EXECUTION COPY

AMENDMENT NO. 2 TO
EXCHANGE AGREEMENT

AMENDMENT NO. 2 (this “Amendment”) dated as of May 25, 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 (as amended from time to time, the “Exchange Agreement”).

W I T N E S S E T H :

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, on May 5, 2010, (i) the Company and the Investor entered into Amendment No. 1 to the Exchange Agreement and (ii) the Company and the Anchor Investor entered into that certain Amended and Restated Investment Agreement (the “First Amended and Restated Investment Agreement”);

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

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

WHEREAS, the Company and Warburg Pincus Private Equity X, L.P., a Delaware limited partnership (the “Additional Anchor Investor”) intend to enter into an Investment Agreement substantially in the form attached hereto as Exhibit B (the “Additional Investment Agreement”);

WHEREAS, the Investor desires to consent to the amendment and restatement of the First Amended and Restated Investment Agreement; and

WHEREAS, in connection with the amendment and restatement of the First Amended and Restated Investment Agreement and the entering into of the Additional 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 First Amended and Restated Investment Agreement. The Investor hereby consents to the amendment and restatement of the First Amended and Restated Investment Agreement in the form of the Second Amended and Restated Investment Agreement.

Section 3. Amendments to Table of Defined Terms in the Exchange Agreement. The table of Defined Terms in the Exchange Agreement shall be amended as follows:

(a) By adding after the defined term “Targeted Completion Date” and before the defined term “Transfer” the following:

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“ THL Investment Agreement     Section 1.2(d)(ix)
THL Investor                    Section 1.2(d)(ix)”.
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(b) By adding after the defined term “Warrant Shares” the following:

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“ WP Investment Agreement     Section 1.2(d)(ix)
WP Investor                    Section 1.2(d)(ix)”.
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Section 4. Amendment to Section 1.2(d)(ix) of the Exchange Agreement. Section 1.2(d)(ix) of the Exchange Agreement shall be amended to read in its entirety as follows:

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“(ix) (A) each of the conditions to closing set forth in Section 1.2(c) of that certain Second Amended and Restated Investment Agreement (as amended or amended and restated from time to time in accordance with Section 5.12 hereof, the “THL Investment Agreement” or an “Investment Agreement”), dated as of May 25, 2010, 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 (collectively, the “THL Investor” or an “Anchor Investor”), (other than those conditions set forth in Section 1.2(c)(2)(iii) (TARP Exchange) and Section 1.2(c)(2)(xvii) (Par Value Change)) shall have been fulfilled to the THL Investor’s reasonable satisfaction or, other than the condition pursuant to Section 1.2(c)(2)(vi) of the THL Investment Agreement, waived by the THL Investor and (B) each of the conditions to closing
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2
set forth in Section 1.2(c) of that certain Investment Agreement (as amended or amended and restated from time to time in accordance with Section 5.12 hereof, the “WP Investment Agreement” or an “Investment Agreement” and, together with the THL Investment Agreement, the “Investment Agreements”), dated as of May 25, 2010, between the Company and Warburg Pincus Private Equity X, L.P., a Delaware limited partnership (the “WP Investor” or an “Anchor Investor” and, together with the THL Investor, the “Anchor Investors”), (other than those conditions set forth in Section 1.2(c)(2)(iii) (TARP Exchange) and Section 1.2(c)(2)(xvii) (Par Value Change)) shall have been fulfilled to the WP Investor’s reasonable satisfaction or, other than the condition pursuant to Section 1.2(c)(2)(vi) of the WP Investment Agreement, waived by the WP Investor;”

Section 5. Amendment to Section 1.2(d)(x) of the Exchange Agreement. Section 1.2(d)(x) of the Exchange Agreement shall be amended to read in its entirety as follows:

“(x) the Investor shall have received (A) certificates signed on behalf of the Company by a senior executive officer and on behalf of the THL Investor by an authorized officer thereof certifying to the effect that each of the conditions to closing set forth in Section 1.2(c) of the THL Investment Agreement (other than those conditions set forth in Section 1.2(c)(2)(iii) (TARP Exchange) and Section 1.2(c)(2)(xvii) (Par Value Change)) have been satisfied or, other than the condition pursuant to Section 1.2(c)(2)(vi) of the THL Investment Agreement, waived, and (B) certificates signed on behalf of the Company by a senior executive officer and on behalf of the WP Investor by an authorized officer thereof certifying to the effect that each of the conditions to closing set forth in Section 1.2(c) of the WP Investment Agreement (other than those conditions set forth in Section 1.2(c)(2)(iii) (TARP Exchange) and Section 1.2(c)(2)(xvii) (Par Value Change)) have been satisfied or, other than the condition pursuant to Section 1.2(c)(2)(vi) of the WP Investment Agreement, waived; and”

Section 6. Amendments to Sections 1.2(d)(i), 3.1(b), 5.6(a), 4.9(b) and 5.7(a)(ii) of the Exchange Agreement. Each of Sections 1.2(d)(i), 3.1(b), 5.6(a), 4.9(b) and 5.7(a)(ii) of the Exchange Agreement shall be amended to the effect that any reference therein to the “Investment Agreement” shall be a reference to the “Investment Agreements”. In addition, (a) Section 4.9(b) of the Exchange Agreement shall be amended to the effect that the reference to “May 31, 2010” at the end of Section 4.9(b) shall be replaced by a reference to “June 15, 2010”, and (b) clause (ii)(B) of Section 5.6(a) of the Exchange Agreement shall be amended to read in its entirety as follows:

“(B) each other matter on which holders of Common Stock are entitled to vote or consent, other than a Designated Matter, in the same proportion (for, against or abstain) as all other shares of the Company's Common Stock (other than those shares held by the Anchor Investors or any of their respective Affiliates) are voted or consents are given with respect to each such matter.”
Section 7. Amendment to Section 5.12 of the Exchange Agreement.
Section 5.12 of the Exchange Agreement shall be amended to read in its entirety as follows:

“Investment Agreements. The Company will not agree to (i) any amendment, waiver or modification of Sections 1.1, 1.2(c)(2)(vi), 3.2 or 4.7 of either of the Investment Agreements (other than corrections of obvious errors, if any, or other ministerial amendments) or (ii) any amendment or modification of any other provision of either of the Investment Agreement to the extent such amendment or modification would adversely affect the Investor, in each case, without the prior written consent of the Investor.”

Section 8. Amendment to Section 1 of the Amended Warrant.
The definition of “Investment Agreement” in Section 1 of the form of Amended Warrant attached as Annex A to the Exchange Agreement shall be amended to read in its entirety as follows:

“Investment Agreements” means (i) the Second Amended and Restated Investment Agreement, dated as of May 25, 2010, 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, and (ii) the Investment Agreement, dated as of May 25, 2010, between the Company and Warburg Pincus Private Equity X, L.P., in each case, as amended or amended and restated from time to time in accordance with the terms of the Exchange Agreement.”

Section 9. Amendment to Section 13(M) of the Amended Warrant and Schedule A to the Amended Warrant.
Section 13(M) of the form of Amended Warrant attached as Annex A to the Exchange Agreement and Schedule A to the form of Amended Warrant attached as Annex A to the Exchange Agreement shall be amended to the effect that any reference therein to the “Investment Agreement” shall be a reference to the “Investment Agreements”.

Section 10. Amendments to Part 3 of the New Certificate of Designations.
(a) Clause (a) of Part 3 of the form of New Certificate of Designations attached as Annex B to the Exchange Agreement shall be amended to read in its entirety as follows:

“(a) [Reserved].”

(b) Clause (e) of Part 3 of the form of New Certificate of Designations attached as Annex B to the Exchange Agreement shall be amended to the effect that the reference therein to the “Investment Agreement” shall be a reference to the “Investment Agreements”.

(c) The following shall be added after clause (m) of Part 3 of the form of New Certificate of Designations attached as Annex B to the Exchange Agreement:
“(n) “THL Investment Agreement” has the meaning set forth in Section 7(b)(iii).

(o) “THL Investor” has the meaning set forth in Section 7(b)(iii).

(p) “WP Investment Agreement” has the meaning set forth in Section 7(b)(iii).

(q) “WP Investor” has the meaning set forth in Section 7(b)(iii).”

Section 11. Amendment to Section 7(b)(iii) of the New Certificate of Designations. Section 7(b)(iii) of the form of New Certificate of Designations attached as Annex B to the Exchange Agreement shall be amended to read in its entirety as follows:

“(iii) (A) each of the conditions to closing set forth in Section 1.2(c) of that certain Second Amended and Restated Investment Agreement (as amended or amended and restated from time to time in accordance with the terms of the TARP Exchange Agreement (as defined in the Investment Agreements), the “THL Investment Agreement” or an “Investment Agreement”), dated as of May 25, 2010, between the Corporation, 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 “THL Investor”), (other than those conditions set forth in Section 1.2(c)(2)(iii) (TARP Exchange) and Section 1.2(c)(2)(xvii) (Par Value Change)) shall have been fulfilled to the THL Investor’s reasonable satisfaction or, other than the condition pursuant to Section 1.2(c)(2)(vi) of the THL Investment Agreement, waived by the THL Investor and (B) each of the conditions to closing set forth in Section 1.2(c) of that certain Investment Agreement (as amended or amended and restated from time to time in accordance with the terms of the TARP Exchange Agreement (as defined in the Investment Agreements), the “WP Investment Agreement” or an “Investment Agreement” and, together with the THL Investment Agreement, the “Investment Agreements”), dated as of May 25, 2010, between the Corporation and Warburg Pincus Private Equity X, L.P., a Delaware limited partnership (the “WP Investor”), (other than those conditions set forth in Section 1.2(c)(2)(iii) (TARP Exchange) and Section 1.2(c)(2)(xvii) (Par Value Change)) shall have been fulfilled to the WP Investor’s reasonable satisfaction or, other than the condition pursuant to Section 1.2(c)(2)(vi) of the WP Investment Agreement, waived by the WP Investor;”

Section 12. Amendment to Section 7(b)(iv) of the New Certificate of Designations. Section 7(b)(iv) of the form of New Certificate of Designations attached as Annex B to the Exchange Agreement shall be amended to read in its entirety as follows:
“(iv) the Original Designated Preferred Stockholder shall have received
(A) certificates signed on behalf of the Corporation by a senior executive officer
and on behalf of the THL Investor by an authorized officer thereof certifying to
the effect that each of the conditions to closing set forth in Section 1.2(c) of the
THL Investment Agreement (other than those conditions set forth in Section
1.2(c)(2)(iii) (TARP Exchange) and Section 1.2(c)(2)(xvii) (Par Value Change))
have been satisfied or, other than the condition pursuant to Section 1.2(c)(2)(vi) of
the THL Investment Agreement, waived, and (B) certificates signed on behalf of
the Corporation by a senior executive officer and on behalf of the WP Investor by
an authorized officer thereof certifying to the effect that each of the conditions to
closing set forth in Section 1.2(c) of the WP Investment Agreement (other than
those conditions set forth in Section 1.2(c)(2)(iii) (TARP Exchange) and Section
1.2(c)(2)(xvii) (Par Value Change)) have been satisfied or, other than the
condition pursuant to Section 1.2(c)(2)(vi) of the WP Investment Agreement,
waived; and”

Section 13. Amendment to Section 11(c) of the New Certificate of
Designations. Section 11(c) of the form of New Certificate of Designations
attached as Annex B to the Exchange Agreement shall be amended to the effect
that any reference therein to the “Investment Agreement” shall be a reference to
the “Investment Agreements”.

Section 14. 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 15. 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 16. 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: [Signature]
   Name: Herbert M. Allison Jr.
   Title: Assistant Secretary for Financial Stability

[Signature Page to Amendment No. 2 to Exchange Agreement]
Exhibit A
Form of Second Amended and Restated Investment Agreement

[see attached]
Exhibit B
Form of Additional Investment Agreement

[see attached]