STERLING FINANCIAL CORP /WA/ Form 10-Q August 09, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

FORM 10-Q 1

(Mark One)

 \mathbf{X}

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 x No "

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

TABLE OF CONTENTS

PART I - Financial Information	
<u>Item 1 -</u>	Financial Statements (Unaudited).
	Consolidated Balance Sheets
	Consolidated Statements of Income
	Consolidated Statements of Cash Flows
	Consolidated Statements of Comprehensive Income
	Notes to Consolidated Financial Statements
<u>Item 2 -</u>	<u>Management s Discussion and Analysis of Financial Condition and Resul</u> ts <u>of Operations.</u>
<u>Item 3 -</u>	Quantitative and Qualitative Disclosures About Market Risk.
<u>Item 4 -</u>	Controls and Procedures.
PART II - Other Information	
<u>Item 1 -</u>	<u>Legal Proceedings.</u>
<u>Item 2 -</u>	Unregistered Sales of Equity Securities and Use of Proceeds.
<u>Item 3 -</u>	<u>Defaults Upon Senior Securities.</u>
<u>Item 4 -</u>	Submission of Matters to a Vote of Security Holders.
<u>Item 5 -</u>	Other Information.
<u>Item 6 -</u>	Exhibits.
Signatures	

PART I - Financial Information

Item 1 - Financial Statements

STERLING FINANCIAL CORPORATION

Consolidated Balance Sheets

(Unaudited)

Cash and cash equivalents: Cash and cash			June 30, 2005		December 31, 2004
Restrict bearing and vault	ACCETC.		(Dollars in	tnousand	S)
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):					
Non-interest bearing and vault Name 111,849 33,186 Restricted 3,496 1,281 Investment securities and mortgage-backed securities (MBS): 1996,804 2,157,136 Available for sale 1,996,804 2,157,136 Held to maturity 49,908 47,449 Loans receivable, net 4,181,265 4251,877 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) 59,597 93,790 Goodwill 112,391 112,398 Other intangible assets 8,736 19,848 Mortgage servicing rights, net 6,381 4,078 Prepaid expenses and other assets, net 6,381 4,078 Total assets 6,743,812 8 6,422,22 LABILITIES 1 13,171,41 16,539,33 Securities sold subject to repurchase agreements and funds purchase	·	¢	11 000	¢	0
Restricted 1,986, 10,100		φ	,	φ	
Newstment 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 (BOL1) 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 \$ 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 356,152 780,012 Other borrowings 111,552 31,822 Cashiers checks issued and payable 111,585 3,213 Borrowers reserves for taxes and i			3,470		1,201
Held to maturity 49,908 47,449 Loans receivable, net 4,181,265 42,51,877 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 80,852 78,402 Bank-owned life insurance (BOLI) 95,957 93,790 Goodwill 112,391 112,391 Other intangible assets 18,736 19,848 Mortage servicing rights, net 6,381 4,078 Prepaid expenses and other assets, net 28,757 39,210 Total assets 8,743,812 8,094,224 LIABILITIES: 2 75 39,210 Deposits 4,200,196 \$ 3,863,295 38,63,295 Advances from Federal Home Loan Bank Seattle (FHLB Seattle) 1,317,411 1,635,93 39,112 Deposits 4,200,196 \$ 3,863,295 39,212 14,822 Coshiers checks issued and payable 111,515 3,131,22 131,822 </td <td></td> <td></td> <td>1 996 804</td> <td></td> <td>2 157 136</td>			1 996 804		2 157 136
Loans receivable, net			<i>yy</i>		
Loans held for sale	· · · · · · · · · · · · · · · · · · ·				
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 (BOL1) 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: Total assets 8,200,196 \$ 3,863,296 Advances from Federal Home Loan Bank Seattle (FHLB Seattle) 1,317,141 1,655,933 Securities sold subject to repurchase agreements and funds purchased 356,152 780,012 Other borrowings 11,152 131,822 Cashiers checks issued and payable 1,585 3,218 Accrued interest payable 16,699 14,842 Accrued expenses and other liabilities 6,240,325 6,472,382 Commitments and Contingencies 5 7,20 6,472,382			, ,		
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: 8 4,200,196 \$ 3,863,296 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 111,585 3,213 Borrowers reserves for taxes and insurance 2,006 2,480 Accrued expenses and other liabilities 6,240,325 6,472,380 Total liabilities 6,240,325 6,472,380			,		
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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: TURINGAIN CONTROLL \$ 13,17,141 1,635,933 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 111,585 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 Total liabilities 1,000 0 Commitments and Contingencies 1,000 0 SHAREHOLDERS EQUITY:<					,
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Other intangible assets 18,736 19,848 Morgage 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: 8 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 111,585 3,213 Borrowers reserves for taxes and insurance 2,006 2,480 Accrued interest payable 16,699 14,842 Accrued expenses and other liabilities 6,240,325 6,472,380 Commitments and Contingencies 45,394 40,782 Total liabilities 6,240,325 6,472,380 Commitments and Contingencies 45,394 40,782 Freferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding 0 0 0 Common stock, \$1 par value; 40,000,000					
Mortgage servicing rights, net 6,381 4,078 Prepaid expenses and other assets, net 28,757 39,210 Total assets 6,743,812 \$ 6,742,224 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 336,152 780,012 Other borrowings 111,585 3,213 Borrowers reserves for taxes and insurance 2,006 2,480 Accrued interest payable 16,699 14,842 Accrued expenses and other liabilities 6,240,325 6,72,380 Commitments and Contingencies SHAREHOLDERS EQUITY: Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding 0 0 0 Common stock, \$1 par value; 40,000,000 shares authorized; 23,084,300 and 22,936,154 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	Other intangible assets		,		· ·
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 6,240,325 6,472,380 Total liabilities 6,240,325 6,472,380 Commitments and Contingencies 5 6,240,325 6,472,380 SHAREHOLDERS EQUITY: Freferred 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 22,936,154 395,865 393,245 Additional paid-in capital 395,865 393,245 Accumulated other comprehensi			,		
Total assets \$ 6,743,812 \$ 6,942,224 LIABILITIES: Poposits \$ 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 5 6,240,325 6,472,380 Commitments and Contingencies 5 6,240,325 6,472,380 Common stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding 0 0 0 Common stock, \$1 par value; 40,000,000 shares authorized; 23,084,300 and 22,936,154 395,865 393,245 Additional paid-in capital 395,865 393,245 Accumulated other comprehensive los			,		,
LIABILITIES: Deposits		\$	6,743,812	\$	
Advances from Federal Home Loan Bank Seattle (FHLB Seattle) 1,317,411 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 16,6699 14,842 Accrued expenses and other liabilities 45,394 40,782 Total liabilities 6,240,325 6,472,380 Commitments and Contingencies 536,152 780,012 SHAREHOLDERS EQUITY: 50 0 0 Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding 0 0 0 Common stock, \$1 par value; 40,000,000 shares authorized; 23,084,300 and 22,936,154 23,084 22,936 22,936 Additional paid-in capital 395,865 393,245 393,245 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)	LIABILITIES:		, ,	•	, ,
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 22,936,154 395,865 393,245 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)	Deposits	\$	4,200,196	\$	3,863,296
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 22,936,154 395,865 393,245 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)	Advances from Federal Home Loan Bank Seattle (FHLB Seattle)		1,317,141		1,635,933
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 22,936,154 393,844 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)	Securities sold subject to repurchase agreements and funds purchased		536,152		780,012
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 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)	Other borrowings		111,152		131,822
Accrued interest payable 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 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)	Cashiers checks issued and payable		11,585		3,213
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 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)	Borrowers reserves for taxes and insurance		2,006		2,480
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 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)	Accrued interest payable		16,699		14,842
Commitments and Contingencies SHAREHOLDERS EQUITY: Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding Common stock, \$1 par value; 40,000,000 shares authorized; 23,084,300 and 22,936,154 shares issued and outstanding Additional paid-in capital 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)	Accrued expenses and other liabilities		45,394		40,782
SHAREHOLDERS EQUITY: Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding 0 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)	Total liabilities		6,240,325		6,472,380
Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding 0 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)	Commitments and Contingencies				
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Common stock, \$1 par value; 40,000,000 shares authorized; 23,084,300 and 22,936,154 shares issued and outstanding Additional paid-in capital 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)	Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and				
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)			0		0
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)					
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)			23,084		22,936
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)			395,865		393,245
income taxes of \$6,079 and \$5,467 (10,494) (9,470)					
	· · · · · · · · · · · · · · · · · · ·				
Retained earnings 95,032 63,133			. , ,		. , ,
	Retained earnings		95,032		63,133

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.

1

STERLING FINANCIAL CORPORATION

Consolidated Statements of Income

(Unaudited)

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