

STERLING FINANCIAL CORP /WA/
Form 424B3
July 27, 2011

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

PROSPECTUS SUPPLEMENT
(To Prospectus dated November 16, 2010)

STERLING FINANCIAL CORPORATION

RECENT DEVELOPMENTS

We have attached to this prospectus supplement our Current Report on Form 8-K filed with the Securities and Exchange Commission on July 27, 2011.

July 27, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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): July 27, 2011

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

Washington	001-34696	91-1572822
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(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))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

INFORMATION TO BE INCLUDED IN THE REPORT

Item Results of Operations and Financial Condition.
2.02.

On July 27, 2011, Sterling Financial Corporation ("Sterling") issued a press release regarding its financial results for the quarter ended June 30, 2011. A copy 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 June 30, 2011, as part of its quarterly report on Form 10-Q covering that period.

Item Financial Statements and Exhibits.
9.01.

(d) The following exhibit is being furnished herewith:

Exhibit No.	Exhibit Description
----------------	---------------------

99.1	Press release text of Sterling Financial Corporation dated July 27, 2011.
------	---

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)

July 27, 2011
Date

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 July 27, 2011.

Exhibit 99.1

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

SPOKANE, Wash.--(BUSINESS WIRE)--July 27, 2011--Sterling Financial Corporation (NASDAQ:STSA), the bank holding company of Sterling Savings Bank, today announced results for the quarter ended June 30, 2011. For the quarter, Sterling recorded net income attributable to common shareholders of \$7.6 million, or \$0.12 per common share, compared to \$5.4 million, or \$0.09 per common share, for the first quarter of 2011, and compared to a net loss of \$58.2 million, or \$73.91 per common share, for the second quarter of 2010 (per share amount adjusted for a 1-for-66 reverse stock split in November 2010).

Following are selected financial highlights for the second quarter of 2011:

- Loan originations were \$883.0 million, a 41 percent increase over the linked quarter.
- Retail transaction, savings and MMDA account balances increased by \$81.7 million, or 3 percent, for the quarter.
- Net interest margin expanded to 3.31 percent, improving 9 basis points for the quarter.
- Nonperforming assets declined by \$131.3 million, or 21 percent, for the quarter.

Greg Seibly, Sterling's president and chief executive officer, noted, "Sterling's earnings growth for the quarter was a result of net interest margin expansion and growth of non-interest income. The margin expansion was a function of growth of the loan portfolio and the success of our deposit strategy, which reduced the cost of deposits by 10 basis points for the quarter. The loan growth was a result of higher loan production, which outpaced the significant reduction in nonperforming assets. Our production teams are continuing to generate momentum as we enter the second half of the year."

Balance Sheet Management

Seibly continued, "During the second quarter, we made additional progress improving our mix of deposits by increasing checking account balances and reducing our reliance on CDs, while growing our loan portfolio in multifamily and commercial banking. Additionally, we repositioned a portion of the securities portfolio to manage interest rate risk and to prepare for funding of anticipated future loan growth."

	June 30, 2011		March 31, 2011		June 30, 2010		Annual % Change
	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans	
	(in thousands)						
Total assets	\$9,241,595		\$9,352,469		\$9,737,781		-5%
Investments and MBS	2,496,056		2,820,772		1,955,890		28%
Loans receivable:							
Residential real estate	712,638	13%	719,458	13%	778,196	12%	-8%
Multifamily real estate	811,917	14%	638,250	12%	460,393	7%	76%
Commercial real estate	1,324,058	24%	1,348,646	24%	1,367,122	21%	-3%
Construction	308,273	6%	396,300	7%	958,825	15%	-68%
Consumer	703,675	13%	715,206	13%	827,123	13%	-15%
Commercial banking	1,741,819	30%	1,738,794	31%	2,018,871	32%	-14%
Gross loans receivable	\$5,602,380	100%	\$5,556,654	100%	\$6,410,530	100%	-13%

Loan originations were \$883.0 million for the second quarter of 2011, up \$254.6 million, or 41 percent from the linked quarter. Growth in loan originations came primarily within the multifamily portfolio, with multifamily originations expanding by \$97.3 million, or 81 percent for the quarter. Other notable growth was achieved in commercial banking, with originations increasing by \$74.8 million, or 138 percent, and in residential real estate, with originations increasing by \$96.2 million, or 25 percent. These originations outpaced the continued runoff of construction loans, which contracted by \$88.0 million, or 22 percent, during the quarter.

	June 30, 2011	March 31, 2011	June 30, 2010	Annual % Change
Deposits:				
Retail:				
Transaction	\$ 1,572,771	\$ 1,507,489	\$ 1,465,691	7%
Savings and MMDA	1,710,527	1,694,139	1,508,272	13%
Time deposits	2,279,025	2,499,546	3,122,547	-27%
Total retail	5,562,323	5,701,174	6,096,510	-9%
Public	561,651	691,527	683,528	-18%
Brokered				