

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Sterling Financial Corporation

Point of Contact:	Pat Rusnak, CFO	RSSD: (For Bank Holding Companies)	3152245
UST Sequence Number:	183	Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	303,000,000	FDIC Certificate Number: (For Depository Institutions)	N/A
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	N/A	City:	Spokane
Date Repaid ¹ :	N/A	State:	Washington

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

We continued loan programs for affordable housing, consumer needs and small and medium businesses, among other things, including approximately \$700 million of multi-family loans during 2011.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Sterling Financial Corporation

X To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

We continued loan programs for Small Business (under SBA 7 A and 504 programs), and originated approximately \$200 million of loans during 2011

X Increase securities purchased (ABS, MBS, etc.).

We have been active purchasers of FHLMC and FNMA MBS since we became a participant of CPP, which helps support the housing market. We have also invested in targeted State bond programs that provide for housing rehabilitation.

X Make other investments.

We have made investments in municipal securities and in targeted housing related bonds (which provide for housing rehabilitation) in our local footprint.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Sterling Financial Corporation

Increase reserves for non-performing assets.

Our allowance for non-performing loans has been reduced from a peak of 4.58%, at December 2010 and subsequently declined to 3.40%, at December 2011, as a result of improved asset quality metrics.

Reduce borrowings.

Increase charge-offs.

Since receiving the CPP funds, Sterling increased charge-offs, recognizing approximately \$1 billion (net of recoveries) through the end of 2011.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Sterling Financial Corporation

Purchase another financial institution or purchase assets from another financial institution.

Empty response area for the first question.

Held as non-leveraged increase to total capital.

Empty response area for the second question.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Sterling Financial Corporation

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Without the CPP funds, our lending in most Consumer and Business programs would have been substantially reduced since 2008. Sales of certain non-performing loans may have been sold at substantial discounts, likely increasing the level of charge-offs. Employment levels would have been reduced more dramatically. Because of the receipt of CPP funds, Sterling' subsidiary Bank was able to avoid FDIC Receivership.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Sterling Financial Corporation

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

As of December 31, 2011, Sterling operate 175 depository branches in 5 western sates and employed some 2,500 staff. A number of Sterling's branches are located in rural markets and in many, are the only financial institution providing service. The CPP funds have allowed Sterling to remain committed to all of these markets, without disruption to customers. Additionally, we have been able to support our employees' involvement in the communities they serve. We have also implemented consumer loan modification programs under the Making Homes Affordable programs and as part of our continuing CRA efforts, we have met with a number of advocacy groups to educate consumers on the appropriate use of credit.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Sterling Financial Corporation

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

Other actions have been covered above.