

STERLING FINANCIAL CORP /WA/
Form S-4
December 09, 2002

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As filed with the Securities and Exchange Commission on December 9, 2002.

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

STERLING FINANCIAL CORPORATION

(Exact name of Registrant as specified in its charter)

WASHINGTON

(State or other jurisdiction of
incorporation or organization)

6719

(Primary Standard Industrial
Classification Code Number)

**111 North Wall Street
Spokane, Washington 99201
(509) 458-2711**

(Address, including zip code, and telephone number, including
area code, of Registrant's principal executive offices)

91-1572822

(I.R.S. Employer
Identification No.)

NED M. BARNES, SECRETARY
Sterling Financial Corporation
111 North Wall Street
Spokane, Washington 99201
(509) 458-2884

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copies of communications to:

DONALD J. LUKES, ESQ.
RICHARD A. REPP, ESQ.
Witherspoon, Kelley, Davenport & Toole,
P.S.
1100 U.S. Bank Building
422 West Riverside Avenue
Spokane, Washington 99201
(509) 624-5265

DENNIS M. JACKSON, ESQ.
Holland & Hart LLP
Suite 3200
555 Seventeenth Street
Denver, Colorado 80202
(303) 295-8115

Approximate date of commencement of proposed sale of the securities to public: As soon as practicable after the effective date of this
Registration Statement and the satisfaction or waiver of all other conditions to the merger described in the Proxy Statement/Prospectus.

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If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G check the following box: ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered ⁽¹⁾	Proposed maximum offering price per unit	Proposed maximum aggregate offering price ⁽²⁾	Amount of registration fee ⁽²⁾
Common Stock, par value \$1.00 per share	1,945,588	N/A	\$35,818,275	\$3,295.28

(1) Represents the maximum number of shares of common stock of Sterling Financial Corporation issuable or reserved for issuance upon consummation of the merger described herein.

(2) Pursuant to Rule 457(c) and 457(f), the registration fee is based on the high and low prices of Empire Federal Bancorp, Inc. common stock as reported by Nasdaq on December 6, 2002 (\$18.41).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

[EMPIRE LETTERHEAD]

PROXY STATEMENT/PROSPECTUS MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Stockholder:

We cordially invite you to attend a special meeting of our stockholders, which will be held on [February 21, 2003], at 10:00 a.m. local time, at [the main office of Empire Bank, 123 South Main Street, Livingston, Montana 59047]. At the meeting, you will be asked to vote upon a proposal to adopt a merger agreement that will combine our company with Sterling Financial Corporation. In the merger, the exchange ratio is designed so that you will receive \$19.25, in the form of Sterling common stock, for each share of Empire common stock you own. This amount may be higher or lower, however, if the average closing price for Sterling common stock just prior to the closing is outside of a range within the exchange ratio described in this proxy statement/prospectus.

Whether or not you plan to attend the meeting, we urge you to complete, sign and date the enclosed proxy card and return it in the enclosed postage-paid envelope to ensure that your shares are represented at the meeting. If you attend the meeting, you may vote in person if you wish, even though you have previously returned your proxy card.

YOUR VOTE IS VERY IMPORTANT.

The merger cannot be completed unless the holders of a majority of the outstanding shares of Empire common stock as of the record date vote to adopt the merger agreement. Your vote is important because failing to vote will have the effect of voting against the merger agreement. Empire's board of directors has determined that the merger is fair to and in the best interests of Empire and its stockholders. **The board of directors has approved the merger agreement and unanimously recommends that you vote "FOR" adoption of the merger agreement.**

This proxy statement/prospectus gives you detailed information about the merger and includes a copy of the merger agreement. You should read both carefully. This document is a proxy statement that Empire is using to solicit proxies for use at its special meeting of stockholders. It is also a prospectus relating to Sterling's issuance of its shares of common stock in connection with the merger. **Before you make a decision on how to vote on the merger, you should consider the "Risk Factors" beginning on page 15 of this proxy statement/prospectus.**

Sincerely,

William H. Ruegamer

President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the Sterling common stock to be issued in the merger or determined if this prospectus is accurate or adequate. Any representation to the contrary is a criminal offense. The securities offered through this document are not deposits, savings accounts or other obligations of a depository institution and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This proxy statement/prospectus is dated [January 17, 2003] and was first mailed to stockholders on or about [January 21, 2003].

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Sterling and Empire from other documents that are not included in or delivered with this document. This information is available to you without charge upon written or oral request. You can obtain documents relating to Sterling and Empire that are incorporated by reference in this document through the SEC website at <http://www.sec.gov> or by requesting them in writing or by telephone from the appropriate company:

Sterling Financial Corporation
111 North Wall Street
Spokane, Washington 99201
Attn: Investor Relations
(509) 458-2711

Empire Federal Bancorp, Inc.
123 South Main Street
Livingston, Montana 59047
Attn: William H. Ruegamer
(406) 222-1981

If you would like to request documents please do so by [February 14, 2003], in order to receive them before the special meeting of stockholders.

SEE "WHERE YOU CAN FIND MORE INFORMATION" ON PAGE 44.

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD [FEBRUARY 21, 2003]**

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Empire Federal Bancorp, Inc. will be held at [the main office of Empire Bank, 123 South Main Street, Livingston, Montana 59047], on [February 21, 2003], at 10:00 a.m., for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger dated as of September 19, 2002, by and among Sterling Financial Corporation and Empire Federal Bancorp, Inc., a copy of which is attached as Annex A to the accompanying proxy statement/prospectus, pursuant to which Empire will merge into Sterling on the terms and subject to the conditions contained in the merger agreement.
2. To consider and act upon such other matters as may properly come before the meeting or any adjournment thereof.

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The proposed merger is discussed more fully in the proxy statement/prospectus attached to this notice. We urge you to read this document and its appendices carefully before voting.

Only Empire stockholders of record at the close of business on [January 6, 2003] are entitled to notice of and to vote at the special meeting, or any adjournment thereof. A majority of the shares of Empire common stock outstanding on the record date must be voted in favor of the merger agreement in order for the merger to be completed. Therefore, your vote is important.

All Empire stockholders are cordially invited to attend the special meeting. However, we encourage you to vote by proxy so that your shares will be represented and voted at the meeting even if you cannot attend. You may vote by written proxy card using the instructions provided on the enclosed proxy card. Of course, this will not prevent you from voting in person at the meeting. Your failure to vote your shares is the same as voting against adoption of the merger agreement.

The Board of Directors of Empire unanimously recommends that stockholders vote "FOR" adoption of the merger agreement.

By Order of the Board of Directors,

Ann Worthington, Secretary

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE STERLING/EMPIRE MERGER	1
SUMMARY OF THIS PROXY STATEMENT/PROSPECTUS	3
The Companies	3
Summary of the Transaction	4
SELECTED FINANCIAL DATA OF STERLING	8
SELECTED FINANCIAL DATA OF EMPIRE	11
COMPARATIVE STOCK PRICE AND DIVIDEND INFORMATION	13
SELECTED PRO FORMA CONSOLIDATED COMPARATIVE PER SHARE DATA (UNAUDITED)	14
RISK FACTORS	15
THE EMPIRE SPECIAL MEETING	17
Date, time, place and purpose of Empire's special meeting	17
Record date; outstanding shares; shares entitled to vote	17
Participants in the Empire Bank ESOP	17
Quorum; vote required	17
Voting of proxies	17
Recommendation of Empire's board of directors	18
Share ownership of management	18
How to revoke your proxy	18
Abstentions and broker nonvotes	18
Voting electronically via Internet or telephone	18
Expenses of proxy solicitation	19
Certificates	19
THE MERGER	20
Background of the merger	20
Empire's reasons for the merger	21
Recommendation of Empire's board of directors	23
Opinion of Empire's financial advisor	23
Sterling's reasons for the merger	29
Structure of the merger	29
Exchange ratio; conversion of Empire common stock	29
Treatment of options and employee stock purchase and benefit plans	29
Interests of Empire's directors and executive officers in the merger	30

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Restrictions on sales by affiliates of Empire and Sterling	30
Material United States federal income tax consequences of the merger	31
Accounting treatment of the merger	32
Exchange of Empire stock certificates for Sterling stock certificates	32
Conditions to completion of the merger	32
Representations and warranties	33
Conduct of business before closing of the merger	34
Exclusivity	36
Termination of the merger agreement	36
Termination fees	37
Extension; waiver	37
Amendment of the merger agreement	37
Empire management voting agreements	37
COMPARISON OF RIGHTS OF HOLDERS OF EMPIRE COMMON STOCK AND STERLING COMMON STOCK	38

i

Board of directors	38
Right to call special meeting of stockholders	38
Preemptive rights	38
Removal of directors	39
Filling vacancies on the board of directors	39
Anti-takeover provisions	39
Related person transactions	39
Amendment of articles and bylaws	40
SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS, MANAGEMENT AND DIRECTORS OF EMPIRE	41
LEGAL MATTERS	42
EXPERTS	42
STOCKHOLDER PROPOSALS	42
DOCUMENTS INCORPORATED BY REFERENCE INTO THIS PROXY STATEMENT/PROSPECTUS	43
WHERE YOU CAN FIND MORE INFORMATION	44
FORWARD-LOOKING INFORMATION	44

ANNEX A Agreement and Plan of Merger

ANNEX B Empire Federal Bancorp, Inc. Annual Report on Form 10-KSB

ANNEX C Empire Federal Bancorp, Inc. Quarterly Report on Form 10-QSB

ANNEX D Fairness Opinion of D.A. Davidson & Co.

ii

QUESTIONS AND ANSWERS ABOUT THE STERLING/EMPIRE MERGER

Q:

What is the purpose of this proxy statement/prospectus?

A:

This document serves as both a proxy statement of Empire and a prospectus of Sterling. As a proxy statement, it is being provided to you by Empire because the board of directors of Empire is soliciting your proxy to vote to adopt the proposed merger of Empire with and into Sterling. As a prospectus, it is being provided to you by Sterling because Sterling is offering you shares of its common stock as consideration for your Empire shares.

Q:

What will Empire stockholders receive in the merger?

A:

Under the merger agreement, each outstanding share of Empire common stock will be converted into the right to receive \$19.25 per share in the form of Sterling common stock, provided the average closing price thereof within the ten-day trading period preceding the fifth trading day prior to the closing date is between \$17.01 and \$22.68. The merger exchange ratio provides that, regardless of the closing price of Sterling common stock, you will receive no less than 0.849 and no more than 1.132 of a share of Sterling common stock for each share of Empire common stock that you own. Thus, you may receive more or less than \$19.25 per share of Empire common stock in the merger. The exact number of shares of Sterling common stock will be determined by the exchange ratio that is more fully described in the attached proxy statement/prospectus, which you should read carefully.

Q:

What do I need to do now?

A:

First, carefully read this document in its entirety. Then, you should cast your vote on the merger agreement by completing, signing and dating your proxy card. You should return your completed proxy card as soon as possible in the enclosed postage-paid envelope. If you return your signed proxy card but do not include instructions on how to vote, your shares will be voted "FOR" adoption of the merger agreement. You can also attend the special meeting and vote in person, even if you have previously voted by proxy.

If you abstain from voting or do not vote, it will have the effect of voting against adoption of the merger agreement.

THE BOARD OF DIRECTORS OF EMPIRE UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" ADOPTION OF THE MERGER AGREEMENT.

Q:

What vote is required to approve and adopt the merger agreement?

A:

The holders of a majority of outstanding Empire stock must vote to adopt the merger agreement.

Q:

Can I dissent and require appraisal of my shares of Empire common stock?

A:

No. Stockholders are not entitled to dissenters' appraisal rights in connection with the merger.

Q:

What do I do if I want to change my vote?

A:

You can change your vote, in one of three ways, at any time before your proxy is voted at the special meeting. First, you can send Empire a written notice stating that you would like to revoke your proxy. Second, you can complete and send a new proxy to Empire. Third, you can attend the special meeting and vote in person.

Q:

If my Empire shares are held in "street name" by my broker, will my broker vote my shares for me?

A:

No. Your broker will vote your shares only if you provide instructions on how to vote. You should fill out the voter instruction form sent to you by your broker with this proxy statement/prospectus.

If you do not give instructions to your broker, your shares will not be voted, which will have the effect of voting against the merger.

Q:

Should I send in my Empire stock certificates now?

A:

No. After the merger is completed, we will send you written instructions for exchanging your Empire stock certificates for Sterling stock certificates. Please do not send in your stock certificates with your proxy card.

Q:

When do you expect the merger to be completed?

A:

We are working toward completing the merger as quickly as possible. We hope to complete the merger in late February 2003, if all required matters have been completed at that time.

Q:

Will I recognize a taxable gain or loss on the transaction?

A:

We expect that if the merger is completed, you will not recognize a gain or loss for United States federal income tax purposes as a result of the merger, except that you will recognize a gain or loss with respect to cash received instead of a fractional share. However, we urge you to consult your own tax advisor to determine the tax consequences particular to your situation.

Q:

Whom should I call with questions?

A:

If you have any questions about the merger or if you need additional copies of the proxy statement/prospectus, you should contact:

William H. Ruegamer, President
Empire Federal Bancorp, Inc.
(406) 222-1981

You may also obtain additional information about Sterling and Empire from documents we file with the Securities and Exchange Commission, by following the instructions in the section entitled "Where You Can Find More Information" on page 44.

2

SUMMARY OF THIS PROXY STATEMENT/PROSPECTUS

This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should carefully read this entire proxy statement/prospectus and the other documents to which we refer you. We have included page references in parentheses to direct you to a more complete description of some of the topics presented in this summary.

The Companies

Sterling Financial Corporation
111 North Wall Street
Spokane, Washington 99201
(509) 458-2711
www.sterlingsavingsbank.com

Sterling Financial Corporation is a holding company, the significant operating subsidiary of which is Sterling Savings Bank. The significant operating subsidiaries of Sterling Savings Bank are Action Mortgage Company, INTERVEST-Mortgage Investment Company and Harbor Financial Services, Inc. Sterling Savings Bank commenced operations in 1983 as a Washington State-chartered, federally insured stock savings and loan association headquartered in Spokane, Washington.

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Sterling provides personalized, quality financial services to its customers as exemplified by its "Hometown Helpful" philosophy. Sterling believes that this dedication to personalized service has enabled it to maintain a stable retail deposit base. With \$3.33 billion in total assets at September 30, 2002, Sterling attracts Federal Deposit Insurance Corporation insured deposits from the general public through 77 retail branches located primarily in rural and suburban communities in Washington, Oregon, Idaho and Montana. Sterling originates loans through its branch offices, as well as Action Mortgage residential loan production offices in the metropolitan areas of Spokane and Seattle, Washington; Portland, Oregon; and Boise, Idaho, and through INTERVEST commercial real estate lending offices located in the metropolitan areas of Spokane and Seattle, Washington; and Portland, Oregon. Sterling also markets tax-deferred annuities, mutual funds and other financial products through Harbor Financial.

For additional information about Sterling's business, see Sterling's Annual Report on Form 10-K for the year ended December 31, 2001 and other documents Sterling has filed with the SEC, which are incorporated into this proxy statement/prospectus by reference. See "Where You Can Find More Information" on page 44.

Empire Federal Bancorp, Inc.
123 South Main Street
Livingston, Montana 59047
(406) 222-1981

Empire Federal Bancorp, Inc. is a holding company, the significant subsidiary of which is Empire Bank. The Bank is a community oriented financial institution which has traditionally offered a variety of savings products to its retail customers while concentrating its lending activities on the origination of loans secured by one- to four-family residential dwellings. In the past, the Bank considered Gallatin, Park and Sweet Grass counties in south central Montana as its primary market area. During 1999, the Bank received regulatory approval to open a de novo branch in Billings, Montana, and management opened the new branch in April 2001. In addition, the Bank opened a loan production office in Missoula, Montana during the third quarter of 2000, which was converted to a full service branch that opened during March 2002. Lending activities also have included the origination of multi-family,

3

commercial, business, commercial real estate and home equity loans. The Bank's primary business has been that of a traditional financial institution, originating loans in its primary market area for its portfolio. In addition, the Bank has maintained a significant portion of its assets in investment and mortgage-backed securities. Similar to its lending activities, the Bank's investment portfolio has been weighted toward U.S. Government, U.S. Government agency and U.S. Government agency mortgage-backed securities secured by one- to four-family residential properties. The Bank plans to continue to fund its assets primarily with deposits, although FHLB advances are used as a supplemental source of funds.

For additional information about Empire's business, see Empire's Annual Report on Form 10-KSB for the year ended December 31, 2001 and Quarterly Report on Form 10-QSB for the quarter ended September 30, 2002 attached to this proxy statement/prospectus as Annex B and Annex C and other documents Empire has filed with the SEC, which are incorporated into this proxy statement/prospectus by reference. See "Where You Can Find More Information" on page 44.

Summary of the Transaction

The merger (page 20).

In the merger, Empire will merge with and into Sterling. The merger agreement is attached to this proxy statement/prospectus as Annex A. We encourage you to carefully read the merger agreement and the discussion of the merger and merger agreement in this proxy statement/prospectus.

Empire's reasons for the merger (page 21).

Empire's board of directors believes the merger will provide several benefits to Empire's stockholders, including:

the opportunity for Empire's stockholders to receive a significant premium over the market price for shares of Empire common stock existing before the public announcement of the merger;

the ability of Empire's stockholders to continue to participate in the growth of the business conducted by Sterling and Empire following the merger and to benefit from the potential appreciation in value of shares of Sterling common stock;

the benefits to Empire, its customers, employees and communities of operating as a substantially larger organization, including enhancements in products and services, greater geographical diversity of loan and deposit originations, higher lending limits, and greater financial resources;

the financial and growth prospects, as well as risk mitigation, for Empire and its stockholders of a business combination with Sterling as compared to continuing to operate as a stand-alone entity and the associated business risks, including maintaining high levels of concentration of assets and deposits in relatively rural markets, transitioning to a commercial bank strategy, and current industry conditions; and

the ability of Empire stockholders to receive the merger consideration on a tax-deferred basis.

These potential benefits, however, may not be achieved. For a more complete description of the factors considered by Empire's board of directors, see "The Merger Empire's Reasons for the Merger" on page 21. In addition, there are potential risks related to the merger. See "Risk Factors" on page 15 and "Forward-Looking Information" on page 44.

Empire's board of directors recommends adoption of the merger (page 23).

After careful consideration, Empire's board of directors unanimously approved the merger agreement and unanimously recommends that you vote "FOR" adoption of the merger agreement.

4

Empire's financial advisor says the merger consideration is fair to Empire stockholders (page D-1; Annex D).

In deciding to approve the merger, Empire's board of directors considered an opinion from its financial advisor, D.A. Davidson & Co., Inc. ("Davidson"), that the consideration to be received in the merger was fair from a financial point of view to holders of Empire common stock.

The exchange ratio (page 29).

You will be entitled to receive \$19.25 per share in the form of Sterling common stock, provided the average closing price thereof within the ten-day trading period preceding the fifth trading day prior to the closing date is between \$17.01 and \$22.68. The closing price for Sterling common stock on [January 17, 2003] was [\$]. The merger exchange ratio provides that, regardless of the closing price of Sterling common stock, you will receive no less than 0.849 and no more than 1.132 of a share of Sterling common stock for each share of Empire common stock that you own. Thus, you may receive more or less than \$19.25 per share of Empire common stock in the merger. Instead of issuing fractional shares of stock, Sterling will pay cash for fractional shares based on the average closing price of Sterling common stock over a specified period of time before the closing of the merger.

Empire special meeting (page 17).

The special meeting of Empire's stockholders will be held on [Friday, February 21, 2003], at 10:00 a.m. local time, at [the main office of Empire Bank, 123 South Main Street, Livingston, Montana 59047]. At the meeting, you will be asked to adopt a merger agreement that will cause Empire to merge with and into Sterling. You can vote at the special meeting only if you owned shares of Empire common stock at the close of business on [January 6, 2003], the record date.

Votes required for adoption (page 17).

The holders of a majority of the outstanding shares of Empire common stock must vote to adopt the merger agreement. Empire's stockholders are entitled to cast one vote for each share of Empire common stock they owned as of the record date. Empire's directors and executive officers, who collectively held approximately [] percent of Empire's outstanding common stock as of the record date, have agreed to vote their shares in favor of the merger.

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Sterling's stockholders are not required to adopt the merger and will not vote on the merger.

The tax consequences of the merger (page 31).

Sterling and Empire intend the merger to qualify as a tax-free reorganization under the Internal Revenue Code. It is a condition to the completion of the merger that both parties receive an opinion from their tax counsel that the merger will so qualify. We expect that none of Empire, Sterling or their respective stockholders will recognize a gain or loss for United States federal income tax purposes, except for taxes payable for cash received instead of fractional shares of Sterling common stock. Because tax matters are complicated, however, we urge you to consult your own tax advisor to understand fully how the merger will affect you, including how any state, local or foreign tax laws may apply to you.

Treatment of options (page 29).

Pursuant to the terms of Empire's stock option plan, as a result of the merger, outstanding options to purchase shares of Empire common stock will be fully vested and converted into the right to receive cash.

5

Treatment of employee benefit plans (page 29).

Empire has agreed to terminate or withdraw from all of Empire's employee benefit plans at or as soon as reasonably practicable after the effective time of the merger. Sterling has agreed to offer Empire employees who remain at Sterling benefits commensurate with the benefits it gives to similarly situated Sterling employees.

Certain conditions must be met prior to completion of the merger (page 32).

Empire's and Sterling's respective obligations to effect the merger are subject to the prior satisfaction or waiver of specific conditions including the adoption of the merger agreement by the favorable vote of the holders of a majority of Empire's common stock.

The merger agreement may be terminated (page 36).

Even if Empire's stockholders adopt the merger agreement, Sterling and Empire can agree at any time to terminate the merger agreement without completing the merger. In addition, subject to qualifications, the merger agreement may be terminated by either Empire or Sterling if any of several conditions occur.

A termination fee may become payable (page 37).

Empire must pay Sterling a termination fee of up to \$1.2 million if the merger agreement is terminated under certain conditions.

Empire's directors and executive officers have agreed to vote in favor of the merger (page 37).

As a condition to the merger, Empire's directors and executive officers, who collectively held approximately [] percent of Empire's outstanding common stock as of [January 6, 2003], the record date, agreed to enter into voting agreements with Sterling. Under the voting agreements, Empire's directors and executive officers have agreed to vote all the shares of Empire common stock beneficially owned by them in favor of adoption of the merger agreement.

Interests of Empire's directors and executive officers in the merger (page 30).

When considering the recommendation of Empire's board of directors, you should be aware that some of Empire's directors and executive officers have interests in the merger that are different from, or in addition to, yours. These include indemnification rights, acceleration of option vesting and other benefits and payments under agreements and employee benefit and retention plans. Empire's board of directors was aware of and considered the interests of Empire's directors and executive officers in approving the merger agreement and recommending that Empire's stockholders adopt the merger agreement.

Differences in rights of Empire and Sterling stockholders (page 38).

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The rights of Empire's stockholders are governed by Delaware law and Empire's certificate of incorporation and bylaws. When the merger is completed, Empire's stockholders will become stockholders of Sterling. Because Sterling is a Washington corporation, the rights of Empire's stockholders will be governed by Washington law and by Sterling's articles of incorporation and bylaws, which differ in some respects from Empire's.

Comparative Common Stock Price and Dividend Information (page 13).

Shares of both Sterling common stock and Empire common stock are listed on the Nasdaq Stock Market under the symbols STSA and EFBC, respectively. On September 18, 2002, the last full trading

6

day before the public announcement of the proposed merger, Sterling's common stock closed at \$18.50 per share and Empire's common stock closed at \$13.63 per share. On [January 17, 2003], a date just prior to the time of the printing of this proxy statement/prospectus, Sterling's common stock closed at [\$] per share and Empire's common stock closed at [\$] per share. We urge you to obtain current market quotations.

7

SELECTED FINANCIAL DATA OF STERLING

The following tables set forth selected historical consolidated financial and other data of Sterling for the five years ended December 31, 2001 and for the nine months ended September 30, 2002 and 2001. The historical consolidated financial data for the nine months ended September 30, 2002 and 2001 is derived from unaudited consolidated financial statements. However, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation at such dates and for such periods have been made. Operating results for the nine months ended September 30, 2002 are not necessarily indicative of the results that may be expected for any interim period or the entire year ended December 31, 2002. The financial information for the five years ended December 31, 2001 is based on, and qualified in its entirety by, the consolidated financial statements of Sterling, including the notes thereto, which are incorporated by reference in this proxy statement/prospectus and should be read in conjunction herewith.

September 30,		December 31,				
2002	2001	2001	2000	1999	1998	1997
(unaudited)	(unaudited)					

(Dollars in thousands)

Selected Financial Position Data:

Total assets	\$ 3,329,575	\$ 2,945,610	\$ 3,038,593	\$ 2,652,709	\$ 2,546,925	\$ 2,314,587	\$ 1,938,353
Loans and leases receivable	2,243,164	1,998,473	2,109,479	1,965,927	1,787,771	1,468,534	1,105,739
Asset-backed securities	731,877	632,759	617,569	314,434	343,310	405,725	477,513
Investments	78,574	76,921	76,479	171,748	162,420	180,680	213,426
Deposits	2,018,424	1,746,594	1,853,536	1,724,219	1,617,368	1,545,425	1,084,445
FHLB Seattle advances	738,086	638,621	633,054	530,652	490,503	319,540	460,085
Other borrowings	119,000	158,015	127,500	110,000	110,000	97,240	72,240
Shareholders' equity	196,478	169,036	165,690	141,338	117,639	119,017	110,617

8

Selected Operating Data:⁽¹⁾⁽³⁾

Nine Months Ended
September 30,

Years Ended
December 31,

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	2002	2001	2001	2000	1999	1998	1997
	(unaudited)	(unaudited)					
(Dollars in thousands, except per share amounts)							
Interest income	\$ 145,976	\$ 151,148	\$ 201,385	\$ 205,310	\$ 177,109	\$ 155,763	\$ 135,885
Interest expense	(73,355)	(90,000)	(116,516)	(125,544)	(102,004)	(96,558)	(88,077)
Net interest income	72,621	61,148	84,869	79,766	75,105	59,205	47,808
Provision for loan and lease losses	(7,590)	(4,400)	(8,000)	(4,600)	(3,900)	(5,325)	(2,482)
Net interest income after provision for loan and lease losses	65,031	56,748	76,869	75,166	71,205	53,880	45,326
Other income	20,641	14,572	21,021	14,488	13,562	12,313	9,474
Merger, acquisition and conversion costs	0	(185)	(283)	0	0	(5,464)	0
Amortization of goodwill and intangibles	(644)	(4,038)	(5,377)	(5,490)	(5,692)	(3,971)	(2,242)
Goodwill litigation	(790)	(770)	(890)	(1,074)	(272)	0	0
Other operating expenses	(59,104)	(48,925)	(66,743)	(61,404)	(58,514)	(46,856)	(36,187)
Income before income taxes	25,134	17,402	24,597	21,686	20,289	9,902	16,371
Income tax provision	(7,188)	(5,947)	(8,409)	(8,033)	(7,470)	(3,679)	(6,152)
Net income	17,946	11,455	16,188	13,653	12,819	6,223	10,219
Preferred stock dividends declared	0	0	0	0	0	0	(940)
Net income applicable to common shares	\$ 17,946	\$ 11,455	\$ 16,188	\$ 13,653	\$ 12,819	\$ 6,223	\$ 9,279
Income (loss) per common share:							
Basic ⁽¹⁾	\$ 1.52	\$ 0.96	\$ 1.47	\$ 1.27	\$ 1.19	\$ 0.58	\$ 1.05
Diluted ⁽¹⁾	\$ 1.47	\$ 0.95	\$ 1.44	\$ 1.26	\$ 1.18	\$ 0.57	\$ 0.94
Weighted average common shares outstanding:							
Basic ⁽¹⁾	11,804,806	11,885,089	11,005,042	10,779,688	10,758,507	10,684,652	8,830,652
Diluted ⁽¹⁾	12,208,035	12,065,541	11,257,132	10,833,670	10,843,683	10,936,916	10,875,169
Ratios:							
Return on average assets	0.77%	0.56%	0.58%	0.52%	0.52%	0.30%	0.58%
Return on average common shareholders' equity	13.4	10.3	10.5	11.0	10.7	5.4	11.1
Shareholders' equity to total assets at end of period	5.9	5.7	5.5	5.3	4.6	5.1	5.7
Book value per common share at end of period ⁽¹⁾	\$ 16.43	\$ 14.57	\$ 14.28	\$ 13.11	\$ 10.93	\$ 11.10	\$ 10.37
Net interest margin	3.35%	3.23%	3.27%	3.25%	3.33%	3.05%	2.84%
Nonperforming assets to total assets at end of period	0.78	0.56	0.82	0.56	0.65	0.40	0.71
Operating Cash Performance Ratios: ⁽²⁾							
Operating cash earnings	\$ 17,946	\$ 13,484	\$ 18,912	\$ 16,147	\$ 15,440	\$ 13,012	\$ 10,673
Operating cash earnings per common share diluted ⁽¹⁾	\$ 1.47	\$ 1.12	\$ 1.68	\$ 1.49	\$ 1.42	\$ 1.19	\$ 0.98

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	Nine Months Ended September 30,			Years Ended December 31,			
Operating cash return on average common shareholders' equity	13.4%	12.2%	12.2%	13.0%	12.9%	11.3%	12.7%
Operating cash return on average assets	0.77	0.66	0.67	0.62	0.63	0.62	0.60
Operating efficiency	64.2	65.6	64.1	66.3	66.3	65.0	63.2
			9				