

EXECUTION COPY

**AMENDMENT NO. 1 TO
EXCHANGE AGREEMENT**

AMENDMENT NO. 1 (this “**Amendment**”) dated as of May 5, 2010 to the Exchange Agreement between Sterling Financial Corporation, a Washington Corporation (the “**Company**”) and the United States Department of the Treasury (the “**Investor**”), dated as of April 29, 2010 (the “**Exchange Agreement**”).

WITNESSETH:

WHEREAS, on April 29, 2010, (i) the Company and the Investor entered into the Exchange Agreement and (ii) the Company, on the one hand, and Thomas H. Lee Equity Fund VI, L.P., Thomas H. Lee Parallel Fund VI, L.P. and Thomas H. Lee Parallel (DT) Fund VI, L.P., on the other hand (collectively, the “**Anchor Investor**”), entered into that certain Investment Agreement (the “**Investment Agreement**”);

WHEREAS, pursuant to Section 5.12 of the Exchange Agreement, the Company will not agree to certain amendments to the Investment Agreement without the prior written consent of the Investor;

WHEREAS, the Company and the Anchor Investor intend to amend and restate the Investment Agreement in its entirety substantially in the form attached hereto as Exhibit A (the “**Amended and Restated Investment Agreement**”);

WHEREAS, the Investor desires to consent to such amendment and restatement of the Investment Agreement; and

WHEREAS, in connection with the amendment and restatement of the Investment Agreement, the Company and the Investor desire to amend certain provisions of the Exchange Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Amendment, the parties hereby agree, and the Exchange Agreement is hereby amended, as follows:

Section 1. *Definitions; References.* Unless otherwise specifically defined herein, each term used herein which is defined in the Exchange Agreement shall have the meaning assigned to such term in the Exchange Agreement. Each reference to “hereof,” “hereunder,” “herein” and “hereby” and each other similar reference and each reference to “this Agreement” and each other similar reference contained in the Exchange Agreement shall from and after the date hereof refer to the Exchange Agreement as amended hereby.

Section 2. *Consent to Amendment and Restatement of Investment Agreement.* The Investor hereby consents to the amendment and restatement of

the Investment Agreement in the form of the Amended and Restated Investment Agreement.

Section 3. *Amendment to Exchange Agreement.* The Exchange Agreement shall be amended to the effect that any reference in the Exchange Agreement (including, without limitation, the Annexes and Schedules thereto) to the "Investment Agreement" shall be a reference to the "Amended and Restated Investment Agreement between the Company, on the one hand, and Thomas H. Lee Equity Fund VI, L.P., Thomas H. Lee Parallel Fund VI, L.P. and Thomas H. Lee Parallel (DT) Fund VI, L.P., on the other hand, dated as of May 5, 2010 (as amended or amended and restated from time to time in accordance with the terms of the Exchange Agreement)".

Section 4. *Governing Law.* This Amendment and any claim, controversy or dispute arising under or related to this Amendment, the relationship of the parties, and/or the interpretation and enforcement of the rights and duties of the parties shall be enforced, governed, and construed in all respects (whether in contract or in tort) in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.

Section 5. *Effect of Amendments.* Except as expressly set forth herein, the consent and amendments contained herein shall not constitute a consent, amendment or waiver of any provision of the Exchange Agreement, and all of such provisions shall remain in full force and effect and are hereby ratified and confirmed in all respects.

Section 6. *Counterparts; Effectiveness.* This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Amendment shall become effective as of the date first above written.

IN WITNESS WHEREOF, the undersigned have executed, or have caused to be executed, this Amendment as of the date first written above.

STERLING FINANCIAL CORPORATION



By: _____

Name: J. Gregory Seibly

Title: President and Chief Executive Officer

**UNITED STATES DEPARTMENT OF THE
TREASURY**

By: _____

Name:

Title:

IN WITNESS WHEREOF, the undersigned have executed, or have caused to be executed, this Amendment as of the date first written above.

STERLING FINANCIAL CORPORATION

By: _____
Name:
Title:

**UNITED STATES DEPARTMENT OF THE
TREASURY**

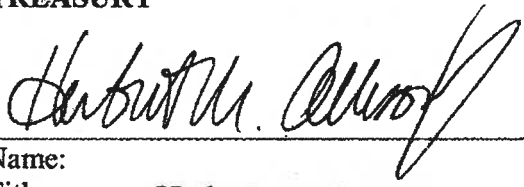
By:  _____
Name:
Title: **Herbert M. Allison Jr.**
Assistant Secretary for Financial Stability

Exhibit A
Form of Amended and Restated Investment Agreement

[see attached]