

<b>Form 5500</b>  Department of the Treasury Internal Revenue Service  Department of Labor Employee Benefits Security Administration  Pension Benefit Guaranty Corporation	<b>Annual Return/Report of Employee Benefit Plan</b>  This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).  <p style="text-align: center;">▶ <b>Complete all entries in accordance with the instructions to the Form 5500.</b></p>	OMB Nos. 1210-0110 1210-0089  <b>2012</b>  <b>This Form is Open to Public Inspection</b>
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<b>Part I</b>	<b>Annual Report Identification Information</b>
For calendar plan year 2012 or fiscal plan year beginning <u>01/01/2012</u> and ending <u>12/31/2012</u>	
<b>A</b> This return/report is for:	<input type="checkbox"/> a multiemployer plan; <input type="checkbox"/> a multiple-employer plan; or <input checked="" type="checkbox"/> a single-employer plan; <input type="checkbox"/> a DFE (specify) ____
<b>B</b> This return/report is:	<input type="checkbox"/> the first return/report; <input type="checkbox"/> the final return/report; <input type="checkbox"/> an amended return/report; <input type="checkbox"/> a short plan year return/report (less than 12 months).
<b>C</b> If the plan is a collectively-bargained plan, check here. . . . .	<input type="checkbox"/>
<b>D</b> Check box if filing under:	<input type="checkbox"/> Form 5558; <input type="checkbox"/> automatic extension; <input type="checkbox"/> the DFVC program; <input type="checkbox"/> special extension (enter description)

<b>Part II</b>	<b>Basic Plan Information</b> —enter all requested information				
<b>1a</b> Name of plan STERLING SAVINGS BANK EMPLOYEE SAVINGS AND INVESTMENT PLAN AND TRUST	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"><b>1b</b> Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;">001</td> </tr> <tr> <td colspan="2"><b>1c</b> Effective date of plan 07/01/1985</td> </tr> </table>	<b>1b</b> Three-digit plan number (PN) ▶	001	<b>1c</b> Effective date of plan 07/01/1985	
<b>1b</b> Three-digit plan number (PN) ▶	001				
<b>1c</b> Effective date of plan 07/01/1985					
<b>2a</b> Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan)  STERLING SAVINGS BANK  111 NORTH WALL STREET SPOKANE, WA 99201	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td><b>2b</b> Employer Identification Number (EIN) 91-1166044</td> </tr> <tr> <td><b>2c</b> Sponsor's telephone number 509-458-2711</td> </tr> <tr> <td><b>2d</b> Business code (see instructions) 522110</td> </tr> </table>	<b>2b</b> Employer Identification Number (EIN) 91-1166044	<b>2c</b> Sponsor's telephone number 509-458-2711	<b>2d</b> Business code (see instructions) 522110	
<b>2b</b> Employer Identification Number (EIN) 91-1166044					
<b>2c</b> Sponsor's telephone number 509-458-2711					
<b>2d</b> Business code (see instructions) 522110					

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

<b>SIGN HERE</b>	Filed with authorized/valid electronic signature. Signature of plan administrator	06/24/2013 Date	KIMBERLY BRIDGES Enter name of individual signing as plan administrator
<b>SIGN HERE</b>	Filed with authorized/valid electronic signature. Signature of employer/plan sponsor	06/26/2013 Date	KARLA GEHLEN Enter name of individual signing as employer or plan sponsor
<b>SIGN HERE</b>	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional)			Preparer's telephone number (optional)

<b>3a</b> Plan administrator's name and address <input type="checkbox"/> Same as Plan Sponsor Name <input type="checkbox"/> Same as Plan Sponsor Address  STERLING SAVINGS BANK 111 NORTH WALL STREET SPOKANE, WA 99201		<b>3b</b> Administrator's EIN 91-1166044 <b>3c</b> Administrator's telephone number 509-458-2711
<b>4</b> If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: <b>a</b> Sponsor's name		<b>4b</b> EIN  <b>4c</b> PN
<b>5</b> Total number of participants at the beginning of the plan year		<b>5</b> 3127
<b>6</b> Number of participants as of the end of the plan year (welfare plans complete only lines <b>6a</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ).		
<b>a</b> Active participants.....	<b>6a</b>	2564
<b>b</b> Retired or separated participants receiving benefits.....	<b>6b</b>	7
<b>c</b> Other retired or separated participants entitled to future benefits.....	<b>6c</b>	805
<b>d</b> Subtotal. Add lines <b>6a</b> , <b>6b</b> , and <b>6c</b> .....	<b>6d</b>	3376
<b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	<b>6e</b>	4
<b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....	<b>6f</b>	3380
<b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	<b>6g</b>	3130
<b>h</b> Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	<b>6h</b>	259
<b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) .....		<b>7</b>
<b>8a</b> If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2H 2J 2K 2T 3H  <b>b</b> If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:		
<b>9a</b> Plan funding arrangement (check all that apply) (1) <input type="checkbox"/> Insurance (2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts (3) <input checked="" type="checkbox"/> Trust (4) <input type="checkbox"/> General assets of the sponsor		<b>9b</b> Plan benefit arrangement (check all that apply) (1) <input type="checkbox"/> Insurance (2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts (3) <input checked="" type="checkbox"/> Trust (4) <input type="checkbox"/> General assets of the sponsor
<b>10</b> Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)		
<b>a Pension Schedules</b> (1) <input checked="" type="checkbox"/> <b>R</b> (Retirement Plan Information) (2) <input type="checkbox"/> <b>MB</b> (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) <input type="checkbox"/> <b>SB</b> (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary		<b>b General Schedules</b> (1) <input checked="" type="checkbox"/> <b>H</b> (Financial Information) (2) <input type="checkbox"/> <b>I</b> (Financial Information – Small Plan) (3) <input type="checkbox"/> <b>A</b> (Insurance Information) (4) <input checked="" type="checkbox"/> <b>C</b> (Service Provider Information) (5) <input type="checkbox"/> <b>D</b> (DFE/Participating Plan Information) (6) <input type="checkbox"/> <b>G</b> (Financial Transaction Schedules)

<b>SCHEDULE C</b> <b>(Form 5500)</b> Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	<b>Service Provider Information</b> This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ <b>File as an attachment to Form 5500.</b>	OMB No. 1210-0110
		<b>2012</b>
		<b>This Form is Open to Public Inspection.</b>

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

<b>A</b> Name of plan <u>STERLING SAVINGS BANK EMPLOYEE SAVINGS AND INVESTMENT PLAN AND TRUST</u>	<b>B</b> Three-digit plan number (PN) ▶ <u>001</u>
<b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 <u>STERLING SAVINGS BANK</u>	<b>D</b> Employer Identification Number (EIN) <u>91-1166044</u>

**Part I Service Provider Information (see instructions)**

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

**1 Information on Persons Receiving Only Eligible Indirect Compensation**

**a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

**b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation  
FIDELITY INVESTMENTS INST OPS CO

04-2647786

**(b)** Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
64 37 65 71 60	RECORDKEEPER	78852	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	0	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

(a) Enter name and EIN or address (see instructions)

MULTNOMAH GROUP

20-0364973

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
16	CONSULTANT	33000	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

(a) Enter name and EIN or address (see instructions)

STRATEGIC ADVISORS, INC.

04-2654524

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
27	ADVISOR	12911	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

<b>(b)</b> Service Code(s)	<b>(c)</b> Relationship to employer, employee organization, or person known to be a party-in-interest	<b>(d)</b> Enter direct compensation paid by the plan. If none, enter -0-.	<b>(e)</b> Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	<b>(f)</b> Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	<b>(g)</b> Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	<b>(h)</b> Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

**(a)** Enter name and EIN or address (see instructions)

<b>(b)</b> Service Code(s)	<b>(c)</b> Relationship to employer, employee organization, or person known to be a party-in-interest	<b>(d)</b> Enter direct compensation paid by the plan. If none, enter -0-.	<b>(e)</b> Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	<b>(f)</b> Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	<b>(g)</b> Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	<b>(h)</b> Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

**(a)** Enter name and EIN or address (see instructions)

<b>(b)</b> Service Code(s)	<b>(c)</b> Relationship to employer, employee organization, or person known to be a party-in-interest	<b>(d)</b> Enter direct compensation paid by the plan. If none, enter -0-.	<b>(e)</b> Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	<b>(f)</b> Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	<b>(g)</b> Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	<b>(h)</b> Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation		(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
ABF LG CAP VAL INV - STATE STREET B 225 FRANKLIN STREET BOSTON, MA 02111	0.40%	
(a) Enter service provider name as it appears on line 2		(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation		(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
AF GRTH FUND AMER R4 - AMERICAN FUN  95-2566717	0.35%	
(a) Enter service provider name as it appears on line 2		(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation		(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
BARON ASSET FUND - DST SYSTEMS, INC  43-1581814	0.40%	

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
BUFFALO MID CAP - US BANCORP FUND S  39-0281260	0.40%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
DODGE & COX INTL STK - BOSTON FINAN P.O. BOX 8480 BOSTON, MA 02266	0.10%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
GS GROWTH OPPS A - GOLDMAN, SACHS &  13-5108880	0.35%	



**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
JPM LG CAP GRTH SEL - BOSTON FINANC 330 W. 9TH STREET KANSAS CITY, MO 66160	0.25%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

**Part II Service Providers Who Fail or Refuse to Provide Information**

**4** Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

**Part III** **Termination Information on Accountants and Enrolled Actuaries (see instructions)**  
(complete as many entries as needed)

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>SCHEDULE H</b> <b>(Form 5500)</b>  <small>Department of the Treasury Internal Revenue Service</small>  <small>Department of Labor Employee Benefits Security Administration</small>  <small>Pension Benefit Guaranty Corporation</small>	<b>Financial Information</b>  This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).  <b>► File as an attachment to Form 5500.</b>	OMB No. 1210-0110  <div style="border: 1px solid black; padding: 5px; font-size: 1.2em; font-weight: bold;">2012</div>  <b>This Form is Open to Public Inspection</b>
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For calendar plan year 2012 or fiscal plan year beginning <u>01/01/2012</u> and ending <u>12/31/2012</u>		
<b>A</b> Name of plan <u>STERLING SAVINGS BANK EMPLOYEE SAVINGS AND INVESTMENT PLAN AND TRUST</u>	<b>B</b> Three-digit plan number (PN) ►	<u>001</u>
<b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 <u>STERLING SAVINGS BANK</u>	<b>D</b> Employer Identification Number (EIN)  <u>91-1166044</u>	

<b>Part I</b>	<b>Asset and Liability Statement</b>
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**1** Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
<b>a</b> Total noninterest-bearing cash .....	<b>1a</b>		
<b>b</b> Receivables (less allowance for doubtful accounts):			
<b>(1)</b> Employer contributions .....	<b>1b(1)</b>		
<b>(2)</b> Participant contributions .....	<b>1b(2)</b>		
<b>(3)</b> Other.....	<b>1b(3)</b>	13530	3514
<b>c</b> General investments:			
<b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit) .....	<b>1c(1)</b>	4214929	3944399
<b>(2)</b> U.S. Government securities.....	<b>1c(2)</b>		
<b>(3)</b> Corporate debt instruments (other than employer securities):			
<b>(A)</b> Preferred .....	<b>1c(3)(A)</b>		
<b>(B)</b> All other.....	<b>1c(3)(B)</b>		
<b>(4)</b> Corporate stocks (other than employer securities):			
<b>(A)</b> Preferred .....	<b>1c(4)(A)</b>		
<b>(B)</b> Common .....	<b>1c(4)(B)</b>		
<b>(5)</b> Partnership/joint venture interests .....	<b>1c(5)</b>		
<b>(6)</b> Real estate (other than employer real property) .....	<b>1c(6)</b>		
<b>(7)</b> Loans (other than to participants) .....	<b>1c(7)</b>		
<b>(8)</b> Participant loans .....	<b>1c(8)</b>	1876377	2016755
<b>(9)</b> Value of interest in common/collective trusts.....	<b>1c(9)</b>		
<b>(10)</b> Value of interest in pooled separate accounts.....	<b>1c(10)</b>		
<b>(11)</b> Value of interest in master trust investment accounts .....	<b>1c(11)</b>		
<b>(12)</b> Value of interest in 103-12 investment entities .....	<b>1c(12)</b>		
<b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds).....	<b>1c(13)</b>	61113444	73496537
<b>(14)</b> Value of funds held in insurance company general account (unallocated contracts).....	<b>1c(14)</b>		
<b>(15)</b> Other .....	<b>1c(15)</b>		

**1d** Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities .....	<b>1d(1)</b>	3558898	4454276
(2) Employer real property .....	<b>1d(2)</b>		
<b>e</b> Buildings and other property used in plan operation .....	<b>1e</b>		
<b>f</b> Total assets (add all amounts in lines 1a through 1e) .....	<b>1f</b>	70777178	83915481

**Liabilities**

<b>g</b> Benefit claims payable .....	<b>1g</b>		
<b>h</b> Operating payables .....	<b>1h</b>		
<b>i</b> Acquisition indebtedness .....	<b>1i</b>		
<b>j</b> Other liabilities .....	<b>1j</b>		
<b>k</b> Total liabilities (add all amounts in lines 1g through 1j) .....	<b>1k</b>	0	0

**Net Assets**

<b>l</b> Net assets (subtract line 1k from line 1f) .....	<b>1l</b>	70777178	83915481
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**Part II Income and Expense Statement**

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

**Income****a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: <b>(A)</b> Employers .....	<b>2a(1)(A)</b>	3027424	
<b>(B)</b> Participants .....	<b>2a(1)(B)</b>	9809752	
<b>(C)</b> Others (including rollovers) .....	<b>2a(1)(C)</b>	968634	
(2) Noncash contributions .....	<b>2a(2)</b>		
(3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> .....	<b>2a(3)</b>		13805810

**b Earnings on investments:****(1) Interest:**

<b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) .....	<b>2b(1)(A)</b>	444	
<b>(B)</b> U.S. Government securities .....	<b>2b(1)(B)</b>		
<b>(C)</b> Corporate debt instruments .....	<b>2b(1)(C)</b>		
<b>(D)</b> Loans (other than to participants) .....	<b>2b(1)(D)</b>		
<b>(E)</b> Participant loans .....	<b>2b(1)(E)</b>	80819	
<b>(F)</b> Other .....	<b>2b(1)(F)</b>		
<b>(G)</b> Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....	<b>2b(1)(G)</b>		81263

(2) Dividends: <b>(A)</b> Preferred stock .....	<b>2b(2)(A)</b>		
<b>(B)</b> Common stock .....	<b>2b(2)(B)</b>	165759	
<b>(C)</b> Registered investment company shares (e.g. mutual funds) .....	<b>2b(2)(C)</b>	1665527	
<b>(D)</b> Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> .....	<b>2b(2)(D)</b>		1831286

(3) Rents .....	<b>2b(3)</b>		
(4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds .....	<b>2b(4)(A)</b>	973810	
<b>(B)</b> Aggregate carrying amount (see instructions) .....	<b>2b(4)(B)</b>	810899	
<b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result .....	<b>2b(4)(C)</b>		162911

(5) Unrealized appreciation (depreciation) of assets: <b>(A)</b> Real estate .....	<b>2b(5)(A)</b>		
<b>(B)</b> Other .....	<b>2b(5)(B)</b>	739383	
<b>(C)</b> Total unrealized appreciation of assets. Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....	<b>2b(5)(C)</b>		739383

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts .....	<b>2b(6)</b>		
(7) Net investment gain (loss) from pooled separate accounts .....	<b>2b(7)</b>		
(8) Net investment gain (loss) from master trust investment accounts .....	<b>2b(8)</b>		
(9) Net investment gain (loss) from 103-12 investment entities .....	<b>2b(9)</b>		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	<b>2b(10)</b>		6423931
<b>c</b> Other income.....	<b>2c</b>		
<b>d</b> Total income. Add all <b>income</b> amounts in column (b) and enter total.....	<b>2d</b>		23044584

**Expenses**

<b>e</b> Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers .....	<b>2e(1)</b>	15789667	
(2) To insurance carriers for the provision of benefits .....	<b>2e(2)</b>		
(3) Other .....	<b>2e(3)</b>		
(4) Total benefit payments. Add lines <b>2e(1)</b> through <b>(3)</b> .....	<b>2e(4)</b>		15789667
<b>f</b> Corrective distributions (see instructions) .....	<b>2f</b>		4996
<b>g</b> Certain deemed distributions of participant loans (see instructions).....	<b>2g</b>		3837
<b>h</b> Interest expense.....	<b>2h</b>		
<b>i</b> Administrative expenses: (1) Professional fees .....	<b>2i(1)</b>		
(2) Contract administrator fees .....	<b>2i(2)</b>		
(3) Investment advisory and management fees .....	<b>2i(3)</b>	12911	
(4) Other .....	<b>2i(4)</b>	112212	
(5) Total administrative expenses. Add lines <b>2i(1)</b> through <b>(4)</b> .....	<b>2i(5)</b>		125123
<b>j</b> Total expenses. Add all <b>expense</b> amounts in column (b) and enter total.....	<b>2j</b>		15923623

**Net Income and Reconciliation**

<b>k</b> Net income (loss). Subtract line <b>2j</b> from line <b>2d</b> .....	<b>2k</b>		7120961
<b>l</b> Transfers of assets:			
(1) To this plan.....	<b>2l(1)</b>		6017342
(2) From this plan .....	<b>2l(2)</b>		

**Part III Accountant's Opinion**

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unqualified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☐ Yes ☒ No

**c** Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **BDO USA LLP**

(2) EIN: **13-5381590**

**d** The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

**Part IV Compliance Questions**

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

**a** Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

**b** Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....

	Yes	No	Amount
<b>4a</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	4473
<b>4b</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

	Yes	No	Amount
<b>c</b> Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) .....		X	
<b>d</b> Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
<b>e</b> Was this plan covered by a fidelity bond?.....	X		10000000
<b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? .....		X	
<b>g</b> Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? .....		X	
<b>h</b> Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? .....		X	
<b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
<b>j</b> Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		X	
<b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
<b>l</b> Has the plan failed to provide any benefit when due under the plan? .....		X	
<b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		X	
<b>n</b> If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. ....		X	

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?  
 If "Yes," enter the amount of any plan assets that reverted to the employer this year..... ☐ Yes ☒ No Amount:

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

**5b(1)** Name of plan(s)

5b(2) EIN(s)	5b(3) PN(s)

## Part V Trust Information (optional)

**6a** Name of trust

**6b** Trust's EIN

<b>SCHEDULE R</b> <b>(Form 5500)</b>  Department of the Treasury Internal Revenue Service  Department of Labor Employee Benefits Security Administration  Pension Benefit Guaranty Corporation	<b>Retirement Plan Information</b>  This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).  ▶ <b>File as an attachment to Form 5500.</b>	OMB No. 1210-0110  <b>2012</b>  <b>This Form is Open to Public Inspection.</b>
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

<b>A</b> Name of plan <u>STERLING SAVINGS BANK EMPLOYEE SAVINGS AND INVESTMENT PLAN AND TRUST</u>	<b>B</b> Three-digit plan number (PN) ▶ <u>001</u>
<b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 <u>STERLING SAVINGS BANK</u>	<b>D</b> Employer Identification Number (EIN) <u>91-1166044</u>

<b>Part I</b>	<b>Distributions</b>
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All references to distributions relate only to payments of benefits during the plan year.

<b>1</b> Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	<b>1</b>	<u>0</u>
<b>2</b> Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):  EIN(s): <u>04-6568107</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
<b>3</b> Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	<b>3</b>	

<b>Part II</b>	<b>Funding Information</b> (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
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<b>4</b> Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
If the plan is a defined benefit plan, go to line 8.			
<b>5</b> If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____	If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
<b>6 a</b> Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) .....	<b>6a</b>		
<b>b</b> Enter the amount contributed by the employer to the plan for this plan year .....	<b>6b</b>		
<b>c</b> Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	<b>6c</b>		
If you completed line 6c, skip lines 8 and 9.			
<b>7</b> Will the minimum funding amount reported on line 6c be met by the funding deadline? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
<b>8</b> If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A

<b>Part III</b>	<b>Amendments</b>
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<b>9</b> If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	<input type="checkbox"/> Increase	<input type="checkbox"/> Decrease	<input type="checkbox"/> Both	<input type="checkbox"/> No
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<b>Part IV</b>	<b>ESOPs</b> (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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<b>10</b> Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>11 a</b> Does the ESOP hold any preferred stock? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>b</b> If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.).....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>12</b> Does the ESOP hold any stock that is not readily tradable on an established securities market? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No



**Part V Additional Information for Multiemployer Defined Benefit Pension Plans**

**13** Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

<b>a</b> The current year .....	<b>14a</b>	
<b>b</b> The plan year immediately preceding the current plan year .....	<b>14b</b>	
<b>c</b> The second preceding plan year .....	<b>14c</b>	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

<b>a</b> The corresponding number for the plan year immediately preceding the current plan year .....	<b>15a</b>	
<b>b</b> The corresponding number for the second preceding plan year .....	<b>15b</b>	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

<b>a</b> Enter the number of employers who withdrew during the preceding plan year .....	<b>16a</b>	
<b>b</b> If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers .....	<b>16b</b>	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. .... ☐

**Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans**

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ..... ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

**a** Enter the percentage of plan assets held as:  
 Stock: \_\_\_\_\_% Investment-Grade Debt: \_\_\_\_\_% High-Yield Debt: \_\_\_\_\_% Real Estate: \_\_\_\_\_% Other: \_\_\_\_\_%

**b** Provide the average duration of the combined investment-grade and high-yield debt:  
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

**c** What duration measure was used to calculate line 19(b)?  
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): \_\_\_\_\_

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Financial Statements, Supplemental Schedules and Exhibit**

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CONTENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	<u>F- 1</u>
Audited Financial Statements	
<u>Statements of Net Assets Available for Benefits as of December 31, 2012 and 2011</u>	<u>F- 2</u>
<u>Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2012</u>	<u>F- 3</u>
<u>Summary of Accounting Policies</u>	<u>F- 4</u>
<u>Notes to Financial Statements</u>	<u>F- 5</u>
Supplemental Schedules	
<u>Schedule of Assets (Held at End of Year)</u>	<u>F- 11</u>
<u>Schedule of Delinquent Participant Contributions</u>	<u>F- 12</u>
<u>Signatures</u>	<u>S- 1</u>
<u>Index to Exhibit</u>	<u>E- 1</u>
Exhibit 23 - Consent of Independent Registered Public Accounting Firm	



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601 West Riverside Avenue  
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Spokane, WA 99201

## Independent Auditor's Report

To the Plan Administrator  
Sterling Savings Bank Employee Savings  
and Investment Plan and Trust  
Spokane, Washington

We have audited the accompanying financial statements of Sterling Savings Bank Employee Savings and Investment Plan and Trust (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

### *Report on Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of assets (held at end of year) and delinquent participant contributions are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*BDO USA, LLP*

Spokane, Washington  
June 13, 2013

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Statements of Net Assets Available for Benefits**  
**December 31, 2012 and 2011**

	2012	2011
Assets		
Investments, at fair value		
Common stock of Sterling Financial Corporation	\$ 4,453,089	\$ 3,557,937
Money market and other cash equivalents	3,949,100	4,229,421
Mutual funds	73,496,537	61,113,443
Total investments, at fair value	81,898,726	68,900,801
Notes receivable from participants	2,016,755	1,876,377
Total assets	83,915,481	70,777,178
Net assets available for benefits	\$ 83,915,481	\$ 70,777,178

*See accompanying summary of accounting policies and notes to financial statements.*

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Statement of Changes in Net Assets Available for Benefits**  
**Year Ended December 31, 2012**

	2012
Additions to net assets attributed to:	
Investment income:	
Interest	\$ 81,263
Dividends	1,831,286
Net appreciation in fair value of investments	7,326,225
Total investment income	9,238,774
Contributions:	
Participants	9,809,752
Rollovers from qualified plans	968,634
Employer	3,027,424
Total investment income and contributions	23,044,584
Deductions from net assets attributed to:	
Distributions to participants	15,798,500
Administrative expenses	125,123
Total deductions from net assets	15,923,623
Increase in net assets available for benefits	7,120,961
Transfer of assets from other plan	6,017,342
Net assets available for benefits:	
Beginning of year	70,777,178
End of year	\$ 83,915,481

*See accompanying summary of accounting policies and notes to financial statements.*

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Summary of Accounting Policies**

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**Basis of Accounting**

The financial statements of the Sterling Savings Bank ("Sterling" or the "Employer") Employee Savings and Investment Plan and Trust (the "Plan") are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Investments Valuation and Income Recognition**

The Plan's investments are stated at fair value. Sterling Financial Corporation common stock is valued at the quoted market price on the last trading day of the year, which represents the value of shares held by the Plan at year end. Mutual funds are valued using quoted market prices representing the net asset value on the last trading day of the year.

The Plan presents in the statement of changes in net assets available for benefits the net appreciation or depreciation in the fair value of its investments, which consists of the realized gains or losses and the net unrealized appreciation or depreciation on those investments.

Investment purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**Benefit Payments**

Benefits are recorded when paid.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make significant estimates and assumptions that affect the reported amounts of net assets available for benefits, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

**Risks and Uncertainties**

The Plan provides various investment options for participants to choose from in combinations of stocks, mutual funds and other investment securities including Sterling Financial Corporation common stock. These investment options are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits. For risks and uncertainties regarding Sterling Financial Corporation, participants should refer to Sterling Financial Corporation's Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission on February 27, 2013, and as updated from time to time by Sterling Financial Corporation's periodic filings.

**New Accounting Pronouncements**

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-4, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." This update to Accounting Standards Codification (the "Codification") topic 820 clarifies the application of existing fair value measurement and disclosure requirements, and implements changes to the codification that align U.S. GAAP and IFRS. This update was effective for the Plan on January 1, 2012, and did not have a material effect on the Plan's financial statements.



## **1. Description of Plan**

The following description of the Plan provides only general information. Participants should refer to the Summary Plan Description and the Plan document itself for a more complete description of the Plan's provisions.

### **General**

The Plan is a defined contribution plan, which became effective on July 1, 1985. Employees who have attained the age of 18 are eligible to enroll on the first day of employment. Unless an employee elects otherwise, an eligible employee will be automatically enrolled in the Plan after 60 days of employment. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

### **Contributions**

Participants may contribute from 1% to 75% of their compensation up to the statutory maximum (\$17,000 annually for 2012 and \$16,500 annually for 2011) through payroll deductions to the Plan. Employees who do not affirmatively specify their contribution election or their election to opt-out of the Plan will automatically contribute 3% of their compensation. As of May 1, 2012, the Plan began offering a Roth contribution option, which allows the employee to contribute after-tax dollars.

Participant contributions are entitled to a non-discretionary Employer matching contribution. The matching contribution formula provides that the Employer will contribute a match of 35% of the employee's contribution, not to exceed 10% of the participant's eligible compensation. Additional amounts may be contributed at the option of Sterling as a discretionary profit sharing contribution. No discretionary profit sharing contributions were made in 2012 or 2011. Until March 9, 2011, employer matching contributions were initially invested in the common stock of Sterling Financial Corporation.

### **Investment Options**

Participant contributions and the Employer match are invested in separate investment options as designated by the individual participants. If not otherwise designated, the Employer match defaults to the same investment elections as the employee's contributions. Participants may elect to reallocate the amounts invested in each investment on any business day. The participant's investment in Sterling Financial Corporation common stock is limited to 50% of the participant's account balance.

### **Participant Accounts**

Separate accounts are maintained for each participant. Each participant's account is credited with the participant's contribution (including any rollover contributions), an allocation of Sterling's contribution and any Plan earnings, and is debited with any losses and expenses. Allocations of Sterling's contribution and Plan earnings or losses and expenses are based on participant account balances, as defined in the Plan document. The participant's benefit is the amount of any balance that has accumulated in his or her account.

### **Vesting**

A participant is 100% vested in his or her voluntary contributions plus actual earnings thereon. Sterling's contributions and earnings thereon are subject to a vesting schedule of 50% after two years and 100% after three years of service.

### **Forfeitures**

Forfeitures resulting from the nonvested portions of participants' accounts who terminate employment prior to being fully vested are generally used to reduce future matching contributions or to pay the administrative expenses of the Plan. Amounts forfeited during 2012 and 2011 totaled \$110,049 and \$54,000, respectively. Forfeitures in the amount of \$89,625 and \$80,725 were used to pay administrative expenses of the Plan during the years ended December 31, 2012 and 2011, respectively. Remaining forfeiture balances at December 31, 2012 and 2011 of \$30,901 and \$10,477 are available to pay administrative expenses and/or reduce employer contributions. No forfeitures were used to offset Employer contributions during the years ended December 31, 2012 and 2011.

### **Payment of Benefits**

Distributions are made upon termination, death, disability, retirement or qualifying hardships. Participants or their beneficiaries will receive payment of benefits as follows: (a) balances of \$5,000 or less will be distributed in a lump sum, or (b) balances greater than \$5,000 will be distributed in various optional forms of distribution. Any amounts less than \$1,000 are automatically distributed in cash.

### **Notes Receivable from Participants**

A participant may borrow from his or her fund account up to a maximum of 50% of his or her vested account balance. However, only one note receivable can be outstanding at a time and it can be no more than \$50,000 minus the participant's highest outstanding note receivable amount during the prior twelve months. The notes receivable are secured by the vested balance in the participant's account and bear a fixed rate of interest set at the Federal Reserve prime rate plus 1%, calculated at the end of each month and applied to all notes receivable funded during the next month. In 2012, total interest income credited was approximately \$81,000, of which the majority was related to interest income from notes receivable from participants. Principal and interest are paid ratably through regular payroll deductions over a period not to exceed five years, unless the note receivable is for the purchase of the participant's primary residence. Participants pay an origination fee, as well as an annual maintenance fee. If a note is not repaid when due, the note balance is treated as a taxable distribution from the Plan.

### **Administrative Expenses**

Each share of Sterling Financial Corporation common stock purchased by the Plan on the open market is subject to a fee of \$0.029 per share, which is paid by the participants. Participants also pay various transaction related fees for participant requested services. Either the Plan or Sterling pays the trustee fee charged by Fidelity Investments, the investment consulting fee charged by the Multnomah Group, as well as other fees, expenses and commissions.

### **Hardship Withdrawals**

Hardship withdrawals of the participants' contributions are permitted by the Plan in accordance with the Internal Revenue Code ("IRC"). Following a hardship withdrawal, the participant cannot make a pre-tax deferral or after-tax contribution for six months following receipt of the distribution.

## **2. Investments**

The following table presents the fair value of investments that represent 5% or more of the Plan's net assets at December 31, 2012 and 2011.

	2012	2011
Fidelity Freedom 2025	\$ 8,822,929	\$ 7,484,705
Fidelity Freedom 2020	8,315,335	8,231,432
Fidelity Freedom 2030	6,487,065	5,594,000
Fidelity Freedom 2015	6,015,828	6,165,723
Fidelity Freedom 2035	5,307,303	4,245,306
Dodge & Cox International Stock	4,626,662	3,722,007
Sterling Financial Corporation common stock	4,453,089	3,557,937
Fidelity Retire Money Market Fund	*	4,075,266

\* Less than 5% of Net Assets

During the year ended December 31, 2012, the Plan's investments appreciated in value (including gains and losses on investments purchased and sold, as well as held during the year) as follows:

	2012
Common stock of Sterling Financial Corporation	\$ 902,293
Mutual funds	6,423,932
Total	\$ 7,326,225

## **3. Plan Termination**

Although it has not expressed an intent to do so, Sterling has the right to discontinue its contributions to the Plan at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants' accounts will become fully vested and non-forfeitable. All assets remaining in the Plan after payment of any expenses properly chargeable against the Plan shall be paid to participants in accordance with the terms of the Plan.

## **4. Fair Value Measurements**

The framework for defining and measuring fair value requires that one of three valuation methods be used to determine fair market value: the market approach, the income approach or the cost approach. To increase consistency and comparability in fair value measurements and related disclosures, the standard also creates a fair value hierarchy to prioritize the inputs to these valuation methods into the following three levels:

- Level 1 inputs are a select class of observable inputs, based upon the quoted prices for identical instruments in active markets that are accessible as of the measurement date, and are to be used whenever available.

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Notes to Financial Statements**

- Level 2 inputs are other types of observable inputs, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are inactive; or other inputs that are observable or can be derived from or supported by observable market data. Level 2 inputs are to be used whenever Level 1 inputs are not available.
- Level 3 inputs are significantly unobservable, reflecting the reporting entity's own assumptions regarding what market participants would assume when pricing a financial instrument. Level 3 inputs are to only be used when Level 1 and Level 2 inputs are unavailable.

***Assets and Liabilities Measured at Fair Value on a Recurring Basis.*** The following presents the Plan's financial instruments that are measured at fair value on a recurring basis:

	Total	Level 1	Level 2	Level 3
Balance, December 31, 2012:				
Sterling Financial Corporation				
Common stock	\$ 4,453,089	\$ 4,453,089	\$ 0	\$ 0
Money market and other cash equivalents	3,949,100	3,949,100	0	0
Mutual funds:				
Blend funds	54,287,125	54,287,125	0	0
Growth funds	10,554,132	10,554,132	0	0
Fixed Income funds	4,135,091	4,135,091	0	0
Value funds	4,520,189	4,520,189	0	0
Total mutual funds	73,496,537	73,496,537	0	0
Total investments, at fair value	<u>\$ 81,898,726</u>	<u>\$ 81,898,726</u>	<u>\$ 0</u>	<u>\$ 0</u>
Balance, December 31, 2011:				
Sterling Financial Corporation				
Common stock	\$ 3,557,937	\$ 3,557,937	\$ 0	\$ 0
Money market	4,229,421	4,229,421	0	0
Mutual funds:				
Blend funds	46,086,176	46,086,176	0	0
Growth funds	8,255,677	8,255,677	0	0
Fixed Income funds	3,529,463	3,529,463	0	0
Value funds	3,242,127	3,242,127	0	0
Total mutual funds	61,113,443	61,113,443	0	0
Total investments, at fair value	<u>\$ 68,900,801</u>	<u>\$ 68,900,801</u>	<u>\$ 0</u>	<u>\$ 0</u>

Mutual funds are valued using quoted market prices to represent the net asset value on the last trading day of the year. The Money Market fund is a type of mutual fund that is valued using \$1 per share for the Net Asset Value. Sterling Financial Corporation common stock is valued at its quoted market price on the last trading day of the year.

## **5. Income Tax Status**

The Internal Revenue Service ruled on March 31, 2008 that the Volume Submitter Profit Sharing Plan with CODA (the prototype plan document of Fidelity Management & Research Co. utilized by the Plan) qualifies under Section 401(a) of the IRC and the related trust is, therefore, not subject to tax under present income tax law. The Plan is required to operate in conformity with the IRC to maintain its qualification. The Plan Administrator is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

## **6. Parties-In-Interest**

Certain Plan investments are shares of mutual funds managed by Fidelity Investments, which is the trustee of the Plan. No direct transaction fees or commissions were paid, or are payable, by the Plan through the Trust relating to these funds in 2012.

Certain Plan investments are shares in Sterling Financial Corporation common stock, as detailed in Note 2. Sterling Financial Corporation is the parent company of Sterling Savings Bank and therefore these transactions also qualify as party-in-interest transactions.

## **7. Commitments and Contingencies**

On January 20 and 22, 2010, two putative class action complaints were filed in the United States District Court for the Eastern District of Washington against Sterling Financial Corporation and Sterling Savings Bank (collectively, "Sterling"), as well as certain of Sterling's current and former officers and directors. The two complaints were merged in a Consolidated Amended Complaint (the "Complaint") filed on July 16, 2010 in the same court. The Complaint does not name all of the individuals named in the prior complaints, but it is expected that additional defendants will be added. The Complaint alleges that the defendants breached their fiduciary duties under sections 404 and 405 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), with respect to the Sterling Savings Bank Employee Savings and Investment Plan (the "401(k) Plan") and the FirstBank Northwest Employee Stock Ownership Plan ("ESOP") (collectively, the "Plans").

Specifically, the Complaint alleges that the defendants breached their duties by investing assets of the Plans in Sterling's securities when it was imprudent to do so, and by investing such assets in Sterling securities when defendants knew or should have known that the price of those securities was inflated due to misrepresentations and omissions about Sterling's business practices. The business practices at issue include alleged over-reliance on risky construction loans; alleged inadequate loan reserves; alleged spiking increases in nonperforming assets, nonperforming loans, classified assets, and over 90-day delinquent loans; alleged inadequate accounting for rising loan payment shortfalls; alleged unsafe and unsound banking practices; and a capital base that was allegedly inadequate to withstand the significant deterioration in the real estate markets. The putative class periods are October 22, 2007 to the present for the 401(k) Plan class, and October 22, 2007 to November 14, 2008 for the ESOP class. The Complaint seeks damages of an unspecified amount and attorneys' fees and costs.

On September 26, 2012, Sterling received a letter from the U.S. Department of Labor (the "Department of Labor") containing similar allegations as those set forth in the Complaint, demanding that the violations alleged in the Department of Labor's letter be corrected and notifying Sterling that the Department of Labor may take legal action in connection with such allegations, including assessing a civil money penalty. Failure by Sterling to obtain a favorable resolution of the claims set forth in the Complaint or in the letter from the Department of Labor could have a material adverse effect on Sterling's business, results of operations, and financial condition. In January 2013, a tentative settlement was reached, pursuant to which Sterling agreed to pay \$3.0 million to settle the claims. The settlement will be paid by Sterling and its insurance carrier, not the Plan, to participants through their participant accounts in the Plan. The settlement is subject to approval by the court and the Department of Labor. On March 29, 2013, the Court preliminarily approved the settlement, with the final fairness hearing set for July 11, 2013. On May 31, 2013, the Department of Labor issued a no action letter contingent on court approval at the final fairness hearing.

#### **8. Transfer of Assets**

On March 1, 2012, Sterling purchased certain assets of First Independent Bank and at that time certain employees of First Independent Bank became employees of Sterling. On May 1, 2012, the assets from the First Independent Bank Savings Benefit Plan and Trust attributable to these employees transferred into the Plan. Assets increased by \$6,017,342 as a result of these assets being transferred into the Plan.

#### **9. Subsequent Events**

The Plan has evaluated subsequent events through the date the financial statements were available to be issued.

On February 28, 2013, Sterling acquired American Heritage Holdings and its bank subsidiary, Borrego Springs Bank, N.A. Effective March 1, 2013, the employees of Borrego Springs Bank became employees of Sterling Savings Bank and became eligible to participate in the Plan. The participants became 100% vested in their predecessor plan account balances.

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Schedule H, Line 4i - Schedule of Assets (Held at End of Year)**  
**December 31, 2012**  
**EIN: 91-1166044 Plan Number: 001**

(a)	(b)	(c)	(d)	(e)
	Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
	Money Market Accounts			
*	Fidelity Retire Money Market	Money Market, 3,700,567 units	**	\$ 3,700,567
*	Fidelity US Treasury	Money Market, 243,832 units	**	243,832
*	Cash Equivalents	N/A	**	4,701
				<u>3,949,100</u>
	Common Stock			
*	Sterling Financial Corporation	Common stock, 213,066 shares	**	4,453,089
	Mutual Funds			
*	Fidelity Freedom 2025	Mutual fund, 738,320 shares	**	8,822,929
*	Fidelity Freedom 2020	Mutual fund, 581,086 shares	**	8,315,335
*	Fidelity Freedom 2030	Mutual fund, 455,872 shares	**	6,487,065
*	Fidelity Freedom 2015	Mutual fund, 509,384 shares	**	6,015,828
*	Fidelity Freedom 2035	Mutual fund, 448,631 shares	**	5,307,303
	Dodge & Cox International Stock	Mutual fund, 133,564 shares	**	4,626,662
	JPM Large Cap Growth Select	Mutual fund, 146,054 shares	**	3,497,994
*	Fidelity Total Bond	Mutual fund, 306,385 shares	**	3,354,911
*	Fidelity Freedom 2040	Mutual fund, 401,528 shares	**	3,316,622
*	Fidelity Freedom 2045	Mutual fund, 305,920 shares	**	2,991,898
*	Spartan 500 Index Adv	Mutual fund, 57,733 shares	**	2,914,927
*	Fidelity Balanced	Mutual fund, 128,437 shares	**	2,591,856
	Vanguard Small Growth Index	Mutual fund, 103,279 shares	**	2,585,072
*	Fidelity Freedom 2010	Mutual fund, 149,671 shares	**	2,113,352
	ABF Large Cap Val PA	Mutual fund, 96,333 shares	**	1,978,667
	Buffalo Mid Cap	Mutual fund, 110,737 shares	**	1,879,210
*	Fidelity Freedom 2050	Mutual fund, 163,958 shares	**	1,580,557
	Vanguard Selected Value	Mutual fund, 72,961 shares	**	1,530,725
	Vanguard Small Value Index	Mutual fund, 58,092 shares	**	1,010,797
	Vanguard Inflation Protected Securities	Mutual fund, 53,694 shares	**	780,180
*	Fidelity Freedom Income	Mutual fund, 59,019 shares	**	691,116
*	Fidelity Freedom 2005	Mutual fund, 40,684 shares	**	456,073
*	Fidelity Freedom 2000	Mutual fund, 28,773 shares	**	355,927
*	Spartan ST TR Adv	Mutual fund, 20,422 shares	**	216,268
*	Fidelity Freedom 2055	Mutual fund, 7,618 shares	**	75,263
	Total mutual funds			<u>73,496,537</u>
	Total investments, at fair value			<u>81,898,726</u>
*	Notes receivable from participants	Interest ranging from 4.25% to 9.25% maturing through November 2027	**	2,016,755
	Total assets			<u>\$ 83,915,481</u>
*	Indicates party-in-interest to the Plan.			
**	Indicates a participant or beneficiary directed account. The cost disclosure is not required.			

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Schedule H, Line 4a - Schedule of Delinquent Participant Contributions**  
**December 31, 2012**  
**EIN: 91-1166044 Plan Number: 001**

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Participant Contributions  
 Transferred Late to the Plan

Total that Constitute Nonexempt Prohibited Transactions

Check here if Late Participant Loan repayments are included: <input checked="" type="checkbox"/>	Contributions not corrected	Contributions Corrected Outside VFCP	Contributions Pending correction in VFCP	Total Fully Correct Under VFCP and PTE 2002-51
\$ 4,473	\$ —	\$ —	\$ 4,473	\$ —



**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Sterling Savings Bank Employee Savings and  
Investment Plan and Trust

Date: June 13, 2013

/s/ Robert G. Butterfield  
**Robert G. Butterfield**  
Senior Vice President, Principal Accounting Officer  
and Controller

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Financial Statements, Supplemental Schedules and Exhibit**

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CONTENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	<u>F- 1</u>
Audited Financial Statements	
<u>Statements of Net Assets Available for Benefits as of December 31, 2012 and 2011</u>	<u>F- 2</u>
<u>Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2012</u>	<u>F- 3</u>
<u>Summary of Accounting Policies</u>	<u>F- 4</u>
<u>Notes to Financial Statements</u>	<u>F- 5</u>
Supplemental Schedules	
<u>Schedule of Assets (Held at End of Year)</u>	<u>F- 11</u>
<u>Schedule of Delinquent Participant Contributions</u>	<u>F- 12</u>
<u>Signatures</u>	<u>S- 1</u>
<u>Index to Exhibit</u>	<u>E- 1</u>
Exhibit 23 - Consent of Independent Registered Public Accounting Firm	



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## Independent Auditor's Report

To the Plan Administrator  
Sterling Savings Bank Employee Savings  
and Investment Plan and Trust  
Spokane, Washington

We have audited the accompanying financial statements of Sterling Savings Bank Employee Savings and Investment Plan and Trust (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

### *Report on Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of assets (held at end of year) and delinquent participant contributions are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*BDO USA, LLP*

Spokane, Washington  
June 13, 2013

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Statements of Net Assets Available for Benefits**  
**December 31, 2012 and 2011**

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*See accompanying summary of accounting policies and notes to financial statements.*

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Summary of Accounting Policies**

---

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The financial statements of the Sterling Savings Bank ("Sterling" or the "Employer") Employee Savings and Investment Plan and Trust (the "Plan") are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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**Benefit Payments**

Benefits are recorded when paid.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make significant estimates and assumptions that affect the reported amounts of net assets available for benefits, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

**Risks and Uncertainties**

The Plan provides various investment options for participants to choose from in combinations of stocks, mutual funds and other investment securities including Sterling Financial Corporation common stock. These investment options are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits. For risks and uncertainties regarding Sterling Financial Corporation, participants should refer to Sterling Financial Corporation's Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission on February 27, 2013, and as updated from time to time by Sterling Financial Corporation's periodic filings.

**New Accounting Pronouncements**

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-4, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." This update to Accounting Standards Codification (the "Codification") topic 820 clarifies the application of existing fair value measurement and disclosure requirements, and implements changes to the codification that align U.S. GAAP and IFRS. This update was effective for the Plan on January 1, 2012, and did not have a material effect on the Plan's financial statements.

## **1. Description of Plan**

The following description of the Plan provides only general information. Participants should refer to the Summary Plan Description and the Plan document itself for a more complete description of the Plan's provisions.

### **General**

The Plan is a defined contribution plan, which became effective on July 1, 1985. Employees who have attained the age of 18 are eligible to enroll on the first day of employment. Unless an employee elects otherwise, an eligible employee will be automatically enrolled in the Plan after 60 days of employment. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

### **Contributions**

Participants may contribute from 1% to 75% of their compensation up to the statutory maximum (\$17,000 annually for 2012 and \$16,500 annually for 2011) through payroll deductions to the Plan. Employees who do not affirmatively specify their contribution election or their election to opt-out of the Plan will automatically contribute 3% of their compensation. As of May 1, 2012, the Plan began offering a Roth contribution option, which allows the employee to contribute after-tax dollars.

Participant contributions are entitled to a non-discretionary Employer matching contribution. The matching contribution formula provides that the Employer will contribute a match of 35% of the employee's contribution, not to exceed 10% of the participant's eligible compensation. Additional amounts may be contributed at the option of Sterling as a discretionary profit sharing contribution. No discretionary profit sharing contributions were made in 2012 or 2011. Until March 9, 2011, employer matching contributions were initially invested in the common stock of Sterling Financial Corporation.

### **Investment Options**

Participant contributions and the Employer match are invested in separate investment options as designated by the individual participants. If not otherwise designated, the Employer match defaults to the same investment elections as the employee's contributions. Participants may elect to reallocate the amounts invested in each investment on any business day. The participant's investment in Sterling Financial Corporation common stock is limited to 50% of the participant's account balance.

### **Participant Accounts**

Separate accounts are maintained for each participant. Each participant's account is credited with the participant's contribution (including any rollover contributions), an allocation of Sterling's contribution and any Plan earnings, and is debited with any losses and expenses. Allocations of Sterling's contribution and Plan earnings or losses and expenses are based on participant account balances, as defined in the Plan document. The participant's benefit is the amount of any balance that has accumulated in his or her account.

### **Vesting**

A participant is 100% vested in his or her voluntary contributions plus actual earnings thereon. Sterling's contributions and earnings thereon are subject to a vesting schedule of 50% after two years and 100% after three years of service.



#### **Forfeitures**

Forfeitures resulting from the nonvested portions of participants' accounts who terminate employment prior to being fully vested are generally used to reduce future matching contributions or to pay the administrative expenses of the Plan. Amounts forfeited during 2012 and 2011 totaled \$110,049 and \$54,000, respectively. Forfeitures in the amount of \$89,625 and \$80,725 were used to pay administrative expenses of the Plan during the years ended December 31, 2012 and 2011, respectively. Remaining forfeiture balances at December 31, 2012 and 2011 of \$30,901 and \$10,477 are available to pay administrative expenses and/or reduce employer contributions. No forfeitures were used to offset Employer contributions during the years ended December 31, 2012 and 2011.

#### **Payment of Benefits**

Distributions are made upon termination, death, disability, retirement or qualifying hardships. Participants or their beneficiaries will receive payment of benefits as follows: (a) balances of \$5,000 or less will be distributed in a lump sum, or (b) balances greater than \$5,000 will be distributed in various optional forms of distribution. Any amounts less than \$1,000 are automatically distributed in cash.

#### **Notes Receivable from Participants**

A participant may borrow from his or her fund account up to a maximum of 50% of his or her vested account balance. However, only one note receivable can be outstanding at a time and it can be no more than \$50,000 minus the participant's highest outstanding note receivable amount during the prior twelve months. The notes receivable are secured by the vested balance in the participant's account and bear a fixed rate of interest set at the Federal Reserve prime rate plus 1%, calculated at the end of each month and applied to all notes receivable funded during the next month. In 2012, total interest income credited was approximately \$81,000, of which the majority was related to interest income from notes receivable from participants. Principal and interest are paid ratably through regular payroll deductions over a period not to exceed five years, unless the note receivable is for the purchase of the participant's primary residence. Participants pay an origination fee, as well as an annual maintenance fee. If a note is not repaid when due, the note balance is treated as a taxable distribution from the Plan.

#### **Administrative Expenses**

Each share of Sterling Financial Corporation common stock purchased by the Plan on the open market is subject to a fee of \$0.029 per share, which is paid by the participants. Participants also pay various transaction related fees for participant requested services. Either the Plan or Sterling pays the trustee fee charged by Fidelity Investments, the investment consulting fee charged by the Multnomah Group, as well as other fees, expenses and commissions.

#### **Hardship Withdrawals**

Hardship withdrawals of the participants' contributions are permitted by the Plan in accordance with the Internal Revenue Code ("IRC"). Following a hardship withdrawal, the participant cannot make a pre-tax deferral or after-tax contribution for six months following receipt of the distribution.

## **2. Investments**

The following table presents the fair value of investments that represent 5% or more of the Plan's net assets at December 31, 2012 and 2011.

	2012	2011
Fidelity Freedom 2025	\$ 8,822,929	\$ 7,484,705
Fidelity Freedom 2020	8,315,335	8,231,432
Fidelity Freedom 2030	6,487,065	5,594,000
Fidelity Freedom 2015	6,015,828	6,165,723
Fidelity Freedom 2035	5,307,303	4,245,306
Dodge & Cox International Stock	4,626,662	3,722,007
Sterling Financial Corporation common stock	4,453,089	3,557,937
Fidelity Retire Money Market Fund	*	4,075,266

\* Less than 5% of Net Assets

During the year ended December 31, 2012, the Plan's investments appreciated in value (including gains and losses on investments purchased and sold, as well as held during the year) as follows:

	2012
Common stock of Sterling Financial Corporation	\$ 902,293
Mutual funds	6,423,932
Total	\$ 7,326,225

## **3. Plan Termination**

Although it has not expressed an intent to do so, Sterling has the right to discontinue its contributions to the Plan at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants' accounts will become fully vested and non-forfeitable. All assets remaining in the Plan after payment of any expenses properly chargeable against the Plan shall be paid to participants in accordance with the terms of the Plan.

## **4. Fair Value Measurements**

The framework for defining and measuring fair value requires that one of three valuation methods be used to determine fair market value: the market approach, the income approach or the cost approach. To increase consistency and comparability in fair value measurements and related disclosures, the standard also creates a fair value hierarchy to prioritize the inputs to these valuation methods into the following three levels:

- Level 1 inputs are a select class of observable inputs, based upon the quoted prices for identical instruments in active markets that are accessible as of the measurement date, and are to be used whenever available.

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Notes to Financial Statements**

- Level 2 inputs are other types of observable inputs, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are inactive; or other inputs that are observable or can be derived from or supported by observable market data. Level 2 inputs are to be used whenever Level 1 inputs are not available.
- Level 3 inputs are significantly unobservable, reflecting the reporting entity's own assumptions regarding what market participants would assume when pricing a financial instrument. Level 3 inputs are to only be used when Level 1 and Level 2 inputs are unavailable.

***Assets and Liabilities Measured at Fair Value on a Recurring Basis.*** The following presents the Plan's financial instruments that are measured at fair value on a recurring basis:

	Total	Level 1	Level 2	Level 3
Balance, December 31, 2012:				
Sterling Financial Corporation				
Common stock	\$ 4,453,089	\$ 4,453,089	\$ 0	\$ 0
Money market and other cash equivalents	3,949,100	3,949,100	0	0
Mutual funds:				
Blend funds	54,287,125	54,287,125	0	0
Growth funds	10,554,132	10,554,132	0	0
Fixed Income funds	4,135,091	4,135,091	0	0
Value funds	4,520,189	4,520,189	0	0
Total mutual funds	73,496,537	73,496,537	0	0
Total investments, at fair value	<u>\$ 81,898,726</u>	<u>\$ 81,898,726</u>	<u>\$ 0</u>	<u>\$ 0</u>
Balance, December 31, 2011:				
Sterling Financial Corporation				
Common stock	\$ 3,557,937	\$ 3,557,937	\$ 0	\$ 0
Money market	4,229,421	4,229,421	0	0
Mutual funds:				
Blend funds	46,086,176	46,086,176	0	0
Growth funds	8,255,677	8,255,677	0	0
Fixed Income funds	3,529,463	3,529,463	0	0
Value funds	3,242,127	3,242,127	0	0
Total mutual funds	61,113,443	61,113,443	0	0
Total investments, at fair value	<u>\$ 68,900,801</u>	<u>\$ 68,900,801</u>	<u>\$ 0</u>	<u>\$ 0</u>

Mutual funds are valued using quoted market prices to represent the net asset value on the last trading day of the year. The Money Market fund is a type of mutual fund that is valued using \$1 per share for the Net Asset Value. Sterling Financial Corporation common stock is valued at its quoted market price on the last trading day of the year.

## **5. Income Tax Status**

The Internal Revenue Service ruled on March 31, 2008 that the Volume Submitter Profit Sharing Plan with CODA (the prototype plan document of Fidelity Management & Research Co. utilized by the Plan) qualifies under Section 401(a) of the IRC and the related trust is, therefore, not subject to tax under present income tax law. The Plan is required to operate in conformity with the IRC to maintain its qualification. The Plan Administrator is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

## **6. Parties-In-Interest**

Certain Plan investments are shares of mutual funds managed by Fidelity Investments, which is the trustee of the Plan. No direct transaction fees or commissions were paid, or are payable, by the Plan through the Trust relating to these funds in 2012.

Certain Plan investments are shares in Sterling Financial Corporation common stock, as detailed in Note 2. Sterling Financial Corporation is the parent company of Sterling Savings Bank and therefore these transactions also qualify as party-in-interest transactions.

## **7. Commitments and Contingencies**

On January 20 and 22, 2010, two putative class action complaints were filed in the United States District Court for the Eastern District of Washington against Sterling Financial Corporation and Sterling Savings Bank (collectively, "Sterling"), as well as certain of Sterling's current and former officers and directors. The two complaints were merged in a Consolidated Amended Complaint (the "Complaint") filed on July 16, 2010 in the same court. The Complaint does not name all of the individuals named in the prior complaints, but it is expected that additional defendants will be added. The Complaint alleges that the defendants breached their fiduciary duties under sections 404 and 405 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), with respect to the Sterling Savings Bank Employee Savings and Investment Plan (the "401(k) Plan") and the FirstBank Northwest Employee Stock Ownership Plan ("ESOP") (collectively, the "Plans").

Specifically, the Complaint alleges that the defendants breached their duties by investing assets of the Plans in Sterling's securities when it was imprudent to do so, and by investing such assets in Sterling securities when defendants knew or should have known that the price of those securities was inflated due to misrepresentations and omissions about Sterling's business practices. The business practices at issue include alleged over-reliance on risky construction loans; alleged inadequate loan reserves; alleged spiking increases in nonperforming assets, nonperforming loans, classified assets, and over 90-day delinquent loans; alleged inadequate accounting for rising loan payment shortfalls; alleged unsafe and unsound banking practices; and a capital base that was allegedly inadequate to withstand the significant deterioration in the real estate markets. The putative class periods are October 22, 2007 to the present for the 401(k) Plan class, and October 22, 2007 to November 14, 2008 for the ESOP class. The Complaint seeks damages of an unspecified amount and attorneys' fees and costs.

On September 26, 2012, Sterling received a letter from the U.S. Department of Labor (the "Department of Labor") containing similar allegations as those set forth in the Complaint, demanding that the violations alleged in the Department of Labor's letter be corrected and notifying Sterling that the Department of Labor may take legal action in connection with such allegations, including assessing a civil money penalty. Failure by Sterling to obtain a favorable resolution of the claims set forth in the Complaint or in the letter from the Department of Labor could have a material adverse effect on Sterling's business, results of operations, and financial condition. In January 2013, a tentative settlement was reached, pursuant to which Sterling agreed to pay \$3.0 million to settle the claims. The settlement will be paid by Sterling and its insurance carrier, not the Plan, to participants through their participant accounts in the Plan. The settlement is subject to approval by the court and the Department of Labor. On March 29, 2013, the Court preliminarily approved the settlement, with the final fairness hearing set for July 11, 2013. On May 31, 2013, the Department of Labor issued a no action letter contingent on court approval at the final fairness hearing.

#### **8. Transfer of Assets**

On March 1, 2012, Sterling purchased certain assets of First Independent Bank and at that time certain employees of First Independent Bank became employees of Sterling. On May 1, 2012, the assets from the First Independent Bank Savings Benefit Plan and Trust attributable to these employees transferred into the Plan. Assets increased by \$6,017,342 as a result of these assets being transferred into the Plan.

#### **9. Subsequent Events**

The Plan has evaluated subsequent events through the date the financial statements were available to be issued.

On February 28, 2013, Sterling acquired American Heritage Holdings and its bank subsidiary, Borrego Springs Bank, N.A. Effective March 1, 2013, the employees of Borrego Springs Bank became employees of Sterling Savings Bank and became eligible to participate in the Plan. The participants became 100% vested in their predecessor plan account balances.

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Schedule H, Line 4i - Schedule of Assets (Held at End of Year)**  
**December 31, 2012**  
**EIN: 91-1166044 Plan Number: 001**

(a)	(b)	(c)	(d)	(e)
	Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
	Money Market Accounts			
*	Fidelity Retire Money Market	Money Market, 3,700,567 units	**	\$ 3,700,567
*	Fidelity US Treasury	Money Market, 243,832 units	**	243,832
*	Cash Equivalents	N/A	**	4,701
				<u>3,949,100</u>
	Common Stock			
*	Sterling Financial Corporation	Common stock, 213,066 shares	**	4,453,089
	Mutual Funds			
*	Fidelity Freedom 2025	Mutual fund, 738,320 shares	**	8,822,929
*	Fidelity Freedom 2020	Mutual fund, 581,086 shares	**	8,315,335
*	Fidelity Freedom 2030	Mutual fund, 455,872 shares	**	6,487,065
*	Fidelity Freedom 2015	Mutual fund, 509,384 shares	**	6,015,828
*	Fidelity Freedom 2035	Mutual fund, 448,631 shares	**	5,307,303
	Dodge & Cox International Stock	Mutual fund, 133,564 shares	**	4,626,662
	JPM Large Cap Growth Select	Mutual fund, 146,054 shares	**	3,497,994
*	Fidelity Total Bond	Mutual fund, 306,385 shares	**	3,354,911
*	Fidelity Freedom 2040	Mutual fund, 401,528 shares	**	3,316,622
*	Fidelity Freedom 2045	Mutual fund, 305,920 shares	**	2,991,898
*	Spartan 500 Index Adv	Mutual fund, 57,733 shares	**	2,914,927
*	Fidelity Balanced	Mutual fund, 128,437 shares	**	2,591,856
	Vanguard Small Growth Index	Mutual fund, 103,279 shares	**	2,585,072
*	Fidelity Freedom 2010	Mutual fund, 149,671 shares	**	2,113,352
	ABF Large Cap Val PA	Mutual fund, 96,333 shares	**	1,978,667
	Buffalo Mid Cap	Mutual fund, 110,737 shares	**	1,879,210
*	Fidelity Freedom 2050	Mutual fund, 163,958 shares	**	1,580,557
	Vanguard Selected Value	Mutual fund, 72,961 shares	**	1,530,725
	Vanguard Small Value Index	Mutual fund, 58,092 shares	**	1,010,797
	Vanguard Inflation Protected Securities	Mutual fund, 53,694 shares	**	780,180
*	Fidelity Freedom Income	Mutual fund, 59,019 shares	**	691,116
*	Fidelity Freedom 2005	Mutual fund, 40,684 shares	**	456,073
*	Fidelity Freedom 2000	Mutual fund, 28,773 shares	**	355,927
*	Spartan ST TR Adv	Mutual fund, 20,422 shares	**	216,268
*	Fidelity Freedom 2055	Mutual fund, 7,618 shares	**	75,263
	Total mutual funds			<u>73,496,537</u>
	Total investments, at fair value			<u>81,898,726</u>
*	Notes receivable from participants	Interest ranging from 4.25% to 9.25% maturing through November 2027	**	2,016,755
	Total assets			<u>\$ 83,915,481</u>
*	Indicates party-in-interest to the Plan.			
**	Indicates a participant or beneficiary directed account. The cost disclosure is not required.			

**Sterling Savings Bank**  
**Employee Savings and Investment Plan and Trust**  
**Schedule H, Line 4a - Schedule of Delinquent Participant Contributions**  
**December 31, 2012**  
**EIN: 91-1166044 Plan Number: 001**

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Participant Contributions  
 Transferred Late to the Plan

Total that Constitute Nonexempt Prohibited Transactions

Check here if Late Participant Loan repayments are included: <input checked="" type="checkbox"/>	Contributions not corrected	Contributions Corrected Outside VFCP	Contributions Pending correction in VFCP	Total Fully Correct Under VFCP and PTE 2002-51
\$ 4,473	\$ —	\$ —	\$ 4,473	\$ —

**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Sterling Savings Bank Employee Savings and  
Investment Plan and Trust

Date: June 13, 2013

/s/ Robert G. Butterfield  
**Robert G. Butterfield**  
Senior Vice President, Principal Accounting Officer  
and Controller