%   | 2.07%           | Annual Basis<br>Point Change<br>41 |

For the quarter ended March 31, 2011, fees and service charges income contributed \$12.6 million to non-interest income, compared to \$13.6 million in the linked quarter and \$13.0 million in the same period last year. The reduction in fees and service charges income in the first quarter is primarily related to lower non-sufficient funds fees and loan fees.

For the quarter ended March 31, 2011, Sterling recorded a gain on sales of securities of \$6.0 million, compared to \$1.5 million for the linked quarter and \$1.9 million for the same period a year ago. During the fourth quarter of 2010, Sterling took a charge on the prepayment of FHLB borrowings of \$11.3 million, which reduced non-interest income; no such charge was taken during the first quarters of 2011 or 2010.

#### Non-interest Expense

Non-interest expense was \$88.3 million for the first quarter of 2011, compared to \$107.5 million in the linked quarter and \$96.0 million for the first quarter of 2010. The decline compared to the linked quarter was principally the result of lower other-real-estate-owned (OREO) expenses, which declined by \$12.6 million, or 52 percent compared to the fourth quarter of 2010. The \$7.7 million reduction of non-interest expense compared to the first quarter of last year reflects lower Federal Deposit Insurance Corporation deposit insurance premiums and lower professional fees.

#### Income Taxes

During the first quarter, Sterling did not recognize any federal or state tax expense, as the income tax expense for the quarter was offset by a reduction in the deferred tax valuation allowance.

Sterling uses an estimate of future earnings and an evaluation of its loss carryback ability and tax planning strategies to determine whether it is more likely than not that it will realize the benefit of its net deferred tax asset. Sterling has determined that it does not at this time meet the required threshold, and accordingly, has a valuation against its deferred tax asset. As of March 31, 2011, the reserved deferred tax asset was approximately \$358 million, including approximately \$271 million of net operating loss carry-forwards.

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With regard to the deferred tax asset, the benefits of Sterling's accumulated tax losses would be reduced in the event of an "ownership change," as determined under Section 382 of the Internal Revenue Code. During 2010, in order to preserve the benefits of these tax losses, Sterling's shareholders approved a protective amendment to Sterling's restated articles of incorporation and Sterling's board has adopted a shareholder rights plan, both of which restrict certain transfers of stock that would result in investors acquiring more than 4.95 percent of Sterling's total outstanding common stock.

#### Credit Quality

For the first quarter of 2011, Sterling recorded a \$10.0 million provision for credit losses, compared to \$30.0 million for the linked quarter, and \$88.6 million for the first quarter of 2010. The reduced level of credit loss provisioning reflects improvement in asset quality as evidenced by the decline in nonperforming loans and charge-offs.

Nonperforming assets were \$628.8 million at March 31, 2011, compared to \$816.3 million at Dec. 31, 2010, and \$1.06 billion at March 31, 2010. At March 31, 2011, nonperforming assets as a percentage of total assets was 6.72 percent, compared to 8.60 percent at Dec. 31, 2010, and 10.07 percent at March 31, 2010. During the first quarter, Sterling returned to performing status \$92.2 million of previously impaired loans; the loans had been current for at least six months and were expected to continue to perform in accordance with original loan terms. Seibly said, "Our asset quality metrics continue to improve throughout the portfolio, and we remain focused on maintaining this favorable trend. We have been consistent at marking our nonperforming portfolio to reflect current market collateral values, which has facilitated timely resolutions. We continue to closely monitor our portfolio and the key economic factors in the markets we serve. We expect that the trends in our markets will continue to recover and that our asset quality metrics will continue to improve."

The following table shows an analysis of Sterling's nonperforming assets by loan category and geographic region as of the dates indicated.

#### Nonperforming Asset Analysis

|                                | Mar 31,        |     | Dec 31,   |     | Mar 31,    |     |
|--------------------------------|----------------|-----|-----------|-----|------------|-----|
|                                | 2011           |     | 2010      |     | 2010       |     |
|                                | (in thousands) |     |           |     |            |     |
| Residential construction       |                |     |           |     |            |     |
| Puget Sound                    | \$ 35,617      | 6%  | \$ 55,365 | 7%  | \$ 147,982 | 14% |
| Portland, OR                   | 35,594         | 6%  | 48,781    | 6%  | 111,094    | 10% |
| Vancouver, WA                  | 7,697          | 1%  | 12,455    | 2%  | 17,580     | 2%  |
| Northern California            | 5,555          | 1%  | 9,474     | 1%  | 19,231     | 2%  |
| Southern California            | 3,558          | 1%  | 4,574     | 1%  | 7,647      | 1%  |
| Bend, OR                       | 1,199          | 0%  | 7,479     | 1%  | 19,544     | 2%  |
| Boise, ID                      | 1,034          | 0%  | 2,614     | 0%  | 14,814     | 1%  |
| Utah                           | 363            | 0%  | 757       | 0%  | 2,210      | 0%  |
| Other                          | 21,467         | 3%  | 24,161    | 3%  | 55,222     | 5%  |
| Total residential construction | 112,084        | 18% | 165,660   | 21% | 395,324    | 37% |
| Commercial construction        |                |     |           |     |            |     |
| Puget Sound                    | 32,243         | 5%  | 48,619    | 6%  | 37,601     | 4%  |
| Northern California            | 25,022         | 4%  | 45,132    | 6%  | 30,976     | 3%  |
| Southern California            | 17,956         | 3%  | 27,227    | 3%  | 39,833     | 4%  |
| Other                          | 75,314         | 12% | 76,860    | 9%  | 85,210     | 8%  |
|                                | 150,535        | 24% | 197,838   | 24% | 193,620    | 19% |

|                                |            |      |            |      |              |      |
|--------------------------------|------------|------|------------|------|--------------|------|
| Total commercial construction  |            |      |            |      |              |      |
| Multifamily construction       |            |      |            |      |              |      |
| Puget Sound                    | 39,221     | 6%   | 41,407     | 5%   | 47,289       | 4%   |
| Portland, OR                   | 5,817      | 1%   | 7,420      | 1%   | 15,497       | 1%   |
| Other                          | 16,933     | 3%   | 17,965     | 2%   | 27,269       | 3%   |
| Total multifamily construction | 61,971     | 10%  | 66,792     | 8%   | 90,055       | 8%   |
| Total construction             | 324,590    | 52%  | 430,290    | 53%  | 678,999      | 64%  |
| Commercial banking             | 109,003    | 17%  | 110,872    | 14%  | 144,893      | 14%  |
| Commercial real estate         | 80,626     | 13%  | 123,146    | 15%  | 92,379       | 9%   |
| Residential real estate        | 83,173     | 13%  | 115,923    | 14%  | 82,863       | 8%   |
| Multifamily real estate        | 21,089     | 3%   | 25,806     | 3%   | 54,767       | 5%   |
| Consumer                       | 10,360     | 2%   | 10,253     | 1%   | 8,838        | 0%   |
| Total nonperforming assets     | \$ 628,841 | 100% | \$ 816,290 | 100% | \$ 1,062,739 | 100% |
| Specific reserve - loans       | (21,483)   |      | (21,237)   |      | (19,025)     |      |
| Net nonperforming assets (1)   | \$ 607,358 |      | \$ 795,053 |      | \$ 1,043,714 |      |

(1) Net of cumulative confirmed losses on loans and OREO of \$418.2 million for Mar. 31, 2011, \$516.3 million for Dec. 31, 2010, and \$626.3 million for Mar. 31, 2010.

First-Quarter 2011 Earnings Conference Call

Sterling plans to host a conference call April 20, 2011 at 8:00 a.m. PDT to discuss the company's financial results. An audio webcast of the conference call can be accessed at Sterling's website. To access this audio presentation call, click on the audio webcast icon. Additionally, the conference call may be accessed by telephone. To participate in the conference call, domestic callers should dial 1-773-756-4806 approximately five minutes before the scheduled start time. You will be asked by the operator to identify yourself and provide the password "STERLING" to enter the call. A webcast replay of the conference call will be available on Sterling's website approximately one hour following the completion of the call. The webcast replay will be offered through May 20, 2011.

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Sterling Financial Corporation  
CONSOLIDATED BALANCE  
SHEETS

(in thousands, except per share  
amounts, unaudited)

|   | Mar 31,      | Dec 31,      | Mar 31,       |
|---|--------------|--------------|---------------|
|   | 2011         | 2010         | 2010          |
| <b>ASSETS:</b>  |              |              |               |
| Cash and due from banks   | \$ 436,377   | \$ 427,264   | \$ 1,069,718  |
| Investments and mortgage-backed securities ("MBS") available for sale   | 2,808,030    | 2,825,010    | 1,969,609     |
| Investments held to maturity  | 12,742       | 13,464       | 16,788        |
| Loans held for sale (at fair value: \$136,447, \$222,216 and \$152,065) | 136,447      | 222,216      | 153,342       |
| Loans receivable, net   | 5,320,884    | 5,379,081    | 6,745,370     |
| Other real estate owned, net ("OREO")                                   | 151,774      | 161,653      | 103,973       |
| Office properties and equipment, net                                    | 85,542       | 81,094       | 89,281        |
| Bank owned life insurance ("BOLI")                                      | 171,093      | 169,288      | 164,235       |
| Core deposit intangibles, net   | 15,704       | 16,929       | 20,603        |
| Prepaid expenses and other assets, net                                  | 213,876      | 197,170      | 221,648       |
| Total assets  | \$ 9,352,469 | \$ 9,493,169 | \$ 10,554,567 |
| <b>LIABILITIES:</b>   |              |              |               |
| Deposits  | \$ 6,724,427 | \$ 6,911,007 | \$ 7,625,139  |
| Advances from Federal Home Loan Bank                                    | 407,142      | 407,211      | 1,267,026     |
| Repurchase agreements and fed funds                                     | 1,051,995    | 1,032,512    | 1,025,385     |
| Other borrowings  | 245,286      | 245,285      | 248,282       |
| Accrued expenses and other liabilities                                  | 149,159      | 126,387      | 143,274       |
| Total liabilities   | 8,578,009    | 8,722,402    | 10,309,106    |
| <b>SHAREHOLDERS' EQUITY:</b>  |              |              |               |
| Preferred stock   | 0            | 0            | 294,665       |
| Common stock  | 1,961,763    | 1,960,871    | 963,173       |
| Accumulated comprehensive loss:   |              |              |               |
| Unrealized gain (loss) on investments and MBS (1)                       | (6,795)      | (4,179)      | 26,425        |
| Accumulated deficit   | (1,180,508)  | (1,185,925)  | (1,038,802)   |
| Total shareholders' equity  | 774,460      | 770,767      | 245,461       |
| Total liabilities and shareholders' equity                              | \$ 9,352,469 | \$ 9,493,169 | \$ 10,554,567 |
| Book value per common share (2)   | \$ 12.50     | \$ 12.45     | \$ (62.24)    |
| Tangible book value per common share (2)                                | \$ 12.25     | \$ 12.17     | \$ (88.30)    |
| Shareholders' equity to total assets                                    | 8.3%         | 8.1%         | 2.3%          |
| Tangible common equity to tangible assets (3)                           | 8.1%         | 8.0%         | -0.7%         |
|   | 61,937,273   | 61,926,187   | 790,550       |

Common shares outstanding at end of  
period (2)

Common stock warrants outstanding

|     |           |           |        |
|-----|-----------|-----------|--------|
| (2) | 2,722,541 | 2,722,541 | 97,541 |
|-----|-----------|-----------|--------|

(1) Net of deferred income taxes.

(2) Reflects the 1-for-66 reverse stock split in Nov 2010.

(3) Common shareholders' equity less intangibles divided by assets less intangibles.

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Sterling Financial Corporation  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

(in thousands, except per share  
amounts, unaudited)

|  | Three Months Ended |                 |                 |                 |    |          |
|--|--------------------|-----------------|-----------------|-----------------|----|----------|
|  | 2011               | Mar 31,<br>2010 | Dec 31,<br>2010 | Mar 31,<br>2010 |    |          |
| <b>INTEREST INCOME:</b>                            |                    |                 |                 |                 |    |          |
| Loans  | \$                 | 80,387          | \$              | 82,825          | \$ | 96,976   |
| Mortgage-backed securities                         |                    | 20,034          |                 | 18,237          |    | 19,826   |
| Investments and cash                               |                    | 2,816           |                 | 2,716           |    | 2,690    |
| Total interest income                              |                    | 103,237         |                 | 103,778         |    | 119,492  |
| <b>INTEREST EXPENSE:</b>                           |                    |                 |                 |                 |    |          |
| Deposits   |                    | 17,294          |                 | 19,554          |    | 27,451   |
| Borrowings   |                    | 12,200          |                 | 15,617          |    | 17,151   |
| Total interest expense                             |                    | 29,494          |                 | 35,171          |    | 44,602   |
| Net interest income                                |                    | 73,743          |                 | 68,607          |    | 74,890   |
| Provision for credit losses                        |                    | (10,000)        |                 | (30,000)        |    | (88,556) |
| Net interest income after provision                |                    | 63,743          |                 | 38,607          |    | (13,666) |
| <b>NONINTEREST INCOME:</b>                         |                    |                 |                 |                 |    |          |
| Fees and service charges                           |                    | 12,561          |                 | 13,646          |    | 13,035   |
| Mortgage banking operations                        |                    | 10,327          |                 | 20,210          |    | 11,232   |
| Loan servicing fees                                |                    | 1,101           |                 | 4,144           |    | 1,146    |
| BOLI   |                    | 1,732           |                 | 1,882           |    | 2,295    |
| Gains on sales of securities                       |                    | 6,001           |                 | 1,480           |    | 1,911    |
| Charge on prepayment of debt                       |                    | 0               |                 | (11,296)        |    | 0        |
| Other  |                    | (1,740)         |                 | 716             |    | (4,322)  |
| Total noninterest income                           |                    | 29,982          |                 | 30,782          |    | 25,297   |
| <b>NONINTEREST EXPENSE:</b>                        |                    |                 |                 |                 |    |          |
| Employee compensation and benefits                 |                    | 43,850          |                 | 45,315          |    | 40,059   |
| OREO   |                    | 11,400          |                 | 23,993          |    | 10,923   |
| Occupancy and equipment                            |                    | 12,834          |                 | 13,462          |    | 13,514   |
| Amortization of core deposit intangibles           |                    | 1,225           |                 | 1,224           |    | 1,225    |
| Other  |                    | 18,999          |                 | 23,536          |    | 30,256   |
| Total noninterest expense                          |                    | 88,308          |                 | 107,530         |    | 95,977   |
| Income (loss) before income taxes                  |                    | 5,417           |                 | (38,141)        |    | (84,346) |
| Income tax (provision) benefit                     |                    | 0               |                 | 0               |    | 0        |
| Net income (loss)                                  |                    | 5,417           |                 | (38,141)        |    | (84,346) |
| Preferred stock dividend                           |                    | 0               |                 | 0               |    | (4,412)  |
| Other shareholder allocations (1)                  |                    | 0               |                 | (604,592)       |    | 0        |
| Net income (loss) available to common shareholders | \$                 | 5,417           | \$              | (642,733)       | \$ | (88,758) |

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|   |            |            |             |
|---|------------|------------|-------------|
| Earnings per common share - basic (2)           | \$ 0.09    | \$ (12.79) | \$ (112.70) |
| Earnings per common share - diluted (2)         | \$ 0.09    | \$ (12.79) | \$ (112.70) |
| Average common shares outstanding - basic (2)   | 61,930,783 | 50,235,894 | 787,576     |
| Average common shares outstanding - diluted (2) | 62,335,212 | 50,235,894 | 787,576     |

(1) The October 22, 2010 conversion of Series B and D preferred stock into common stock resulted in a decrease in income available to common shareholders.

(2) Reflects the 1-for-66 reverse stock split in Nov 2010.

Sterling Financial Corporation  
OTHER SELECTED FINANCIAL  
DATA

(in thousands, unaudited)

|   | Mar 31,<br>2011 | Three Months Ended<br>Dec 31,<br>2010 | Mar 31,<br>2010 |
|---|-----------------|---------------------------------------|-----------------|
| <b>LOAN ORIGINATIONS AND PURCHASES:</b> |                 |                                       |                 |
| Loan originations:                      |                 |                                       |                 |
| Residential real estate:                |                 |                                       |                 |
| For sale                                | \$ 363,118      | \$ 715,843                            | \$ 414,443      |
| Permanent                               | 24,363          | 61,395                                | 16,614          |
| Total residential real estate           | 387,481         | 777,238                               | 431,057         |
| Multifamily real estate                 | 119,846         | 27,642                                | 750             |
| Commercial real estate                  | 34,130          | 30,180                                | 32,090          |
| Construction:                           |                 |                                       |                 |
| Residential                             | 4,196           | 6,502                                 | 3,591           |
| Multifamily                             | 0               | 0                                     | 0               |
| Commercial                              | 0               | 0                                     | 500             |
| Total construction                      | 4,196           | 6,502                                 | 4,091           |
| Consumer                                | 28,357          | 19,449                                | 28,287          |
| Commercial banking                      | 54,390          | 35,098                                | 45,928          |
| Total loan originations                 | 628,400         | 896,109                               | 542,203         |
| Loan purchases:                         |                 |                                       |                 |
| Residential real estate                 | 7,550           | 0                                     | 0               |
| Multifamily real estate                 | 2,440           | 82,702                                | 0               |
| Commercial real estate                  | 100,805         | 0                                     | 0               |
| Total loan purchases                    | 110,795         | 82,702                                | 0               |
| Total loan originations and purchases   | \$ 739,195      | \$ 978,811                            | \$ 542,203      |
| <b>PERFORMANCE RATIOS:</b>              |                 |                                       |                 |
| Return on assets                        | 0.23%           | -1.53%                                | -3.20%          |
| Return on common equity                 | 2.9%            | -309.1%                               | N/A             |
| Operating efficiency                    | 85%             | 108%                                  | 96%             |
| Noninterest expense to assets           | 3.77%           | 4.31%                                 | 3.64%           |
| Average assets                          | \$ 9,500,882    | \$ 9,894,238                          | \$ 10,693,901   |
| Average common equity                   | \$ 769,544      | \$ 824,963                            | \$ (916)        |
| <b>REGULATORY CAPITAL RATIOS:</b>       |                 |                                       |                 |
| Sterling Financial Corporation:         |                 |                                       |                 |
| Tier 1 leverage ratio                   | 10.6%           | 10.1%                                 | 2.6%            |
| Tier 1 risk-based capital ratio         | 16.5%           | 16.2%                                 | 3.7%            |
| Total risk-based capital ratio          | 17.8%           | 17.5%                                 | 6.9%            |
| Sterling Savings Bank:                  |                 |                                       |                 |
| Tier 1 leverage ratio                   | 10.3%           | 9.8%                                  | 3.8%            |
| Tier 1 risk-based capital ratio         | 16.0%           | 15.7%                                 | 5.3%            |
| Total risk-based capital ratio          | 17.3%           | 17.0%                                 | 6.7%            |
| <b>OTHER:</b>                           |                 |                                       |                 |

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|  |    |        |    |        |    |        |
|--|----|--------|----|--------|----|--------|
| Sales of financial products                    | \$ | 39,703 | \$ | 40,831 | \$ | 34,698 |
| FTE employees at end of period (whole numbers) |    | 2,493  |    | 2,498  |    | 2,555  |

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Sterling Financial Corporation  
OTHER SELECTED FINANCIAL  
DATA

(in thousands, unaudited)

|  | 2011         | Mar 31,<br>2010 | Dec 31,<br>2010 | Mar 31,<br>2010 |
|--|--------------|-----------------|-----------------|-----------------|
| <b>INVESTMENT PORTFOLIO</b>                            |              |                 |                 |                 |
| <b>DETAIL:</b>   |              |                 |                 |                 |
| Available for sale                                     |              |                 |                 |                 |
| MBS  | \$ 2,584,302 | \$ 2,602,610    | \$ 2,602,610    | \$ 1,760,978    |
| Municipal bonds  | 200,859      | 201,143         | 201,143         | 186,478         |
| Other  | 22,869       | 21,257          | 21,257          | 22,153          |
| Total  | \$ 2,808,030 | \$ 2,825,010    | \$ 2,825,010    | \$ 1,969,609    |
| Held to maturity                                       |              |                 |                 |                 |
| Tax credits  | \$ 12,742    | \$ 13,464       | \$ 13,464       | \$ 16,788       |
| Total  | \$ 12,742    | \$ 13,464       | \$ 13,464       | \$ 16,788       |
| <b>LOAN PORTFOLIO DETAIL:</b>                          |              |                 |                 |                 |
| Residential real estate                                | \$ 719,458   | \$ 758,410      | \$ 758,410      | \$ 812,517      |
| Multifamily real estate                                | 638,250      | 517,022         | 517,022         | 496,368         |
| Commercial real estate                                 | 1,400,867    | 1,314,657       | 1,314,657       | 1,380,955       |
| Construction:  |              |                 |                 |                 |
| Residential  | 106,051      | 156,853         | 156,853         | 540,430         |
| Multifamily  | 72,885       | 90,518          | 90,518          | 223,056         |
| Commercial   | 217,364      | 278,297         | 278,297         | 519,099         |
| Total construction                                     | 396,300      | 525,668         | 525,668         | 1,282,585       |
| Consumer   | 715,206      | 744,068         | 744,068         | 858,486         |
| Commercial banking                                     | 1,686,573    | 1,770,426       | 1,770,426       | 2,215,241       |
| Gross loans receivable                                 | 5,556,654    | 5,630,251       | 5,630,251       | 7,046,152       |
| Deferred loan fees, net                                | (2,826)      | (4,114)         | (4,114)         | (5,984)         |
| Allowance for losses on loans                          | (232,944)    | (247,056)       | (247,056)       | (294,798)       |
| Net loans receivable                                   | \$ 5,320,884 | \$ 5,379,081    | \$ 5,379,081    | \$ 6,745,370    |
| <b>DEPOSITS DETAIL:</b>                                |              |                 |                 |                 |
| Interest-bearing transaction                           | \$ 499,805   | \$ 497,395      | \$ 497,395      | \$ 949,515      |
| Noninterest-bearing transaction                        | 1,007,684    | 992,368         | 992,368         | 997,701         |
| Savings and MMDA                                       | 1,972,781    | 1,886,425       | 1,886,425       | 1,634,982       |
| Time deposits - brokered                               | 331,726      | 249,029         | 249,029         | 722,957         |
| Time deposits - retail                                 | 2,912,431    | 3,285,790       | 3,285,790       | 3,319,984       |
| Total deposits   | \$ 6,724,427 | \$ 6,911,007    | \$ 6,911,007    | \$ 7,625,139    |
| <b>Number of transaction accounts (whole numbers):</b> |              |                 |                 |                 |
| Interest-bearing transaction accounts                  | 44,648       | 46,332          | 46,332          | 52,898          |
| Noninterest-bearing transaction accounts               | 169,304      | 165,821         | 165,821         | 157,509         |
| Total transaction accounts                             | 213,952      | 212,153         | 212,153         | 210,407         |



## Sterling Financial Corporation

## OTHER SELECTED FINANCIAL DATA

(in thousands, unaudited)

|  | 2011       | Mar 31,<br>2010 | Dec 31,<br>2010 | Mar 31,<br>2010 |
|--|------------|-----------------|-----------------|-----------------|
| <b>ALLOWANCE FOR CREDIT LOSSES:</b>                    |            |                 |                 |                 |
| Allowance - loans, beginning of quarter                | \$ 247,056 | \$ 248,505      | \$ 248,505      | \$ 343,443      |
| Provision  | 10,000     | 30,000          | 30,000          | 87,890          |
| Charge-offs:   |            |                 |                 |                 |
| Residential real estate                                | (6,816)    | (10,580)        | (10,580)        | (4,721)         |
| Multifamily real estate                                | (211)      | (920)           | (920)           | (10,380)        |
| Commercial real estate                                 | (1,648)    | (7,093)         | (7,093)         | (15,005)        |
| Construction:  |            |                 |                 |                 |
| Residential  | (7,538)    | (11,533)        | (11,533)        | (69,731)        |
| Multifamily  | (83)       | (1,968)         | (1,968)         | (10,688)        |
| Commercial   | (1,718)    | (4,205)         | (4,205)         | (24,089)        |
| Total construction                                     | (9,339)    | (17,706)        | (17,706)        | (104,508)       |
| Consumer   | (2,146)    | (2,791)         | (2,791)         | (3,721)         |
| Commercial banking                                     | (9,584)    | (1,257)         | (1,257)         | (5,524)         |
| Total charge-offs                                      | (29,744)   | (40,347)        | (40,347)        | (143,859)       |
| Recoveries:  |            |                 |                 |                 |
| Residential real estate                                | 250        | 1,340           | 1,340           | 120             |
| Multifamily real estate                                | 1          | 44              | 44              | 0               |
| Commercial real estate                                 | 578        | 118             | 118             | 165             |
| Construction:  |            |                 |                 |                 |
| Residential  | 3,407      | 3,271           | 3,271           | 3,091           |
| Multifamily  | 130        | 483             | 483             | 0               |
| Commercial   | 150        | 187             | 187             | 3,200           |
| Total construction                                     | 3,687      | 3,941           | 3,941           | 6,291           |
| Consumer   | 621        | 402             | 402             | 503             |
| Commercial banking                                     | 495        | 3,053           | 3,053           | 245             |
| Total recoveries                                       | 5,632      | 8,898           | 8,898           | 7,324           |
| Net charge-offs  | (24,112)   | (31,449)        | (31,449)        | (136,535)       |
| Transfers  | 0          | 0               | 0               | 0               |
| Allowance - loans, end of quarter                      | 232,944    | 247,056         | 247,056         | 294,798         |
| Allowance - unfunded commitments, beginning of quarter | 10,707     | 11,017          | 11,017          | 11,967          |
| Provision  | 0          | 0               | 0               | 666             |
| Charge-offs  | (66)       | (310)           | (310)           | (310)           |
| Transfers  | 0          | 0               | 0               | 0               |
| Allowance - unfunded commitments, end of quarter       | 10,641     | 10,707          | 10,707          | 12,323          |
| Total credit allowance                                 | \$ 243,585 | \$ 257,763      | \$ 257,763      | \$ 307,121      |
| Net charge-offs to average net loans (annualized)      | 1.64%      | 1.97%           | 1.97%           | 6.93%           |
| Net charge-offs to average net loans (ytd)             | 0.41%      | 4.86%           | 4.86%           | 1.71%           |
| Loan loss allowance to total loans                     | 4.19%      | 4.39%           | 4.39%           | 4.19%           |
| Total credit allowance to total loans                  | 4.39%      | 4.58%           | 4.58%           | 4.36%           |
| Loan loss allowance to nonperforming loans             | 49%        | 38%             | 38%             | 31%             |

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|  |      |      |      |
|--|------|------|------|
| Loan loss allowance to nonperforming loans<br>excluding nonaccrual loans carried at fair value | 161% | 195% | 169% |
| Total allowance to nonperforming loans   | 51%  | 39%  | 32%  |

NONPERFORMING ASSETS:

|   |            |            |              |
|---|------------|------------|--------------|
| Past 90 days due                          | \$ 0       | \$ 0       | \$ 0         |
| Nonaccrual loans                          | 380,388    | 546,133    | 821,981      |
| Restructured loans                        | 96,679     | 108,504    | 136,785      |
| Total nonperforming loans                 | 477,067    | 654,637    | 958,766      |
| OREO                                      | 151,774    | 161,653    | 103,973      |
| Total nonperforming assets                | 628,841    | 816,290    | 1,062,739    |
| Specific reserve on nonperforming loans   | (21,483)   | (21,237)   | (19,025)     |
| Net nonperforming assets                  | \$ 607,358 | \$ 795,053 | \$ 1,043,714 |
| Nonperforming loans to total loans        | 8.59%      | 11.64%     | 13.62%       |
| Nonperforming assets to total assets      | 6.72%      | 8.60%      | 10.07%       |
| Loan delinquency ratio (60 days and over) | 6.34%      | 7.19%      | 9.66%        |
| Classified assets                         | 811,831    | 1,099,535  | \$ 1,616,192 |
| Classified assets to total assets         | 8.68%      | 11.58%     | 15.31%       |

Nonperforming assets by collateral type:

|                            |            |            |              |
|----------------------------|------------|------------|--------------|
| Residential real estate    | \$ 83,173  | \$ 115,923 | \$ 82,863    |
| Multifamily real estate    | 21,089     | 25,806     | 54,767       |
| Commercial real estate     | 80,626     | 123,146    | 92,379       |
| Construction:              |            |            |              |
| Residential                | 112,084    | 165,660    | 395,324      |
| Multifamily                | 61,971     | 66,792     | 90,055       |
| Commercial                 | 150,535    | 197,838    | 193,620      |
| Total Construction         | 324,590    | 430,290    | 678,999      |
| Consumer                   | 10,360     | 10,253     | 8,838        |
| Commercial banking         | 109,003    | 110,872    | 144,893      |
| Total nonperforming assets | \$ 628,841 | \$ 816,290 | \$ 1,062,739 |



Sterling Financial  
Corporation  
AVERAGE  
BALANCE AND  
RATE  
(in thousands,  
unaudited)

|  | Three Months Ended |                                |                  |                    |                                |                  |                    |                                |                  |
|--|--------------------|--------------------------------|------------------|--------------------|--------------------------------|------------------|--------------------|--------------------------------|------------------|
|  | Mar 31, 2011       |                                |                  | Dec 31, 2010       |                                |                  | Mar 31, 2010       |                                |                  |
|  | Average<br>Balance | Interest<br>Income/<br>Expense | Yields/<br>Rates | Average<br>Balance | Interest<br>Income/<br>Expense | Yields/<br>Rates | Average<br>Balance | Interest<br>Income/<br>Expense | Yields/<br>Rates |
| <b>ASSETS:</b>                                 |                    |                                |                  |                    |                                |                  |                    |                                |                  |
| Loans:   |                    |                                |                  |                    |                                |                  |                    |                                |                  |
| Mortgage                                       | \$3,428,296        | \$ 43,111                      | 5.04%            | \$3,685,518        | \$ 42,773                      | 4.64%            | \$ 4,704,576       | \$ 49,897                      | 4.25%            |
| Commercial and<br>consumer                     | 2,520,610          | 37,393                         | 6.02%            | 2,643,156          | 40,186                         | 6.03%            | 3,285,954          | 47,242                         | 5.83%            |
| Total loans                                    | 5,948,906          | 80,504                         | 5.45%            | 6,328,674          | 82,959                         | 5.22%            | 7,990,530          | 97,139                         | 4.90%            |
| MBS  | 2,590,546          | 20,034                         | 3.09%            | 2,598,482          | 18,237                         | 2.81%            | 1,792,460          | 19,826                         | 4.42%            |
| Investments and<br>cash                        |                    |                                |                  |                    |                                |                  |                    |                                |                  |
|  | 792,959            | 3,900                          | 1.99%            | 825,991            | 3,581                          | 1.72%            | 962,400            | 3,887                          | 1.64%            |
| FHLB stock                                     | 99,953             | 0                              | 0.00%            | 100,125            | 0                              | 0.00%            | 100,682            | 0                              | 0.00%            |
| Total<br>interest-earning<br>assets            | 9,432,364          | 104,438                        | 4.46%            | 9,853,272          | 104,777                        | 4.24%            | 10,846,072         | 120,852                        | 4.49%            |
| Noninterest-earning<br>assets                  | 68,518             |                                |                  | 40,966             |                                |                  | (152,171)          |                                |                  |
| Total average assets                           | \$9,500,882        |                                |                  | \$9,894,238        |                                |                  | \$10,693,901       |                                |                  |
| <b>LIABILITIES and<br/>EQUITY:</b>             |                    |                                |                  |                    |                                |                  |                    |                                |                  |
| Deposits:                                      |                    |                                |                  |                    |                                |                  |                    |                                |                  |
| Interest-bearing<br>transaction<br>accounts    |                    |                                |                  |                    |                                |                  |                    |                                |                  |
|  | \$ 493,651         | 146                            | 0.12%            | \$ 629,995         | 244                            | 0.15%            | \$ 1,040,020       | 863                            | 0.34%            |
| Savings and<br>MMDA                            | 1,959,561          | 1,970                          | 0.41%            | 1,784,893          | 2,008                          | 0.45%            | 1,557,907          | 2,949                          | 0.77%            |
| Time deposits                                  | 3,453,419          | 15,178                         | 1.78%            | 3,454,372          | 17,302                         | 1.99%            | 4,070,961          | 23,639                         | 2.35%            |
| Total<br>interest-bearing<br>deposits          | 5,906,631          | 17,294                         | 1.19%            | 5,869,260          | 19,554                         | 1.32%            | 6,668,888          | 27,451                         | 1.67%            |
| Borrowings                                     | 1,694,391          | 12,200                         | 2.92%            | 2,033,896          | 15,617                         | 3.05%            | 2,564,223          | 17,155                         | 2.71%            |
| Total<br>interest-bearing<br>liabilities       | 7,601,022          | 29,494                         | 1.57%            | 7,903,156          | 35,171                         | 1.77%            | 9,233,111          | 44,606                         | 1.96%            |
| Noninterest-bearing<br>transaction<br>accounts |                    |                                |                  |                    |                                |                  |                    |                                |                  |
|  | 1,005,290          | 0                              | 0.00%            | 1,015,963          | 0                              | 0.00%            | 991,447            | 0                              | 0.00%            |
| Total funding<br>liabilities                   | 8,606,312          | 29,494                         | 1.39%            | 8,919,119          | 35,171                         | 1.56%            | 10,224,558         | 44,606                         | 1.77%            |

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|   |             |           |       |             |           |       |              |           |       |
|---|-------------|-----------|-------|-------------|-----------|-------|--------------|-----------|-------|
| Other noninterest-bearing liabilities           | 125,026     |           |       | 150,156     |           |       | 175,939      |           |       |
| Total average liabilities                       | 8,731,338   |           |       | 9,069,275   |           |       | 10,400,497   |           |       |
| Total average equity                            | 769,544     |           |       | 824,963     |           |       | 293,404      |           |       |
| Total average liabilities and equity            | \$9,500,882 |           |       | \$9,894,238 |           |       | \$10,693,901 |           |       |
| Net interest income and spread (tax equivalent) |             | \$ 74,944 | 2.89% |             | \$ 69,606 | 2.47% |              | \$ 76,246 | 2.53% |
| Net interest margin (tax equivalent)            |             |           | 3.22% |             |           | 2.80% |              |           | 2.85% |
| Deposits:                                       |             |           |       |             |           |       |              |           |       |
| Total interest-bearing deposits                 | \$5,906,631 | \$ 17,294 | 1.19% | \$5,869,260 | \$ 19,554 | 1.32% | \$ 6,668,888 | \$ 27,451 | 1.67% |
| Noninterest-bearing transaction accounts        | 1,005,290   | 0         | 0.00% | 1,015,963   | 0         | 0.00% | 991,447      | 0         | 0.00% |
| Total deposits                                  | \$6,911,921 | \$ 17,294 | 1.01% | \$6,885,223 | \$ 19,554 | 1.13% | \$ 7,660,335 | \$ 27,451 | 1.45% |

Sterling Financial Corporation  
EXHIBIT A- RECONCILIATION  
SCHEDULE

(in thousands, unaudited)

|   | Mar 31,<br>2011 | Three Months Ended<br>Dec 31,<br>2010 | Mar 31,<br>2010 |
|---|-----------------|---------------------------------------|-----------------|
| Income (loss) before income taxes           | \$ 5,417        | \$ (38,141)                           | \$ (84,346)     |
| Provision for credit losses                 | 10,000          | 30,000                                | 88,556          |
| OREO  | 11,400          | 23,993                                | 10,923          |
| Interest reversal on nonperforming<br>loans | 12,271          | 15,527                                | 23,158          |
| Charge on prepayment of debt                | 0               | 11,296                                | 0               |
| Total (1)                                   | \$ 39,088       | \$ 42,675                             | \$ 38,291       |

(1) Management believes that this presentation of non-GAAP results provides useful information to investors regarding the effects of the credit cycle on the Company's reported results of operations.

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## About Sterling Financial Corporation

Sterling Financial Corporation of Spokane, Wash., is the bank holding company for Sterling Savings Bank, a state chartered and federally insured commercial bank. Sterling offers banking products and services, mortgage lending, construction financing and investment products to individuals, small businesses, commercial organizations and corporations. As of March 31, 2011, Sterling Financial Corporation had assets of \$9.35 billion and operated 178 depository branches throughout Washington, Oregon, Idaho, Montana and California. Visit Sterling's website at [www.sterlingfinancialcorporation-spokane.com](http://www.sterlingfinancialcorporation-spokane.com).

## Forward-Looking Statements

This release contains forward-looking statements that are not historical facts and that are intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include, but are not limited to, statements about Sterling's plans, objectives, expectations, strategy and intentions and other statements contained in this release that are not historical facts and pertain to Sterling's future operating results and capital position, including Sterling's ability to complete recovery plans, and Sterling's ability to reduce future loan losses, improve its deposit mix, execute its asset resolution initiatives, execute its lending initiatives, contain costs, realize operating efficiencies and provide increased customer support and service. When used in this release, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and expressions are generally intended to identify forward-looking statements. Actual results may differ materially from the results discussed in these forward-looking statements because such statements are inherently subject to significant assumptions, risks and uncertainties, many of which are difficult to predict and are generally beyond Sterling's control. These include but are not limited to: Sterling's ability to execute on its business plan and maintain adequate liquidity; the possibility of continued adverse economic developments that may, among other things, increase default and delinquency risks in Sterling's loan portfolios; shifts in interest rates that may result in lower interest rate margins; shifts in the demand for Sterling's loan and other products; changes in accounting policies; changes in the monetary and fiscal policies of the federal government; changes in laws, regulations and the competitive environment; and Sterling's ability to comply with regulatory actions and agreements. Other factors that could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements may be found under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Sterling's Annual Report on Form 10-K, as updated periodically in Sterling's filings with the Securities and Exchange Commission. Unless legally required, Sterling disclaims any obligation to update any forward-looking statements.

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