

American Heritage Holdings (Private; La Mesa, CA) has agreed to merge with Sterling Financial Corporation (NASDAQ: STSA; Spokane, WA)

Deal Value: \$6.5 million

Sandler O'Neill served as financial advisor to American Heritage Holdings in this transaction. This transaction represents Sandler O'Neill's 79th bank or thrift transaction nationwide since January 1, 2010.¹ Sandler O'Neill has served as a financial advisor on more bank and thrift transactions than any other investment bank during that time period.¹ Sandler O'Neill has also served as a financial advisor or provided a fairness opinion on 14 of the 52 whole bank or thrift transactions announced in the Western Region since January 1, 2010.²

Sterling Financial Corp. (the "Company") and American Heritage Holdings ("American Heritage") today announced that the Company and its principal operating subsidiary, Sterling Savings Bank ("Sterling"), have entered into a definitive agreement to acquire American Heritage, the holding company for Borrego Springs Bank, N.A, for cash consideration of \$6.5 million.

The transaction, which has been approved by the boards of directors of Sterling and American Heritage, will provide a significant enhancement to Sterling's government guaranteed lending and servicing capabilities. The shareholders of American Heritage have agreed to vote in favor of the transaction, which is subject to regulatory approval and other customary conditions of closing and is expected to be completed during the first quarter of 2013.

"Borrego Springs Bank has for many years been a leading SBA originator and for fiscal year 2011 was among the top 20 in the nation," said David DePillo, Vice Chairman and Chief Lending Officer of Sterling. "They have a solid and scalable SBA origination and servicing platform that we expect will have a meaningful positive impact as we continue to ramp up commercial lending efforts with an eye on improving our loan portfolio mix and earnings. The expected synergies from the transaction include greatly reduced new loan delivery time and servicing costs for Sterling and expanded product and service offerings for the Borrego Springs Bank lenders."

The Company expects the transaction will be accretive to earnings per share during the first year following completion with an immaterial impact on its tangible book value per share.

Financial Highlights

	<u>Sterling</u> (6/30/12)	<u>American Heritage</u> (9/30/12)
Financials		
Total Assets (\$mm)	\$9,600	\$142
Total Deposits (\$mm)	6,797	121
Total Equity (\$mm)	1,221	13
TCE / TA	12.30%	9.41%
NPAs / Assets	3.35%	12.78%

Transaction Multiples (%)

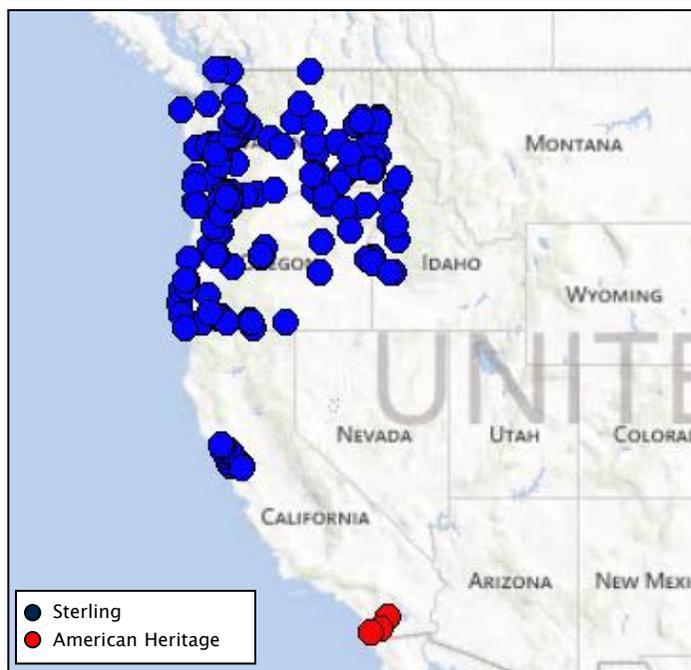
Deal Value / Book Value	48.6%
Deal Value / Tangible Book Value	48.6%
Deal Value / LTM Earnings	12.0x

Notes:

¹ Includes bank or thrift transactions since 2010; excludes terminated transactions and self-advisory roles

² Includes bank or thrift merger transactions with the target headquartered in California, Arizona, Nevada, Oregon, or Washington

Pro Forma Branch Network



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