

STERLING FINANCIAL CORP /WA/

Form 10-Q

August 09, 2005

**UNITED STATES SECURITIES AND EXCHANGE
COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED June 30, 2005

OR

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

FOR THE TRANSITION PERIOD FROM _____ **TO** _____

Commission File Number 0-20800

STERLING FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

Class	Outstanding as of July 29, 2005
Common Stock (\$1.00 par value)	23,095,815

STERLING FINANCIAL CORPORATION

FORM 10-Q

For the Quarter Ended June 30, 2005

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PART I - Financial Information**Item 1 - Financial Statements****STERLING FINANCIAL CORPORATION****Consolidated Balance Sheets****(Unaudited)**

	June 30, 2005	December 31, 2004
	(Dollars in thousands)	
ASSETS:		
Cash and cash equivalents:		
Interest bearing	\$ 11,000	\$ 0
Non-interest bearing and vault	111,849	93,187
Restricted	3,496	1,281
Investment securities and mortgage-backed securities (MBS):		
Available for sale	1,996,804	2,157,136
Held to maturity	49,908	47,449
Loans receivable, net	4,181,265	4,251,877
Loans held for sale	15,559	14,224
Accrued interest receivable	28,664	27,479
Real estate owned and other collateralized assets, net	2,463	1,865
Office properties and equipment, net	80,582	78,402
Bank-owned life insurance (BOLI)	95,957	93,790
Goodwill	112,391	112,398
Other intangible assets	18,736	19,848
Mortgage servicing rights, net	6,381	4,078
Prepaid expenses and other assets, net	28,757	39,210
Total assets	\$ 6,743,812	\$ 6,942,224
LIABILITIES:		
Deposits	\$ 4,200,196	\$ 3,863,296
Advances from Federal Home Loan Bank Seattle (FHLB Seattle)	1,317,141	1,635,933
Securities sold subject to repurchase agreements and funds purchased	536,152	780,012
Other borrowings	111,152	131,822
Cashiers checks issued and payable	11,585	3,213
Borrowers reserves for taxes and insurance	2,006	2,480
Accrued interest payable	16,699	14,842
Accrued expenses and other liabilities	45,394	40,782
Total liabilities	6,240,325	6,472,380
Commitments and Contingencies		
SHAREHOLDERS EQUITY:		
Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding	0	0
Common stock, \$1 par value; 40,000,000 shares authorized; 23,084,300 and 22,936,154 shares issued and outstanding	23,084	22,936
Additional paid-in capital	395,865	393,245
Accumulated other comprehensive loss:		
Unrealized losses on investment securities and MBS available-for-sale, net of deferred income taxes of \$6,079 and \$5,467	(10,494)	(9,470)
Retained earnings	95,032	63,133

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Total shareholders' equity		503,487		469,844
Total liabilities and shareholders' equity	\$	6,743,812	\$	6,942,224

The accompanying notes are an integral part of the consolidated financial statements.

STERLING FINANCIAL CORPORATION

Consolidated Statements of Income

(Unaudited)

Three Months Ended		Six Months Ended
June 30,		June 30,
2005	2004	2005