

HERITAGE FINANCIAL CORP /WA/
Form 424B2
April 13, 2006
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-132899

PROXY STATEMENT/PROSPECTUS

MERGER PROPOSED

YOUR VOTE IS VERY IMPORTANT

Dear Shareholders:

You are cordially invited to attend a special meeting of shareholders of Western Washington Bancorp, Inc. (**WWB**), to be held on May 17, 2006, at 5:00 p.m., at **WWB**'s main office located at 32303 Pacific Highway South, Federal Way, Washington 98003.

At the special meeting, you will be asked to vote upon a proposal to approve the Agreement and Plan of Mergers dated as of January 24, 2006 (the **Merger Agreement**), by and among Heritage Financial Corporation (**Heritage**), and its wholly owned subsidiary Heritage Bank, and **WWB** and its wholly owned subsidiary Washington State Bank, NA under which **WWB** will merge into Heritage, and **WSB** will merge into Heritage Bank.

Under the terms of the Merger Agreement, **WWB** shareholders will receive 1.2530 shares of Heritage common stock and \$20.36 in cash for each of their shares of **WWB** common stock, pending adjustment. Based on the closing price of Heritage common stock on April 7, 2006 (\$28.21), the implied value of one share of **WWB** common stock on that date was \$55.71. The actual value will fluctuate, reflecting any fluctuation in the value of Heritage common stock between April 7, 2006 and the date of closing. As a result of an adjustment pursuant to Section 1.3(C) of the Merger Agreement, **WWB** stockholders will receive an additional \$0.50 per share, which shall be paid, at the discretion of Heritage, in cash, stock or a combination thereof. Heritage's common stock trades on the NASDAQ National Market under the symbol **HFWA**.

If the merger is completed, **WWB** shareholders will own approximately 3.2% of the outstanding common stock of Heritage. We cannot complete the merger unless we obtain approval from **WWB** shareholders by the affirmative vote of at least two-thirds of the outstanding shares, in addition to regulatory approvals and certain other conditions described in this Proxy Statement/Prospectus. As a result, **YOUR VOTE IS VERY IMPORTANT**. We urge you to complete, sign, and date the enclosed proxy card and return it promptly in the enclosed postage-prepaid envelope whether or not you plan to attend the special meeting. If you attend the meeting, you may vote in person even if you previously returned your proxy card. If you do not vote or if you abstain from voting, your actions will have the same effect as a vote against the merger.

No vote of Heritage shareholders is required to complete the merger.

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 **WWB** is using to solicit proxies for use at its special meeting of shareholders. It is also a prospectus relating to Heritage'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 16 of this Proxy Statement/Prospectus.

Your board of directors has approved the merger and believes it is in the best interests of **WWB** and its shareholders.

The board of directors unanimously recommends that you vote **FOR** the merger proposal.

Sincerely,

/s/ L. ANTHONY TEBEAU

L. Anthony Tebeau

President and CEO

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the Heritage 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.

These securities are not savings or deposit accounts, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This Proxy Statement/Prospectus is dated April 10, 2006, and was first mailed to shareholders on or about April 13, 2006.

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REFERENCES TO ADDITIONAL INFORMATION

This document incorporates important business and financial information about Heritage from documents that are not included in or delivered with this document. This information is available to you without charge upon your written or oral request.

You can obtain documents related to Heritage that are incorporated by reference in this document (including any exhibits that are incorporated by reference in such documents) by requesting them in writing or by telephone from:

Heritage Financial Corporation

201 5th Avenue, S.W.

Olympia, Washington 98501

Attn: Edward Cameron, Chief Financial Officer

(360) 943-1500

Only limited financial information is required to be provided about Western Washington Bancorp in this document under the rules of the Securities & Exchange Commission. Additional financial information about Western Washington Bancorp including copies of financial statements, is available to you without charge upon your written or oral request to:

Western Washington Bancorp

32303 Pacific Highway South

Federal Way, Washington 98003

Attn: Paula A. Vinson, Chief Financial Officer

(253) 941-8541

If you would like to request documents please do so by May 10, 2006, in order to receive them before the special meeting of shareholders.

See [Where You Can Find More Information](#) on page 68.

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WESTERN WASHINGTON BANCORP

32303 Pacific Highway South

Federal Way, Washington 98003

(235) 941-8541

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 17, 2006

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Western Washington Bancorp (WWB) will be held at the company's main office located at 32303 Pacific Highway South, Federal Way, Washington 98003, on May 17, 2006 at 5:00 p.m., for the following purpose:

1. MERGER AGREEMENT.

To consider and vote upon a proposal to approve the Agreement and Plan of Mergers dated as of January 24, 2006, by and among Western Washington Bancorp (WWB), Washington State Bank, NA (WSB), Heritage Financial Corporation (Heritage) and Heritage Bank, a copy of which is attached as Appendix A to the accompanying Proxy Statement/Prospectus, pursuant to which WWB will merge into Heritage and WSB will merge into Heritage Bank on the terms and subject to the conditions contained in the Merger Agreement.

2. OTHER MATTERS.

If necessary, to consider and act upon a proposal to adjourn the meeting to permit us to solicit additional proxies if we do not have sufficient votes to approve the merger as of the date of the meeting.

The proposed merger transaction is discussed more fully in the Proxy Statement/Prospectus attached to this notice. We urge you to read this document and its appendices carefully.

We have fixed the close of business on April 6, 2006, as the record date for establishing shareholders entitled to notice of, and to vote at, the meeting or any adjournment thereof. We cannot complete the merger unless the holders of a majority of the shares of WWB common stock outstanding on the record date vote to approve the Merger Agreement.

WWB shareholders have the right to dissent from the merger and obtain payment of the fair value of their WWB shares under Washington law. A copy of the applicable Washington statutory provisions regarding dissenters' rights is attached as Appendix B to the accompanying Proxy Statement/Prospectus. For details of your dissenters' rights and applicable procedures, please see the discussion under the heading "The Merger Dissenters' Rights" beginning on page 36 of the attached proxy statement/prospectus.

THE BOARD OF DIRECTORS OF WWB UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR APPROVAL OF THE MERGER AGREEMENT.

By Order of the Board of Directors,

/s/ Paula Vinson

Paula Vinson, Secretary

Your vote is important regardless of the number of shares you own. Whether or not you expect to attend the meeting, please sign, date and promptly return the accompanying proxy card using the enclosed postage-prepaid envelope. If for any reason you should desire to revoke your proxy, you may do so at any time before it is voted at the meeting.

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QUESTIONS AND ANSWERS

ABOUT THE MERGER AND SPECIAL MEETING

What is the proposed transaction?

WWB has agreed to merge with Heritage, with Heritage being the surviving corporation. Immediately thereafter, WSB will merge with Heritage Bank, with Heritage Bank being the surviving bank.

What will I receive in the merger?

Under the Merger Agreement, unless you perfect your statutory dissenters' rights, you will receive 1.2530 shares of Heritage common stock, \$20.36 in cash for each of your WWB shares and additional consideration equal to \$0.50 per share (which may be paid in cash, stock, or a combination thereof, at the election of Heritage) as a result of an adjustment pursuant to Section 1.3(C) of the Merger Agreement. You also may receive additional Heritage stock and/or cash if Heritage's stock price falls below \$21.25 per share. Cash will be paid for fractional shares. The value of the stock you receive will vary depending on the market price of Heritage common stock upon completion of the merger.

When will the merger occur?

We presently expect to complete the merger in the second quarter of 2006. The merger will occur after approval of the shareholders of WWB is obtained and the other conditions to the merger are satisfied or waived. Heritage and WWB are working toward completing the merger as quickly as possible.

When should I send in my stock certificates?

Please DO NOT send in your stock certificates with your proxy card. YOU SHOULD FOLLOW THE INSTRUCTIONS IN THE LETTER OF TRANSMITTAL WHEN SENT REGARDING HOW AND WHEN TO SURRENDER YOUR STOCK CERTIFICATES.

What are the tax consequences of the merger to me?

We expect that for United States federal income tax purposes, the merger will be considered a tax-free reorganization, which means that you will not recognize any taxable gain or loss with respect to the exchange of your shares of WWB common stock for Heritage common stock and will have a carry-over basis and holding period from your WWB shares. To the extent you receive cash in the merger, you will recognize gain or loss. We urge you to consult your tax advisor to fully understand the tax consequences of the merger to you.

When and where will the special meeting take place?

WWB will hold a special meeting of its shareholders on May 17, 2006, at 5:00 p.m., at the company's main office at 32303 Pacific Highway South, Federal Way, Washington 98003.

How do I vote?

To vote, please indicate on the enclosed proxy card how you want to vote and then sign, date, and mail your proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the special meeting.

Why is my vote important?

Approval of the Merger Agreement requires the affirmative vote of at least two-thirds of WWB's shares. Therefore, if you fail to vote, that will have the same effect as voting against approval of the Merger Agreement.

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

Yes, but only if you give your broker instructions on how to vote your shares. Consequently, it is important that you follow the directions provided by your broker regarding how to instruct your broker to vote your shares. If you fail to instruct your broker on how to vote your shares, the effect will be the same as if you voted against the merger.

What happens if I return my proxy but do not indicate how to vote my shares?

If you sign and return your proxy card, but do not provide instructions on how to vote your shares, your shares will be voted FOR approval of the Merger Agreement.

Can I change my vote after I have mailed my signed proxy card?

Yes. You may change your vote at any time before your proxy is voted at the special meeting. If your shares are held in your own name, you may change your vote as follows:

You may send a written notice stating that you would like to revoke your proxy and provide new instructions on how to vote;

You may complete and submit a new proxy card; or

You may attend the meeting and vote in person. If you intend to vote in person and your shares are held by a broker, you should contact your broker for instructions.

If you choose either the first or second method above, you must submit your notice of revocation or your new proxy card to WWB's secretary prior to or at the special meeting.

If your shares are held in street name by a broker and you have instructed the broker to vote your shares, you must follow instructions received from your broker to change your vote.

Who may vote at the meeting?

The board of directors of WWB has set April 6, 2006, as the record date for the meeting. If you were the owner of WWB common stock at the close of business on April 6, 2006, you may vote at the meeting.

How soon after the merger is completed can I expect to receive my Heritage common stock?

Heritage will work with its exchange agent to issue shares and pay cash as promptly as practicable following the completion of the merger.

What do I need to do now?

You should carefully read this Proxy Statement/Prospectus, including the appendices, for important information about the merger, the companies and the special meeting of shareholders. Additional information about Heritage that may be important to you is incorporated by reference into this document from documents separately filed by Heritage with the Securities and Exchange Commission (SEC). This means that important disclosure obligations to you are satisfied by referring you to one or more documents separately filed with the SEC. You can find those documents online on the SEC website at <http://www.sec.gov>.

Following review of this Proxy Statement/Prospectus, please complete, sign, and date the enclosed proxy card and return it in the enclosed envelope as soon as possible so that your shares can be voted at WWB's special meeting of shareholders.

What if I choose not to read the incorporated documents?

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Information contained in a document that is incorporated by reference is part of this Proxy Statement/Prospectus, unless it is superseded by information contained directly in this Proxy Statement/Prospectus or in

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documents filed with the SEC after the date of this Proxy Statement/Prospectus. Information that is incorporated from another document is considered to have been disclosed to you WHETHER OR NOT YOU CHOOSE TO READ THE DOCUMENT.

What risks should I consider?

You should review carefully our discussion of Risk Factors beginning on page 16. You should also review the factors considered by WWB's board of directors in approving the Merger Agreement. See The Merger Background of the Merger beginning on page 22 and The Merger Reasons of WWB for the Merger beginning on page 23.

Who can help answer my questions?

You may write or call L. Anthony Tebeau or Paula A. Vinson at 32303 Pacific Highway South, Federal Way, Washington 98003 (253) 941-8541, with any questions about the merger or WWB's special meeting of shareholders.

This Proxy Statement/Prospectus does not cover any resale of the securities to be received by shareholders of WWB upon consummation of the proposed merger, and no person is authorized to make any use of this Proxy Statement/Prospectus in connection with any such resale.

The date of this Proxy Statement/Prospectus is April 10, 2006.

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SUMMARY

This summary, together with the preceding section entitled "Questions and Answers," highlights selected information about this Proxy Statement/Prospectus. We urge you to read carefully the entire Proxy Statement/Prospectus and any other documents to which we refer to fully understand the merger. The Agreement and Plan of Mergers is attached as Appendix A to this proxy statement/prospectus. Each item in the summary refers to the page in this Proxy Statement/Prospectus where that subject is discussed in more detail.

Information About Heritage and WWB (see page 41).

Heritage Financial Corporation

201 Fifth Avenue SW

Olympia, Washington 98501

(360) 943-1500

Heritage is a bank holding company headquartered in Olympia, Washington, that engages in a general banking business primarily through its banking subsidiaries, Heritage Bank and Central Valley Bank.

Heritage Bank is a Washington state-chartered commercial bank that engages in a general banking business through thirteen locations in Pierce, Thurston and Mason Counties in the South Puget Sound-region of Washington. Heritage Bank provides a variety of financial products and services for both business and individual customers, including deposit, loan and mortgages designed to meet the financial needs of its customers. Deposits of Heritage Bank are insured by the FDIC.

Central Valley Bank is a Washington state-chartered commercial bank that engages in a general banking business through six locations in Yakima and Kittitas Counties in central Washington. Central Valley Bank provides a variety of financial products and services for both business and individual customers, including deposit, loan and mortgages designed to meet the financial needs of its customers. Deposits of Central Valley Bank are insured by the FDIC.

As of December 31, 2005, Heritage had total assets of approximately \$751 million, total net loans receivable and loans held for sale of approximately \$644 million, total deposits of approximately \$637 million and approximately \$66 million in shareholders' equity. Heritage's common stock trades on the NASDAQ National Market under the symbol "HFWA."

Western Washington Bancorp

32303 Pacific Highway South

Federal Way, Washington 98003

(253) 941-8541

WWB is a bank holding company headquartered in Federal Way, Washington, that engages in a general banking business through its banking subsidiary, WSB.

WSB is a nationally-chartered commercial bank headquartered in Federal Way, Washington, that provides banking services to businesses and to individuals through its one location in Federal Way. As of December 31, 2005, WWB had total assets of approximately \$56.8 million, total loans receivable of approximately \$43.5 million, total deposits of approximately \$47.8 million and approximately \$3.7 million in shareholders' equity. Deposits of WSB are insured by the FDIC.

WWB Will Merge into Heritage (see page 20).

The Merger Agreement provides for the merger of WWB into Heritage and the merger of WSB into Heritage Bank. In the merger, your shares of WWB common stock will be exchanged for shares of Heritage

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common stock and cash. After the merger, you will no longer own shares of WWB, and the separate existence of WWB will cease. The directors of Heritage and Heritage Bank before the merger will continue to serve as the directors of Heritage and Heritage Bank.

The Merger Agreement is attached as Appendix A to this document. We encourage you to read the Merger Agreement in its entirety.

WWB Special Meeting (see page 19).

The special meeting of shareholders of WWB will be held at WWB's main office at 32303 Pacific Highway South, Federal Way, Washington 98003, on May 17, 2006, at 5:00 p.m., local time. At the meeting you will be asked to consider and vote upon a proposal to approve the Merger Agreement and, if necessary, to consider and act upon a proposal to adjourn the meeting to permit us to solicit additional proxies if we do not have sufficient votes to approve the merger as of the date of the meeting.

You will be entitled to vote at the WWB special meeting if you owned WWB common stock at the close of business on April 6, 2006. As of that date there were 170,058 shares of WWB common stock entitled to be voted at the special meeting.

Approval of the Merger Agreement Requires the Affirmative Vote of Two-Thirds the Outstanding Shares of WWB Common Stock (see page 19).

In order to approve the Merger Agreement, at least two-thirds of the outstanding shares of WWB common stock as of the record date must be voted at the special meeting in favor of approval. Heritage shareholders do not have to vote on the transaction.

As of the record date for the meeting, directors, executive officers and 10% shareholders of WWB, owned approximately 43% (including shares issuable upon exercise of outstanding options) of the outstanding shares of WWB common stock. The directors, executive officers and principal shareholders of WWB have agreed to vote their shares in favor of adoption of the Merger Agreement.

What WWB Shareholders Will Receive in the Merger (see page 20).

WWB shareholders will receive 1.2530 shares of Heritage common stock and \$20.36 in cash for each share of WWB common stock upon completion of the merger. We sometimes refer to this ratio as the exchange ratio. Heritage will not issue any fractional shares. WWB shareholders entitled to a fractional share will instead receive an additional amount in cash equal to 1.2530 times the average closing price of Heritage common stock on the NASDAQ National Market for the 30-trading day period ending on the third day prior to the effective date of the merger multiplied by the fractional share they are entitled to receive.

Example: If you hold 1,025 shares of WWB common stock, you will receive 1,284 shares of Heritage common stock, a cash payment of \$20,869 plus an additional cash payment of \$6.62 instead of the 0.3250 of a share that you otherwise would have received (i.e., $1,025 \text{ shares} \times 1.2530 = 1,284.3250 \text{ shares}$).

WWB shareholders will also receive additional consideration equal to \$0.50 per share (which may be paid in cash, stock, or a combination thereof, at the election of Heritage) as a result of an adjustment pursuant to Section 1.3(C) of the Merger Agreement. WWB shareholders may also receive additional shares of Heritage stock and/or cash in the event Heritage's average stock price falls below \$21.25. See The Merger Possible Adjustment to Per Share Consideration Paid. on page 21.

The actual value of Heritage common stock received will depend on the market price of Heritage common stock on the NASDAQ National Market at the time of the merger.

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WWB's Reasons for the Merger (see page 23).

In reaching its determination to approve the Merger Agreement, the WWB board of directors consulted with WWB's management and its financial and legal advisors, and considered a number of factors, including:

The value of the exchange ratio;

The dividends and liquidity available to WWB shareholders if they received Heritage stock in exchange for their shares of WWB stock;

The information presented by McAdams Wright Ragen, Inc. (MWRI) to the WWB board with respect to the merger and the opinion of MWRI that, as of the date of that opinion, the exchange ratio was fair to the holders of WWB common stock from a financial point of view (see "The Merger Opinion of WWB's Financial Advisor" on page 25);

The benefits to WWB and its customers of operating as a larger organization, including enhancements in products and services, higher lending limits, and greater financial resources;

The continued rapid consolidation in the financial services industry and competitive effects of the increased consolidation on smaller financial institutions such as WWB; and

The expected impact of the merger on the constituencies served by WWB, including its customers, depositors, employees and communities.

These factors and others are more fully discussed under the heading "The Merger Reasons of WWB for the Merger" beginning on page 23.

Certain Federal Income Tax Consequences (see page 29).

We expect to receive a tax opinion from tax counsel for Heritage opining that the merger will be treated as a reorganization for federal income tax purposes. If the merger is so treated, WWB shareholders generally will not recognize any gain or loss on the conversion of shares of WWB common stock into shares of Heritage common stock although the receipt of cash for WWB shares will be a taxable event. This tax treatment may not apply to some WWB shareholders. You should consult your own tax advisor for a full understanding of the merger's tax consequences to you.

The WWB Board of Directors Unanimously Recommends Shareholder Approval of the Merger (see page 23).

WWB's board of directors believes that the merger is in the best interests of the WWB shareholders and has unanimously approved the Merger Agreement. WWB's board of directors recommends that WWB shareholders vote FOR approval of the Merger Agreement.

WWB's Financial Advisor Says the Exchange Ratio is Fair, from a Financial Point of View, to WWB Shareholders (see page 25).

MWRI has served as financial advisor to WWB in connection with the merger and has given an opinion to WWB's board of directors that, as of January 24, 2006 (the date WWB's board of directors voted to approve the merger) and as of the date of this Proxy Statement/Prospectus, the exchange ratio that WWB shareholders will receive is fair to WWB shareholders from a financial point of view. A copy of the opinion delivered by MWRI is attached to this document as Appendix C. WWB shareholders should read the opinion carefully to understand the assumptions made, matters considered and limitations of the review undertaken by MWRI in providing its opinion.

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WWB's Officers and Directors Have Interests in the Merger that Are Different from or in Addition to Their Interests as Shareholders (see page 28).

In addition to their interests as shareholders, the directors and executive officers of WWB each have interests in the merger that are different from your interests, including stock options and certain other compensatory arrangements discussed under the heading *Interests of Certain Persons in the Merger* beginning on page 28 of this Proxy Statement/Prospectus. WWB's board of directors was aware of these interests and took them into account in its decision to approve the Merger Agreement.

As of the record date, the directors, executive officers and principal shareholders of WWB owned and are entitled to vote 47,389 shares of WWB common stock, which, when added to the 12,832 options owned by these WWB insiders, represents approximately 33% of the outstanding shares of WWB common stock.

The Merger Is Expected to Occur in the Second Quarter of 2006 (see page 22).

The merger is expected to occur as soon as practicable after all the conditions to its completion under the Merger Agreement have been satisfied or waived. Currently, we anticipate that the merger will occur in the second quarter of 2006. However, we cannot assure you when or if the merger will occur.

Completion of the Merger Is Subject to Satisfaction or Waiver of Certain Conditions (see page 32).

Completion of the merger is subject to the satisfaction or waiver of several conditions including, but not limited to:

compliance by WWB and WSB with Section 3.12 of the Merger Agreement prohibiting WSB, subsequent to the execution of the Merger Agreement, from making any new loan outside of its trade territory of King and Pierce Counties, Washington, extend credit or account for loans and leases other than in accordance with existing lending policies and accounting practices, or make any new loan, a loan extension or renewal in a principal amount which exceeds \$250,000, other than in accordance with the loan reporting process agreed to by the Parties;

compliance by WWB with Section 6.2(L) of the Merger Agreement requiring that on the Effective Date WWB have no less than \$3,609,000 in minimum consolidated equity capital;

receipt by Heritage of agreements from each affiliate of WWB relating to restrictions on disposition of Heritage shares received by such affiliates;

the number of shares of WWB common stock for which dissenters' rights of appraisal are perfected as of the effective date or payable in cash for fractional shares shall not exceed 15% of the outstanding shares;

compliance by WWB with Section 6.2(M) of the Merger Agreement requiring that prior to the Effective Date written confirmation be delivered to Heritage by WWB stating that WWB has redeemed and paid off its outstanding trust preferred securities and that all tax returns for the statutory trust have been filed with no further current or potential liability to Heritage;

compliance by WWB with Section 6.2(N) of the Merger Agreement requiring that prior to the Effective Date Heritage shall have received written agreement from the landlord of WWB's and WSB's main office building permitting Heritage to assume the existing lease and the existing extension (authorizing continued occupation through 2017) with no assumption fee;

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compliance by WWB with Section 6.2(O) of the Merger Agreement requiring that as of the effective date, WSB's lease on its second office site be terminated at no cost and with no penalty to Heritage or to WWB or WSB, the building at that site be removed from the books of WWB, WSB and Washington State Bank Real Estate Holdings, Inc. (Holdings) at a loss after tax not exceeding \$101,640, and that the building is to be sold for cash with no financing provided by WWB or WSB;

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compliance by WWB with Section 6.2(P) of the Merger Agreement requiring that the cost of certain recommended improvements to the main office of WSB shall be borne by WSB, which costs shall not exceed \$25,000;

receipt of noncompetition and nonsolicitation agreements from each director of WWB and WSB, and from its President and Chief Executive Officer, L. Anthony Tebeau;

approval of the Merger Agreement by shareholders holding two-thirds or more of the outstanding shares of WWB common stock;

approval of the merger by federal and state regulatory authorities;

the absence of any material adverse change in (i) the business, property, assets (including loan portfolios), liabilities, or financial or other condition of WWB or Heritage, or (ii) the ability of WWB or Heritage to complete the merger; and

receipt by Heritage and WWB of legal and tax opinions.

We May Not Complete the Merger Without All Required Regulatory Approvals (see page 35).

The merger must be approved by the Federal Deposit Insurance Corporation (FDIC) and the Washington Department of Financial Institutions, and a waiver obtained from the Federal Reserve pursuant to its regulations. We filed the applications with the FDIC and the Department of Financial Institutions, seeking such approval on March 31, 2006, and will request the Federal Reserve's waiver upon obtaining FDIC approval. We expect to obtain all such regulatory approvals, although we cannot be certain if or when we will obtain them.

Termination of the Merger Agreement (see page 38).

Heritage and WWB can mutually agree to abandon the merger (and terminate the Merger Agreement) at any time prior to the time the merger is completed, even after shareholder approval. Also, either WWB or Heritage can decide, without the consent of the other, to abandon the merger in a number of situations, including:

The other party breaches a representation, warranty or covenant in the Merger Agreement, and the breach is not cured within 30 days following receipt by the breaching party of written notice of the breach (or the breach, by its nature, cannot be cured prior to the closing), provided that in the case of a representation or warranty, the breach would have a material adverse effect on the breaching party;

There has been a material adverse change in the business, property, liabilities, prospects, or condition (financial or otherwise) of the other party, or in its ability to complete the merger;

The merger has not been completed by June 30, 2006; or

A regulatory authority denies a necessary approval or issues an order preventing the merger.

Subject to certain conditions, WWB's board of directors may terminate the Merger Agreement if (i) WWB receives an unsolicited acquisition proposal from a third party that the WWB board determines in good faith, consistent with its fiduciary duties upon advice of its counsel, to be more favorable to WWB and its shareholders than the Heritage transaction, or (ii) its financial advisor, MWRI, withdraws its fairness opinion.

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Heritage may also terminate the Merger Agreement if, prior to the effective date of the merger, the average closing price of Heritage common stock during the 30 day trading period ending three trading days prior to the effective date of the merger is less than \$19.00. See The Merger Termination of the Merger Agreement-General beginning on page 38.

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WWB and Heritage Must Pay a Termination Fee to the Other Party Under Certain Circumstances (see page 39).

Under the Merger Agreement, WWB must pay Heritage a termination fee of \$500,000 if WWB terminates the Merger Agreement in order to accept a superior acquisition proposal. WWB would also have to pay the \$500,000 termination fee if either:

WWB's board of directors fails to recommend approval of the transaction by its shareholders or MWRI withdraws its fairness opinion, the Merger Agreement is terminated and WWB enters into an acquisition agreement with a third party on or before June 30, 2007.

A third party makes an acquisition proposal with respect to WWB that is known to WWB and has been publicly announced or otherwise become public, and thereafter, both of the following occur:

(1) the Merger Agreement is terminated by WWB because WWB shareholders fail to approve the merger, and

(2) WWB consummates an acquisition agreement with a third party on or before June 30, 2007.

Heritage and WWB are required to pay a \$500,000 termination fee to the other party if the merger is terminated because that party materially breaches the Merger Agreement or fails to timely perform its obligations under the Merger Agreement.

Effect of Merger on Rights of WWB Shareholders (see page 63).

The rights of WWB shareholders are governed by Washington law, as well as WWB's articles of incorporation and bylaws. After completion of the merger, the rights of the former WWB shareholders receiving Heritage common stock in the merger will still be governed by Washington law, but subject to Heritage's articles of incorporation and bylaws. Although Heritage's articles of incorporation and bylaws are similar in many ways to WWB's articles of incorporation and bylaws, there are some substantive and procedural differences that will affect the rights of WWB shareholders.

Dissenters' Rights of Shareholders (see page 36).

WWB shareholders have the right under Washington law to dissent from the merger, obtain an appraisal of the fair value of their WWB shares, and receive cash equal to the appraised fair value of their WWB shares instead of receiving the merger consideration. To exercise dissenters' rights, among other things, a WWB shareholder must (i) notify WWB prior to the vote of its shareholders on the transaction of the shareholder's intent to demand payment for the shareholder's shares, and (ii) not vote in favor of the Merger Agreement. Submitting a properly signed proxy card that is received prior to the vote at the special meeting (and is not properly revoked) that does not direct how the shares of WWB common stock represented by proxy are to be voted will constitute a vote in favor of the Merger Agreement and a waiver of such shareholder's statutory dissenters' rights. A shareholder electing to dissent from the merger must strictly comply with all procedures required under Washington law. These procedures are described more fully beginning on page 36 of this Proxy Statement/Prospectus, and a copy of the relevant Washington statutory provisions regarding dissenters' rights is included in this Proxy Statement/Prospectus as Appendix B.

Restrictions on the Ability to Sell Heritage Shares Received in the Merger (see page 40).

Unless you are considered to be an affiliate of WWB under federal securities laws, upon the effectiveness of the S-4 Registration Statement being filed by Heritage, the Heritage shares you receive in the merger will be freely transferable. If you are considered to be an affiliate, upon the effectiveness of the S-4 Registration Statement being filed by Heritage, you can sell the Heritage shares you receive in the merger only pursuant to a

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registration statement or an exemption from registration under the Securities Act of 1933 or as permitted under the rules of that Act (including rule 145). Generally, you are considered an affiliate if you are an executive officer, director or 10% shareholder of WWB. As a practical matter, the rules of the Securities Act would generally permit an affiliate to sell the Heritage shares received in the merger if the shares are sold through a broker or dealer. This Proxy Statement/Prospectus does not cover resales of Heritage common stock received in the merger by affiliates of WWB.

Treatment of WWB Stock Options (see page 22).

Upon closing of the merger, unexercised WWB options to purchase WWB common stock held by each employee and each director will be converted into a cash payment based on the exchange ratio of 1.2530 shares of Heritage common stock multiplied by the average closing price of Heritage common stock over the 30 day trading period ending three trading days prior to the effective date of the merger plus \$20.36 in cash for each WWB option less the exercise price of the unexercised option. As of March 28, 2006, the 10% shareholders, executive officers and directors of WWB held options to acquire 12,832 shares of WWB common stock, all of which will be 100% vested and exercisable upon closing. If any of the outstanding options remain unexercised at closing, the options will be converted into a cash payment equal to the difference between the per share consideration and the exercise price of the outstanding options.

Share Information and Market Prices (see page 15).

The following table sets forth the closing sale price per share of Heritage common stock and the most recent sale price per share of WWB common stock known to the company, and the equivalent per share price for WWB common stock, as of January 24, 2006 (the last full trading day before the public announcement of the merger). The Equivalent Price Per Share column is calculated by valuing the Heritage common stock at \$24.657 per share, and multiplying this value by the exchange ratio of Heritage shares being issued in the merger and adding the \$20.36 cash per share being paid by Heritage for each outstanding WWB share.

	Heritage Common Stock	WWB Common Stock	Equivalent Price Per Share
January 24, 2006	\$ 24.657	\$ 23.00	\$ 51.18

The market prices of Heritage common stock may fluctuate prior to the merger. You should obtain current market quotations for Heritage common stock.

Listing of Heritage Shares (see page 40)

The Heritage shares to be issued in the merger will be listed on the NASDAQ National Market and trade under the symbol HFWA .

Heritage to Use Purchase Method of Accounting (see page 40)

Heritage will account for the merger under the purchase method of accounting for business combinations under accounting principles generally accepted in the United States of America. Accordingly, using the purchase method of accounting, the assets and liabilities of WWB will be recorded by Heritage at their respective fair values at the time of the merger. The excess of Heritage's purchase price over the net fair value of assets acquired including identifiable intangible assets, and liabilities assumed is recorded as goodwill. Intangible assets with definitive lives will be amortized, and intangible assets without definitive lives and goodwill must be tested for impairment periodically and such amortization and any impairment will be applied against the combined company's earnings following completion of the merger.

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CAUTIONARY WARNING REGARDING FORWARD-LOOKING STATEMENTS

This document, including information included or incorporated by reference in this document may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, (i) statements about the benefits of the merger, including future financial and operating results, cost savings, enhancements to revenue and accretion to reported earnings that may be realized from the merger; (ii) statements about our respective plans, objectives, expectations and intentions and other statements that are not historical facts; and (iii) other statements identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates, or words of similar meaning. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond Heritage's and WWB's control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

our businesses may not be combined successfully, or such combination may take longer to accomplish than expected;

the anticipated growth opportunities and cost savings from the merger may not be fully realized or may take longer to realize than expected;

operating costs, customer losses and business disruption following the merger, including adverse developments in relationships with employees, may be greater than expected;

adverse governmental or regulatory policies may be enacted;

the interest rate environment may change, causing margins to compress and adversely affecting net interest income;

the risks associated with continued diversification of assets and potential adverse changes in credit quality;

increased loan delinquency rates;

competition from other financial services companies in our markets; and

the risk of an economic slowdown adversely affecting credit quality and loan originations.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed below under Risk Factors, and in Heritage's reports filed with the SEC.

All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters attributable to Heritage or WWB or any person acting on behalf of Heritage or WWB are expressly qualified in their entirety by the cautionary statements above. Neither Heritage nor WWB undertake any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

Table of Contents**SELECTED HISTORICAL FINANCIAL INFORMATION OF HERITAGE**

The following table sets forth selected historical consolidated financial data for Heritage, Heritage Bank and Central Valley Bank. The financial data below should be read in conjunction with the respective financial statements and notes thereto, incorporated by reference in this Proxy Statement/Prospectus. See [Where You Can Find More Information](#).

	2005	For the years ended December 31,			2001
		2004	2003	2002	
(Dollars in thousands, except per share data)					
Operations Data:					
Net interest income	\$ 33,881	\$ 31,727	\$ 29,817	\$ 30,203	\$ 26,632
Provision for loan losses	810	645	1,125	1,835	1,193
Noninterest income	6,630	6,498	7,164	6,181	5,925
Noninterest expense	24,183	23,270	22,223	20,254	20,624
Federal income tax expense	5,042	4,725	4,729	4,871	3,778
Net income	10,476	9,585	8,904	9,424	6,962
Earnings per share					
Basic	1.69	1.53	1.31	1.25	0.83
Diluted	1.65	1.49	1.26	1.21	0.82
Dividend payout ratio (1)	42.0%	40.4%	41.6%	37.4%	46.9%
Performance Ratios:					
Net interest spread	4.75%	4.91%	5.14%	5.17%	4.33%
Net interest margin (2)	5.08%	5.13%	5.40%	5.53%	4.98%
Efficiency ratio (3)	59.69%	60.88%	60.09%	55.67%	63.35%
Return on average assets	1.46%	1.44%	1.49%	1.58%	1.19%
Return on average equity	16.13%	15.80%	13.03%	12.18%	8.52%
			At December 31,		
	2005	2004	2003	2002	2001
Balance Sheet Data:					
Total assets	\$ 751,152	\$ 697,267	\$ 640,920	\$ 594,587	\$ 609,643
Loans receivable, net	643,538	591,085	512,647	455,277	486,679
Loans held for sale	263	381	1,018	8,113	6,275
Deposits	636,504	587,278	541,832	517,116	515,080
Federal Home Loan Bank advances	39,900	40,900	31,100		8,000
Stockholders' equity	66,120	60,944	62,232	72,397	78,528
Book value per share (4)	\$ 10.57	\$ 9.76	\$ 9.57	\$ 10.13	\$ 9.92
Equity to assets ratio	8.80%	8.74%	9.71%	12.18%	12.88%
Asset Quality Ratios:					
Nonperforming loans to loans	0.13%	0.05%	0.06%	0.42%	0.39%
Allowance for loan losses to loans	1.30%	1.38%	1.49%	1.46%	1.15%
Allowance for loan losses to nonperforming loans	1,016.27%	2,603.60%	2,611.97%	346.05%	293.12%
Nonperforming assets to total assets	0.16%	0.05%	0.11%	0.38%	0.49%
Other Data:					
Number of banking offices	18	18	18	18	18
Number of full-time equivalent employees	211	196	206	195	198

- (1) Dividend payout ratio is declared dividends per share (excluding stock dividends) divided by basic earnings per share.
- (2) Net interest margin is net interest income divided by average interest earning assets.
- (3) The efficiency ratio is recurring noninterest expense divided by the sum of net interest income and noninterest income.
- (4) Per share amounts have been properly restated to reflect the 5% stock dividend declared by the Heritage Board of Directors on September 15, 2005 for shareholders of record on September 30, 2005 and distributed on October 14, 2005.

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**COMBINED AND CONSOLIDATED HISTORICAL
AND PRO FORMA PER SHARE FINANCIAL INFORMATION**

The table set below presents the historical earnings, book value and cash dividends per share as of December 31, 2005, and the year then ended, and as of December 31, 2004, and the year then ended, for Heritage together with the pro forma amounts after giving effect to the merger. This data should be read in conjunction with the Heritage financial statements and other financial information included elsewhere in this document. The pro forma data are not necessarily indicative of future operating results or financial position.

The table below also presents the closing prices per share for Heritage and WWB common stock, respectively, on the day prior to the announcement of the merger, and as of April 7, 2006, the most recent practicable trading date prior to the printing of this document, together with the pro forma equivalent market value of WWB shares after giving effect to the merger. The pro forma equivalent per share data for WWB is calculated by multiplying the historical per share data for Heritage by the exchange ratio of 1.2530 shares used to calculate the merger consideration and adding \$26.36 in cash. See the discussion under the heading **Comparative Stock Price and Dividend Information** on the next page for important information about the limited trading in stock of WWB and the effect that may have on the reliability of the share price data.

	Heritage		WWB	
	Historical	Pro Forma Combined	Historical	Pro Forma Equivalent
Basic Earnings Per Share:				
Year ended December 31, 2005	\$ 1.69	\$ 1.70	\$ 2.57	\$ 2.12
Diluted Earnings Per Share:				
Year ended December 31, 2005	\$ 1.65	\$ 1.65	\$ 2.57	\$ 2.06
Book Value Per Share At:				
December 31, 2005	\$ 10.57	\$ 11.09	\$ 22.09	\$ 13.86
Cash Dividends Per Share Paid:				
Year ended December 31, 2005	\$ 0.71	\$ 0.71	\$ 0	\$ 0
Market Value Per Share at January 24, 2006	\$ 24.66	N/A	\$ 23.00	\$ 51.26
Market Value Per Share at April 7, 2006	\$ 28.21	N/A	\$ 23.00	\$ 55.71

Table of Contents**COMPARATIVE STOCK PRICES AND DIVIDENDS**

Heritage. Heritage common stock is quoted on the NASDAQ National Market under the symbol HFWA. The table below sets forth the high and low sales prices of Heritage common stock as reported on NASDAQ and cash dividends paid for each quarterly period during the three most recent fiscal years.

Heritage Common Stock

2005	High	Low	Cash Dividends Paid Per Share
Fourth Quarter	\$ 25.02	\$ 24.03	\$ 0.185
Third Quarter	\$ 24.20	\$ 20.49	\$ 0.171
Second Quarter	\$ 21.57	\$ 20.22	\$ 0.167
First Quarter	\$ 21.43	\$ 19.91	\$ 0.162
2004			Cash Dividends Paid Per Share
	High	Low	
Fourth Quarter	\$ 22.50	\$ 19.67	\$ 0.157
Third Quarter	\$ 21.20	\$ 18.40	\$ 0.152
Second Quarter	\$ 21.37	\$ 18.17	\$ 0.148
First Quarter	\$ 22.14	\$ 20.26	\$ 0.143
2003			Cash Dividends Paid Per Share
	High	Low	
Fourth Quarter	\$ 23.00	\$ 21.10	\$ 0.138
Third Quarter	\$ 22.26	\$ 20.74	\$ 0.133
Second Quarter	\$ 22.47	\$ 21.16	\$ 0.129
First Quarter	\$ 22.98	\$ 17.41	\$ 0.124

* Heritage also declared a dividend of \$0.19 per share on December 15, 2005 to stockholders of record on January 16, 2006. This dividend was distributed on January 30, 2006.

The timing and amount of future dividends, if any, paid by Heritage is subject to determination by the board of directors of Heritage in its discretion and will depend on earnings, cash requirements and the financial condition of Heritage and its subsidiaries, applicable government regulations and other factors deemed relevant by the board of directors. Per share amounts have been properly restated to reflect the 5% stock dividend declared by Heritage's board of directors on September 15, 2005 for shareholders of record on September 30, 2005 and distributed on October 14, 2005.

As of December 31, 2005, the 6,255,921 outstanding shares of Heritage common stock were held by approximately 1,300 holders of record.

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WWB. WWB common stock is not listed either on the New York Stock or NASDAQ stock exchanges. WWB common stock has occasionally been sold or transferred in private transactions. The following table sets forth the high and low sales prices per share of WWB common stock in such transactions known to WWB management for each quarterly period during the three most recent fiscal years. Due to the limited information available and the absence of any trading market, such transactions may not accurately reflect the actual market value of WWB common stock.

Quarter Ended	High	Low	
2005			
First Quarter	\$ 23.00	\$ 18.00	
Second Quarter	\$ 21.50	\$ 20.00	
Third Quarter	\$ 21.50	\$ 20.00	No Sales
Fourth Quarter	\$ 22.00	\$ 22.00	
2004			
First Quarter	\$ 22.50	\$ 18.00	
Second Quarter	\$ 20.00	\$ 20.00	
Third Quarter	\$ 20.00	\$ 18.00	
Fourth Quarter	\$ 20.00	\$ 18.00	No Sales
2003			
First Quarter	\$ 20.00	\$ 20.00	
Second Quarter	\$ 23.00	\$ 22.00	
Third Quarter	\$ 23.00	\$ 22.00	No Sales
Fourth Quarter	\$ 23.00	\$ 22.00	No Sales

As of March 28, 2006 there were 170,058 outstanding shares of WWB common stock held by approximately 287 holders of record.

WWB has not paid cash dividends since its incorporation.

Recent Stock Price Data. The following table sets forth the closing prices per share for Heritage common stock, as reported on NASDAQ, and WWB common stock, based on the private transactions set forth above, and the equivalent pro forma per share price for WWB common stock on January 24, 2006, the last full trading day prior to the public announcement of the execution of the Merger Agreement, and on April 7, 2006, which is the most recent date for which it was practicable to obtain market price data prior to the printing of this Proxy Statement/Prospectus. Holders of WWB common stock are urged to obtain current market quotations for shares of Heritage common stock.

	January 24, 2006	April 7, 2006
Closing price per share:		
Heritage	\$ 24.66	\$ 28.21
WWB	\$ 23.00	\$ 23.00
Equivalent pro forma price per share of WWB common stock	\$ 51.26(1)	\$ 55.71(2)

- (1) Computed by multiplying the Heritage closing price on January 24, 2006 (\$24.66) by 1.2530 shares of Heritage stock and adding \$20.36 in cash.
- (2) Computed by multiplying the Heritage closing price on April 7, 2006 by the 1.2530 shares of Heritage common stock and \$20.36 in cash being issued in the merger and dividing the total consideration by the number of shares of WWB common stock outstanding as of April 7, 2006 (170,058 shares), excluding shares issued upon the exercise of stock options after April 7, 2006 for which additional consideration is payable under the Merger Agreement.

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this document, including the matters addressed under the caption Cautionary Warning Regarding Forward-Looking Statements on page 11, you should consider the matters described below carefully in determining whether to approve the Merger Agreement and the transactions contemplated by the Merger Agreement.

Because of the closing conditions in the Merger Agreement and the possibility that either WWB or Heritage may terminate the Merger Agreement in specific instances, there can be no assurance when or even if the merger will be completed.

The completion of the merger is subject to the satisfaction or waiver of a number of closing conditions, including, among others, that:

WWB obtain approval of the Merger Agreement by holders of two-thirds or more of the outstanding shares of WWB common stock as of the record date;

Representations and warranties in the Merger Agreement be true and correct as of the closing date to the extent that any inaccuracy would individually or in the aggregate have a material adverse effect on the party providing the representation;

During the period from the date of execution of the Merger Agreement through the effective date of the merger, no change relative to (i) the business, property, assets (including loan portfolios), liabilities, prospects, or financial or other condition of either party that is reasonably likely individually or in the aggregate to have a material adverse effect on such party, has occurred or been threatened other than transaction costs and certain occurrences that would affect the banking industry or businesses generally, as described in the Merger Agreement or (ii) the ability of either party to complete the merger;

There be no claim, action, investigation, or other proceeding pending or threatened which presents a substantial risk of restraining or prohibiting the merger or resulting in material damages or other relief;

There be no order, decree or injunction of any court or agency that prohibits completion of the merger;

The parties obtain all necessary regulatory consents and approvals; and

Heritage and WWB have received an opinion from Gerrish McCreary Smith, PC, counsel to Heritage, that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Further, completion of the merger is subject to:

compliance by WWB and WSB with Section 3.12 of the Merger Agreement prohibiting WSB, subsequent to the execution of the Merger Agreement, from making any new loan outside of its trade territory of King and Pierce Counties, Washington, extend credit or account for loans and leases other than in accordance with existing lending policies and accounting practices, or make any new loan, a loan extension or renewal in a principal amount which exceeds \$250,000, other than in accordance with the loan reporting process agreed to by the Parties;

compliance by WWB with Section 6.2(L) of the Merger Agreement requiring that on the Effective Date WWB have no less than \$3,609,000 in minimum consolidated equity capital;

compliance by WWB with Section 6.2(M) of the Merger Agreement requiring that prior to the Effective Date written confirmation be delivered to Heritage by WWB stating that WWB has redeemed and paid off its outstanding trust preferred securities and that all tax returns for the statutory trust have been filed with no further current or potential liability to Heritage;

compliance by WWB with Section 6.2(N) of the Merger Agreement requiring that prior to the Effective Date Heritage shall have received written agreement from the landlord of WWB's and WSB's main office building permitting Heritage to assume the existing lease and the existing extension (authorizing continued occupation through 2017) with no assumption fee;

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receipt of voting agreements from each director and executive officer of WWB;

compliance by WWB with Section 6.2(O) of the Merger Agreement requiring that as of the effective date, WSB's lease on its second office site be terminated at no cost and with no penalty to Heritage or to WWB or WSB, the building at that site be removed from the books of WWB, WSB and Washington State Bank Real Estate Holdings, Inc. (Holdings) at a loss after tax not exceeding \$101,640, and that the building is to be sold for cash with no financing provided by WWB or WSB; and

compliance by WWB with Section 6.2(P) of the Merger Agreement requiring that the cost of certain recommended improvements to the main office of WSB shall be borne by WSB, which costs shall not exceed \$25,000.

There can be no assurance that the parties will be able to satisfy the closing conditions of the Merger Agreement or that closing conditions that are beyond their control, such as the absence of pending or threatened litigation or events that could reasonably be expected to have a material adverse effect on their respective businesses, will be satisfied or waived. If WWB and Heritage are unable to satisfy all the conditions or such conditions are otherwise not satisfied, either party will not be required to complete the merger.

The Merger Agreement limits WWB's ability to pursue other transactions and provides for payment of termination fees if we do so.

While the Merger Agreement is in effect and subject to very narrow exceptions, WWB and its directors, officers and agents are prohibited from initiating or encouraging inquiries with respect to alternative acquisition proposals. The prohibition limits WWB's ability to seek offers that may be superior from a financial point of view from other possible acquirers. If WWB receives an unsolicited proposal from a third party that is superior from a financial point of view to that made by Heritage and the Merger Agreement is terminated, WWB would be required to pay a \$500,000 termination fee. This fee makes it less likely that a third party will make an alternative acquisition proposal.

You cannot be sure of the value of the merger consideration that you will receive, because the market price of Heritage common stock may fluctuate.

Upon completion of the merger, each share of WWB common stock will be converted into merger consideration consisting of shares of Heritage common stock as provided in the Merger Agreement. The value of the merger consideration to be received by WWB shareholders will depend on the market price of Heritage common stock upon completion of the merger. This market price may vary from the price of Heritage common stock on the date the merger was announced, the date that this document is mailed to WWB shareholders, or the date of the special meeting of WWB shareholders. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond our control.

Accordingly, at the time of the WWB special meeting, you will not be able to determine the value of the shares of Heritage stock you would receive upon completion of the merger. We urge you to obtain current market quotations for Heritage common stock.

We may fail to achieve the revenue increases or realize the cost savings we estimate for the merger.

The success of the merger will depend, in part, on our ability to achieve the revenue increases and realize the estimated cost savings from combining the businesses of Heritage and WWB. Heritage's management originally estimated that approximately \$900,000 of annual pre-tax (or \$585,000 after-tax) cost savings would be realized from the merger in the first full year of operation. While we continue to be comfortable with these estimates as of the date of this document, it is possible that our estimates of the potential cost savings could turn out to be incorrect. Our cost savings estimates also depend on our ability to combine the businesses of Heritage

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and WWB in a manner that permits those cost savings to be realized. If our estimates turn out to be incorrect or we are not able to combine our two companies successfully, the anticipated cost savings may not be realized fully, or at all, or may take longer to realize than expected.

Combining our two companies may be more difficult, costly or time-consuming than we expect.

Heritage and WWB have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger. As with any merger of banking institutions, there also may be disruptions that cause us to lose customers or cause customers to take their deposits out of our banks.

The market price of Heritage common stock may be affected by factors different from those affecting WWB common stock.

Upon completion of the merger, the holders of WWB common stock will become holders of Heritage common stock. Some of Heritage's current businesses and markets differ from those of WWB and, accordingly, the results of operations of Heritage after the merger may be affected by factors different from those currently affecting the results of operations of WWB. For a discussion of the businesses of Heritage and WWB and of certain factors to consider in connection with those businesses, see the documents incorporated by reference into this document and referred to under "Where You Can Find More Information," on page 68.

Future results of the combined companies may differ materially from the pro forma financial information presented in this document.

Future results of the combined company may be materially different from those shown in the unaudited pro forma selected combined per share financial information (see page 13). We have estimated that the combined company will record approximately \$1.4 million pre-tax (or \$900,000 after-tax) of merger-related expenses. Merger-related expenses consist of change in control, severance and other employee-related payments, investment banking, legal and accounting fees, and costs associated with data conversion. The charges may be higher or lower than we have estimated, depending upon how costly or difficult it is to integrate our two companies. Furthermore, those charges may decrease capital of the combined company that could be used for profitable, income-earning investments in the future. The changes and adjustments we estimate are described in the section entitled "Combined and Consolidated Historical and Pro Forma Per Share Financial Information" beginning on page 13.

Heritage has various anti-takeover measures that could impede a takeover of Heritage.

Heritage has various anti-takeover measures in place, some of which are listed below. Any one or more of these measures may impede the takeover of Heritage without the approval of Heritage's board of directors and may prevent you from taking part in a transaction in which you could realize a premium over the current market price of Heritage common stock. See "Comparison of Shareholders' Rights" on page 63. The anti-takeover measures include charter provisions providing for, among other things, a staggered board of directors; the removal of directors only for cause; and restrictions on the calling of special shareholder meetings, the nomination of directors and shareholder proposals.

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THE SPECIAL MEETING

Place, Time and Date

WWB's special meeting of shareholders will be held on May 17, 2006, at 5:00 p.m., local time, at WWB's main office at 32303 Pacific Highway South, Federal Way, Washington 98003. This Proxy Statement/Prospectus is being sent to holders of WWB common stock and is accompanied by a form of proxy that is being solicited by the WWB board of directors for use at the special meeting and any adjournment or postponement thereof.

Purpose

The purpose of the special meeting is: (i) to consider and vote upon a proposal to approve the Merger Agreement described herein and (ii) if necessary, to consider and act upon a proposal to adjourn the meeting to another time and/or place for the purpose of soliciting additional proxies.

Record Date; Shares Entitled to Vote

The WWB board of directors has fixed the close of business on April 6, 2006 as the record date for determining shareholders entitled to notice of and to vote at the special meeting. Only those holders of WWB common stock of record on the record date will be entitled to notice of and to vote at the special meeting. Each share of WWB common stock will be entitled to one vote. At the record date, there were 170,058 shares of WWB common stock outstanding and entitled to be voted at the special meeting.

Vote Required

Approval of the Merger Agreement requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of WWB common stock. A majority of the shares entitled to vote, represented in person or by proxy, will constitute a quorum of WWB shareholders at the special meeting. Valid proxies that are marked "Abstain," and proxies without instructions submitted by brokers that are the record owners of shares (so-called "broker non-votes"), will be considered present for purposes of determining whether a quorum exists. Abstentions and broker non-votes will have the same effect as votes cast against approval of the Merger Agreement.

As of March 28, 2006, the directors, executive officers and 10% shareholders of WWB owned and have the right to vote an aggregate of 65,340 shares of WWB common stock, which represents 34.42% (excluding 12,832 shares issuable upon the exercise of outstanding options) of the shares entitled to be voted at the special meeting. Each of the directors and executive officers of WWB has agreed to vote his or her shares for approval of the Merger Agreement.

Proxies

Holders of WWB common stock may vote either in person or by properly executed proxy. Shares of WWB common stock represented by a properly executed proxy received prior to or at the special meeting will, unless such proxy is revoked, be voted in accordance with the instructions indicated on such proxy. If no instructions are indicated on a properly executed proxy, the shares covered thereby will be voted FOR the proposal to approve the Merger Agreement. Failure to return the proxy or to vote in person at the special meeting will have the effect of a vote against the Merger Agreement. If any other matters are properly presented at the special meeting for consideration, including, among other things, a motion to adjourn the special meeting to another time and/or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named in the proxy and acting thereunder will have discretion to vote on such matters in accordance with their best judgment; provided, however, that no proxy which is voted against the proposal to approve the Merger Agreement will be voted in favor of any such adjournment or postponement. As of the date hereof, the board of directors of WWB knows of no such other matters.

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Any proxy may be revoked by the record holder of the shares at any time before it is voted by delivering to the Corporate Secretary of WWB, on or before the taking of the vote at the special meeting, a written notice of revocation bearing a later date than the proxy or a later dated proxy relating to the same shares of WWB common stock, or by attending the special meeting and voting in person. Attendance at the special meeting will not in itself constitute revocation of a proxy. If your shares are held in street name, you must contact your broker if you wish to revoke your proxy or change your vote, and you will not be permitted to revoke your proxy at the meeting.

The proxies for the special meeting are being solicited on behalf of the board of directors of WWB. The expense of soliciting proxies for the special meeting will be borne by WWB. All other costs and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby are to be paid by the party incurring such expenses. Proxies will be solicited principally by mail, but may also be solicited by the directors, officers and other employees of WWB in person or by telephone, facsimile or other means of communication. Directors, officers and employees will receive no compensation for these activities in addition to their regular compensation, but may be reimbursed for out-of-pocket expenses in connection with such solicitation. Brokers and others who hold WWB common stock on behalf of another will be asked to forward proxy material and related documents to the beneficial owners of such stock, and WWB will reimburse them for their expenses in doing so.

THE MERGER

The descriptions in this Proxy Statement/Prospectus of the terms and conditions of the merger and related transactions are qualified in their entirety by reference to the Merger Agreement, a copy of which is attached as Appendix A to this Proxy Statement/Prospectus and is incorporated herein by reference.

Transaction Structure

The Merger Agreement provides for the merger of WWB with and into Heritage, in which WWB's shareholders will receive Heritage common stock and cash for their WWB common stock, as described below. The separate existence of WWB will cease upon completion of the merger. In addition, WSB will merge with and into Heritage Bank. After the merger, WSB's office will operate and be known as a branch of Heritage Bank.

The Heritage articles of incorporation will be the articles of incorporation of the combined company after completion of the merger, and the Heritage bylaws will be the bylaws of the combined company.

Exchange Ratio

The Merger Agreement provides that as of the effective date of the merger each share of WWB common stock issued and outstanding immediately prior to the effective date will be converted into 1.2530 shares of Heritage common stock and \$20.36 in cash, pending certain potential adjustments pursuant to Section 1.3(B) of the Merger Agreement. In addition, WWB shareholders will received consideration equal to \$0.50 per share (which may be paid in cash, stock or a combination thereof at the election of Heritage) as the result of an adjustment pursuant to Section 1.3(C) of the Merger Agreement. In our discussion we refer to the number of shares of Heritage common stock and the cash to be received for each share of WWB common stock being converted into Heritage stock as the exchange ratio .

It is anticipated that Heritage will issue approximately 213,083 shares of Heritage common stock and \$3,408,101 in cash (subject to adjustment if the average closing price is less than \$21.25) to WWB shareholders in the merger in exchange for all the shares of WWB common stock outstanding as of January 24, 2006, the date of the Merger Agreement. With respect to shares of WWB common stock issued after January 24, 2006, upon exercise of outstanding stock options, Heritage will issue cash payments equal to the difference between the

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implied value of each share of WWB common stock and the exercise price of the outstanding options. See [Exercised WWB Options](#) and [Treatment of Unexercised Options](#) above.

The value of the shares of Heritage common stock to be exchanged for each share of WWB common stock may fluctuate during the period up to and including the completion of the merger. Based on the closing price of Heritage common stock on March 23, 2006, the trading day prior to the announcement of the proposed merger, WWB shares of common stock had an implied value of approximately \$51.18 per share. Based on the \$28.21 closing price of Heritage common stock on April 7, 2006, WWB shares of common stock had an implied value of approximately \$55.71 per share. In addition, WWB shareholders will receive consideration equal to \$0.50 per share (which may be paid in cash, stock or a combination thereof at the election of Heritage) as the result of an adjustment pursuant to Section 1.3(C) of the Merger Agreement.

No assurance can be given that the current fair market value of Heritage common stock will be equivalent to the fair market value of Heritage common stock on the date that stock is received by a WWB shareholder or at any other time. The fair market value of Heritage common stock received by a WWB shareholder may be greater or less than the current fair market value of Heritage common stock due to numerous market factors.

Possible Adjustment to Per Share Consideration Paid.

In the event that Heritage's average closing price over the 30 day trading period ending three trading days prior to the effective date of the merger is less than \$21.25 but greater than \$18.99, then the aggregate consideration that Heritage will pay shall be increased by an amount representing 75% of the difference between \$21.25 per share and the average closing price multiplied by the total number of Heritage shares to be issued. See [Termination of the Merger Agreement](#).

Heritage may terminate the Merger Agreement if, prior to the effective date of the merger, the average closing price of Heritage common stock for the 30 trading days ending on the third trading day immediately prior to the effective date of the merger (the average closing price) is less than \$19.00 unless Heritage agrees to increase the merger consideration (in shares of Heritage stock or cash) by 50% of the difference between \$19.00 and the average closing price, multiplied by the total number of Heritage shares to be issued. See [Termination of the Merger Agreement](#).

If, between the date of the Merger Agreement and the effective date of the merger, the shares of Heritage common stock are changed into a different number or class of shares by reason of reclassification, split-up, combination, exchange of shares or readjustment, or a stock dividend is declared with a record date within that period, appropriate adjustments will be made to the exchange ratio.

No fractional shares of Heritage common stock will be issued to any holder of WWB common stock in the merger. For each fractional share that would otherwise be issued, Heritage will pay cash in an amount equal to the fraction multiplied by the average of the closing sale prices of Heritage common stock on the NASDAQ National Market for the 30 trading days ending on the third trading day immediately prior to the effective date of the merger. No interest will be paid or accrued on cash payable in lieu of fractional shares of Heritage common stock.

Letter of Transmittal.

Soon after the completion of the merger, Heritage will send a letter of transmittal to each person who was a WWB shareholder at the effective time of the merger. This mailing will contain instructions on how to surrender shares of WWB common stock in exchange for the Heritage shares the holder is entitled to receive under the Merger Agreement based on the exchange ratio.

All shares of Heritage common stock issued to the holders of WWB common stock pursuant to the merger will be deemed issued as of the effective date. Until you surrender your WWB stock certificates for exchange,

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you will accrue, but will not be paid, any dividends or other distributions declared after the effective date with respect to Heritage common stock into which any of your shares may have been converted. When you surrender your certificates, Heritage also will pay you \$20.36 for each of your shares of WWB stock, any unpaid dividends or other distributions, as well as any cash for fractional shares, without interest. After the effective date, there will be no transfers on the stock transfer books of WWB of any shares of WWB common stock. If certificates representing shares of WWB common stock are presented for transfer after the completion of the merger, they will be cancelled and exchanged for the merger consideration into which the shares of WWB common stock represented by those certificates shall have been converted.

If a certificate for WWB common stock has been lost, stolen or destroyed, Heritage will issue the consideration properly payable under the Merger Agreement upon receipt of appropriate evidence as to that loss, theft or destruction, appropriate evidence as to the ownership of that certificate by the claimant, bond or indemnity satisfactory to Heritage, and appropriate and customary identification.

Exercised WWB Options

WWB had employee and director stock options outstanding for 12,832 shares of WWB common stock, as of March 28, 2006. All 12,832 options will be automatically 100% vested and exercisable upon the completion of the merger. Any WWB shares issued with respect to any WWB options exercised prior to closing will receive 1.2530 shares of Heritage stock and \$20.36 in cash for each share of WWB stock that they own, in addition to consideration equal to \$0.50 per share as the result of an adjustment pursuant to Section 1.3(C) of the Merger Agreement. This \$0.50 per share of additional consideration may be paid by Heritage in cash, stock or a combination thereof.

Treatment Of Unexercised Options

Each outstanding option to acquire WWB common stock granted under WWB's stock option plans will be converted automatically at the effective date of the merger into the right to receive cash in the amount of the per share consideration less the exercise price of the option.

See "Interests of Certain Persons in the Merger - Stock Options" at page 28, for information about the exercise prices, and implied values resulting from the merger, of options and warrants held by the directors and executive officers of WWB.

Effective Date of the Merger

Subject to the conditions to the obligations of the parties to complete the merger as set forth in t-wrap:simple;text-align:center;">**We Cannot Control Actions By Any of the Unaffiliated Companies Whose Securities Are Included in the Basket Underliers**

Actions by any company whose securities are included in any of the basket underliers may have an adverse effect on the price of its security, the final basket level and the value of the notes. These companies will not be involved in the offering of the notes and will have no obligations with respect to the notes, including any obligation to take our or your interests into consideration for any reason. These companies will not receive any of the proceeds of the offering of the notes and will not be responsible for, and will not have participated in, the determination of the timing of, prices for, or quantities of, the notes to be issued. These companies will not be involved with the administration, marketing or trading of the notes and will have no obligations with respect to the cash settlement amount to be paid to you at maturity.

Capped Leveraged Basket-Linked Notes due September 27, 2019

We and Our Respective Affiliates Have No Affiliation with the Sponsor of any of the Basket Underliers and Have Not Independently Verified Its Public Disclosure of Information

We and our respective affiliates are not affiliated in any way with the sponsor of any of the basket underliers and have no ability to control or predict their actions, including any errors in or discontinuation of disclosure regarding the methods or policies relating to the calculation of the respective basket underliers. We have derived the information about the sponsor of each of the basket underliers and each of the basket underliers contained herein from publicly available information, without independent verification. You, as an investor in the notes, should make your own investigation into the basket underliers and the sponsors of the basket underliers. None of the sponsors of the basket underliers is involved in the offering of the notes made hereby in any way or has any obligation to consider your interest as an owner of notes in taking any actions that might affect the value of the notes.

The U.S. Federal Tax Consequences of An Investment in the Notes Are Unclear

There is no direct legal authority regarding the proper U.S. federal tax treatment of the notes, and we do not plan to request a ruling from the U.S. Internal Revenue Service (the IRS). Consequently, significant aspects of the tax treatment of the notes are uncertain, and the IRS or a court might not agree with the treatment of the notes as prepaid cash-settled derivative contracts. If the IRS were successful in asserting an alternative treatment of the notes, the tax consequences of the ownership and disposition of the notes might be materially and adversely affected. The U.S. Treasury Department and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of prepaid forward contracts and similar instruments. See Supplemental Discussion of U.S. Federal Income Tax Consequences in the accompanying Product Supplement No. 6. Any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the notes, including the character and timing of income or loss and the degree, if any, to which income realized by non-U.S. persons should be subject to withholding tax, possibly with retroactive effect. Both U.S. and non-U.S. persons considering an investment in the notes should review carefully the section of the accompanying Product Supplement No. 6 entitled Supplemental Discussion of U.S. Federal Income Tax Consequences and consult their tax advisers regarding the U.S. federal tax consequences of an investment in the notes (including possible alternative treatments and the issues presented by the notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

There Can Be No Assurance that the Canadian Federal Income Tax Consequences of an Investment in the Notes Will Not Change in the Future

There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, or the administrative policies and assessing practices of the Canada Revenue Agency will not be changed in a manner that adversely affects investors. For a discussion of the Canadian federal income tax consequences of investing in the notes, please read the section of this Pricing Supplement entitled Certain Canadian Federal Income Tax Considerations as well as the section entitled Material Income Tax Consequences Canadian Taxation in the accompanying Prospectus. You should consult your tax advisor with respect to your own particular situation.

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Capped Leveraged Basket-Linked Notes due September 27, 2019

THE BASKET AND THE BASKET UNDERLIERS

The Basket

The basket is comprised of five basket underliers with the following initial weights within the basket: the EURO STOXX 50® Index (37.00% weighting), the FTSE® 100 Index (23.00% weighting), the TOPIX (23.00% weighting), the Swiss Market Index (9.00% weighting) and the S&P/ASX 200 Index (8.00% weighting).

The EURO STOXX 50® Index

The EURO STOXX 50® Index is a free-float market capitalization-weighted index of 50 European blue-chip stocks and was created by and is sponsored and maintained by STOXX Limited. Publication of the EURO STOXX 50® Index began on February 26, 1998, based on an initial index value of 1,000 at December 31, 1991. The 50 stocks included in the EURO STOXX 50® Index trade in Euros, and are allocated, based on their country of incorporation, primary listing and largest trading volume, to one of the following countries: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain, which we refer to collectively as the Eurozone. The level of the EURO STOXX 50® Index is disseminated on the STOXX website. STOXX is under no obligation to continue to publish the index and may discontinue publication of it at any time. Additional information regarding the EURO STOXX 50® Index may be obtained from the STOXX website: stox.com. We are not incorporating by reference the website or any material it includes in this Pricing Supplement.

The top ten constituent stocks of the EURO STOXX 50® Index as of March 29, 2018, by weight, are: Total SA (5.08%), SAP SE (3.99%), Siemens AG (3.82%), Banco Santander SA (3.71%), Allianz SE (3.50%), Bayer AG (3.29%), BASF SE (3.29%), Sanofi SA (3.24%), Unilever NV (3.11%); and BNP Paribas (3.01%); constituent weights may be found at stox.com/index-details?symbol=sx5e under Data Factsheet Information and are updated periodically.

As of March 29, 2018, the top ten industry sectors comprising the EURO STOXX 50® Index are: Banks (15.2%), Industrial Goods & Services (10.7%), Health Care (10.0%), Personal & Household Goods (9.6%), Technology (8.1%), Insurance (6.7%), Oil & Gas (6.6%), Automobiles & Parts (5.5%), Utilities (5.1%), and Chemicals

(5.1%); industry weightings may be found at stoxx.com/index-details?symbol=sx5e under Data Factsheet Information and are updated periodically. Sector designations are determined by the underlier sponsor using criteria it has selected or developed. Index sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices with different index sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices.

As of March 29, 2018, the eight countries which comprise the EURO STOXX 50® Index represent the following weights in the index: France (36.8%), Germany (32.5%), Netherlands (10.7%), Spain (9.9%), Italy (5.1%), Belgium (2.9%), Finland (1.1%), and Ireland (1.0%); country weightings may be found at stoxx.com/index-details?symbol=sx5e under Data Factsheet Information and are updated periodically. Percentages may not sum to 100% due to rounding.

The above information supplements the description of the EURO STOXX 50® Index found in the accompanying General Terms Supplement. This information was derived from information prepared by the basket underlier sponsor, however, the percentages we have listed above are approximate and may not match the information available on the basket underlier sponsor's website due to subsequent corporation actions or other activity relating to a particular stock. For more details about the EURO STOXX 50® Index, the basket underlier sponsor and license agreement between the basket underlier sponsor and the issuer, see The Underliers EURO STOXX 50® Index in the accompanying General Terms Supplement.

We have entered into an agreement with STOXX providing us and certain of our affiliates or subsidiaries identified in that agreement with a non-exclusive license and, for a fee, with the right to use the EURO STOXX 50®, which is owned and published by STOXX, in connection with certain securities, including the notes.

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Capped Leveraged Basket-Linked Notes due September 27, 2019

The EURO STOXX 50® Index is the intellectual property (including registered trademarks) of STOXX Limited, Zurich, Switzerland (STOXX), Deutsche Börse Group or their licensors, which is used under license. The notes are neither sponsored nor promoted, distributed or in any other manner supported by STOXX, Deutsche Börse Group or their licensors, research partners or data providers and STOXX, Deutsche Börse Group and their licensors, research partners or data providers do not give any warranty, and exclude any liability (whether in negligence or otherwise) with respect thereto generally or specifically in relation to any errors, omissions or interruptions in the EURO STOXX 50® Index or its data.

The FTSE® 100 Index

The FTSE® 100 Index is a market capitalization-weighted index of the 100 most highly capitalized U.K.-listed blue chip companies traded on the London Stock Exchange. The index was developed with a base level of 1,000 as of December 30, 1983. The FTSE® 100 Index is calculated, published and disseminated by FTSE Russell, the trade name of FTSE International Limited and Frank Russell Company, both owned by the London Stock Exchange Group plc (the Exchange). Additional information on the FTSE® 100 Index is available from the following website: ftse.com/products/indices/uk. We are not incorporating by reference the website or any material it includes in this Pricing Supplement. FTSE Russell is under no obligation to continue to publish the FTSE® 100 Index and may discontinue publication of the FTSE® 100 Index at any time.

FTSE® 100 Index

Index Stock Weighting by Sector as of March 30, 2018

Sector:*	Percentage (%)**
Oil & Gas	12.80
Chemicals	0.79
Basic Resources	6.90
Construction & Materials	1.46
Industrial Goods & Services	9.37
Automobiles & Parts	0.37
Food & Beverage	3.63
Personal & Household Goods	10.80
Health Care	8.62

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Retail	3.17
Media	3.45
Travel & Leisure	4.71
Telecommunications	3.26
Utilities	2.70
Banks	11.07
Insurance	5.68
Real Estate	2.59
Financial Services	7.75
Technology	0.90

* Sector designations are determined by the basket underlier sponsor using criteria it has selected or developed (FTSE Russell classifies index stock weighting by supersectors under the Industry Classification Benchmark). Index sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices with different index sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices.

** The sector classification weightings are derived from information prepared by the basket underlier sponsor. Percentages may not sum to 100% due to rounding.

The top five constituent stocks of the FTSE® 100 Index as of March 30, 2018, by weight, are: HSBC Holdings PLC (7.34%); Royal Dutch Shell PLC Class A (5.65%); British American Tobacco PLC (5.20%); BP PLC (5.08%); and Royal Dutch Shell PLC Class B (4.70%).

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Capped Leveraged Basket-Linked Notes due September 27, 2019

In addition to the eligibility criteria discussed under "The Underliers FTSE® 100 Index" in the accompanying General Terms Supplement, in order to be included in the FTSE® 100 Index, a company is required to have greater than 5% of its voting rights (aggregated across all of its equity securities, including, where identifiable, those that are not listed or trading) in the hands of unrestricted shareholders. Current constituents of the FTSE® 100 Index who do not meet this requirement will have until the September 2022 review to meet the requirement or they will be removed from the FTSE® 100 Index.

The above information supplements the description of the basket underlier found in the accompanying General Terms Supplement. This information was derived from information prepared by the basket underlier sponsor, however, the percentages we have listed above are approximate and may not match the information available on the underlier sponsor's website due to subsequent corporation actions or other activity relating to a particular stock. For more details about the basket underlier, the basket underlier sponsor and license agreement between the underlier sponsor and the issuer, see "The Underliers FTSE® 100 Index" in the accompanying General Terms Supplement.

CIBC will enter into an agreement with FTSE Russell or its affiliates as necessary to provide us and certain of our affiliates or subsidiaries, in exchange for a fee, a non-exclusive license to use the FTSE® 100 in connection with certain securities, including the notes.

All rights in the FTSE® 100 Index vest in FTSE Russell (FTSE). FTSE® is a trade mark of the London Stock Exchange Group companies and is used by FTSE under license. The notes have been developed solely by CIBC. The FTSE® 100 Index is calculated by FTSE or its agent. FTSE and its licensors are not connected to and do not sponsor, advise, recommend, endorse or promote the notes and do not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in the FTSE® 100 Index or (b) investment in or operation of the notes. FTSE makes no claim, prediction, warranty or representation either as to the results to be obtained from the notes or the suitability of the FTSE® 100 Index for the purpose to which it is being put by CIBC.

TOPIX

TOPIX, also known as the Tokyo Price Index, is a capitalization weighted index of all the domestic common stocks listed on the First Section of the Tokyo Stock Exchange, Inc., which we refer to as the TSE. Domestic stocks admitted to the TSE are assigned either to the TSE First Section Index, the TSE Second Section Index or the TSE Mothers Index. Stocks listed in the First Section, which number approximately 1,700, are among the most actively traded stocks on the TSE. TOPIX is supplemented by the sub-basket components of the 33 industry sectors and was developed with a base index value of 100 as of January 4, 1968. TOPIX is calculated and published by TSE. Additional information about TOPIX is available on the following website:

jpx.co.jp/english/markets/indices/topix. We are not incorporating by reference the website or any material it includes in this Pricing Supplement.

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Capped Leveraged Basket-Linked Notes due September 27, 2019

TOPIX

Basket Underlier Stock Weighting by Sector as of March 30, 2018

Sector:*	Percentage (%)**
Electric Appliances	13.89%
Transportation Equipment	8.76%
Information & Communication	7.34%
Chemicals	7.31%
Banks	7.04%
Machinery	5.46%
Retail Trade	4.92%
Pharmaceutical	4.71%
Wholesale Trade	4.71%
Services	4.43%
Food	4.36%
Land Transportation	3.97%
Construction	3.18%
Others	19.92%

* Sector designations are determined by the basket underlier sponsor using criteria it has selected or developed. Index sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices with different index sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices.

** Information provided by TSE. Percentages may not sum to 100% due to rounding.

The above information supplements the description of TOPIX found in the accompanying General Terms Supplement. For more details about TOPIX, the basket underlier sponsor and the license agreement between the basket underlier sponsor and the issuer, see The Underliers TOPIX in the accompanying General Terms Supplement.

CIBC will enter into an agreement with TSE or its affiliates as necessary to provide us and certain of our affiliates or subsidiaries, in exchange for a fee, a non-exclusive license to use TOPIX, which is sponsored, calculated and published by TSE, in connection with certain securities, including the notes.

TOPIX Value and TOPIX Marks are subject to the proprietary rights owned by TSE and TSE owns all rights and know-how relating to the TOPIX such as calculation, publication and use of TOPIX Value and relating to TOPIX Marks. TSE shall reserve the rights to change the methods of calculation or publication, to cease the calculation or publication of TOPIX Value or to change TOPIX Marks or cease the use thereof. TSE makes no warranty or representation whatsoever, either as to the results stemmed from the use of TOPIX Value and TOPIX Marks or as to the figure at which TOPIX Value stands on any particular day. TSE gives no assurance regarding accuracy or completeness of TOPIX Value and data contained therein. Further, TSE shall not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of TOPIX Value. No securities are in any way sponsored, endorsed or promoted by the TSE. TSE shall not bear any obligation to give an explanation of the notes or an advice on investments to any purchaser of the notes or to the public. TSE neither selects specific stocks or groups thereof nor takes into account any needs of the issuing company or any purchaser of the notes, for calculation of TOPIX Value. Including but not limited to the foregoing, the TSE shall not be responsible for any damage resulting from the issue and sale of the notes.

Swiss Market Index (SMI®)

The SMI®, which we also refer to in this description as the index :

- was first launched with a base level of 1,500 as of June 30, 1988; and
- is sponsored, calculated, published and disseminated by SIX Group Ltd., certain of its subsidiaries, and the Management Committee of the SIX Swiss Exchange.

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Capped Leveraged Basket-Linked Notes due September 27, 2019

The index is a price return float-adjusted market capitalization-weighted index of the 20 largest stocks traded on the Swiss Stock Exchange. The SIX Swiss Exchange has outsourced certain aspects of the benchmark determination process, essentially the development and maintenance of its indices as described below, to STOXX Limited in Zurich, Switzerland. All matters regarding the index that require a decision, including regarding processes outsourced to STOXX, are submitted to the Management Committee. The Management Committee of the SIX Swiss Exchange is supported by an Index Commission in all index-related matters, notably in connection with changes to the index rules and adjustments, additions and exclusions outside of the established review and acceptance period. The Index Commission meets at least twice annually.

As of December 29, 2017, the top ten constituents of the index (and their respective weightings in the index) were: Nestle AG (18.04%); Roche Holding AG (17.79%); Novartis AG (17.71%); UBS Group AG (7.10%); ABB Ltd (4.88%); Financiere Richemont SA (4.74%); Zurich Insurance Group (4.61%); Credit Suisse Group AG (4.34%); Compagnie Swiss Re AG (3.01%); LafargeHolcim LTD (2.71%); and Lonza Group AG (2.01%).

As of December 29, 2017, the ICB industry sectors in the index (and their respective weights) were: Basic Materials (1.8%), Consumer Goods (24.0%), Financials (21.6%), Health Care (37.5%), Industrials (13.6%) and Telecommunications (1.4%) (may not sum to 100% due to rounding). Sector designations are determined by the index sponsor using criteria it has selected or developed. Index sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices with different index sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices.

SMI® Composition and Selection Criteria

The index is comprised of the 20 highest ranked stocks traded on the Swiss Stock Exchange that have a free float of 20% or more and that are not investment companies. The equity universe is largely Swiss domestic companies, although in some cases foreign issuers with a primary listing on the Swiss Stock Exchange that submit to certain reporting requirements or investment companies that do not hold any shares of any other eligible company and that have a primary listing on the Swiss Stock Exchange may be included.

The ranking of each security is determined by a combination of the following criteria:

- average free-float market capitalization over the last 12 months (compared to the capitalization of the entire Swiss Stock Exchange index family), and
- cumulative on order book turnover over the last 12 months (compared to the total turnover of the

Swiss Stock Exchange index family).

Each of these two factors is assigned a 50% weighting in ranking the stocks eligible for the index.

The index is reconstituted annually after prior notice of at least two months on the third Friday in September after the close of trading. For companies that were listed during the last 12 months, the cumulated on order book turnover generally excludes the first 5 trading days in the calculation. The ordinary index reconstitution is based on data from the previous July 1 through June 30. Provisional interim selection (ranking) lists based on the average free-float market capitalization and cumulative on order book turnover over the last 12 months are also published at the cut off dates March 31, September 30 and December 31.

In order to reduce turnover, an index constituent will not be replaced unless it is ranked below 23 or, if it is ranked 21 or 22, if another share ranks 18 or higher. If a company has primary listings on several exchanges and less than 50% of that company's total turnover is generated on the Swiss Stock Exchange, it will not be included in the index unless it ranks at least 18 or better on the selection list solely on the basis of its turnover on those exchanges on which it has a primary listing (i.e., without considering its free float).

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Maintenance of the Index

Constituent Changes. In the case of major market changes as a result of capital events such as mergers or new listings, the Management Committee of the SIX Swiss Exchange can decide at the request of the Index Commission that a security should be admitted to the index outside the annual review period as long as it clearly fulfills the criteria for inclusion. For the same reasons, a security can also be excluded if the requirements for admission to the index are no longer fulfilled. As a general rule, extraordinary acceptances into the index take place after a three-month period on a quarterly basis after the close of trading on the third Friday of March, June, September and December (for example, a security listed on or before the 5th trading day prior to the end of November cannot be included until the following March). If a delisting has been confirmed, it will be removed from the index at the next upcoming ordinary quarterly adjustment date (March, June, September and December) with a notice period of at least five days. An announced insolvency is deemed to be an extraordinary event and the security will be removed from the index five trading days prior notice if the circumstances permit such notice.

Capped Weightings and Intra-Quarter Breaches. The weight of any index constituent that exceeds a weight of 18% within the index is reduced to that value at each ordinary quarterly adjustment date by applying a capping factor to the calculation of such constituent's free float market capitalization. A constituent's number of shares and free float figure are used to determine its capping factor. The excess weight (the difference of the original weight minus the capped weight) is distributed proportionally across the other index constituents. The constituents are also capped to 18% as soon as two index constituents exceed a weight of 20% (an intra-quarter breach). If an intra-quarter breach is observed after the close of the markets, a new calculation of the capping factors is executed immediately and communicated to the market in order to ensure that the maximum weight per constituent is capped at 18% for the opening on the next day. In order to achieve a capped weighting while attempting to not cause market distortion, a stepwise reduction is conducted based on the ordinary quarterly index adjustment reviews to ensure that no change in the weight (as a result of capping) from one review to the next exceeds 3%. The transition period is in effect until no component has a weight larger than 18%. In the case of an intraquarter breach, the weights are limited to the last defined weights as of the prior review.

Number of Shares and Free Float. The securities included in the index are weighted according to their free float. This means that shares deemed to be in firm hands are subtracted from the total market capitalization of that company. The free float is calculated on the basis of outstanding shares. Issued and outstanding equity capital is, as a rule, the total amount of equity capital that has been fully subscribed and wholly or partially paid in and documented in the Commercial Register. Not counting as issued and outstanding equity capital are the approved capital and the conditional capital of a company. The free float is calculated on the basis of listed shares only. If a company offers several different categories of listed participation

rights, each is treated separately for the purposes of index calculation.

Fundamentally deemed to be shares held in firm hands are shareholdings that have been acquired by one person or a group of persons in companies domiciled in Switzerland and which, upon exceeding 5%, have been reported to the SIX Swiss Exchange. Shares of persons and groups of persons who are subject to a shareholder agreement which is binding for more than 5% of the listed shares or who, according to publicly known facts, have a long-term interest in a company are also deemed to be in firm hands.

For the calculation of the number of shares in firm hands, the SIX Swiss Exchange may also use other sources than the reports submitted to it. In particular, the SIX Swiss Exchange may use data gained from issuer surveys that it conducts itself.

In general, shares held by custodian nominees, trustee companies, investment funds, pension funds and investment companies are deemed free-floating regardless of whether a report has been made to the SIX Swiss Exchange. The SIX Swiss Exchange classifies at its own discretion persons and groups of persons who, because of their area of activity or the absence of important information, cannot be clearly assigned.

The free-float rule applies only to bearer shares and registered shares. Capital issued in the form of participation certificates (Partizipationsscheine) and bonus certificates (Genussscheine) is taken into full account in calculating the index because it does not confer voting rights.

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The number of securities in the index and the free-float factors are adjusted after the close of trading on four adjustment dates per year, the third Friday of March, June, September and December. Such changes are provisionally pre-announced at least one month before the adjustment date, although the index sponsor reserves the right to take account of recent changes up to five trading days before the adjustment date in the actual adjustment.

In order to avoid frequent slight changes to the weighting and to maintain the stability of the index, any extraordinary change of the total number of outstanding securities or the free float will only result in an extraordinary adjustment if it exceeds 10% and 5% respectively, occurs from one trading to the next and is in conjunction with a corporate action.

After a takeover, the index sponsor may, in exceptional cases, adjust the free float of the company in question upon publication of the end results after a five-day notification period or may exclude the security from the relevant index family. When an insolvency has been announced, an extraordinary adjustment will be made and the affected security will be removed from the index after five trading days notice, and a replacement will be determined based on the current selection list.

The index sponsor reserves the right to make an extraordinary adjustment, in exceptional cases, without observing the notification period.

Calculation of the Index

The index sponsor calculates the index using the Laspeyres formula, with a weighted arithmetic mean of a defined number of securities issues. The formula for calculating the index value can be expressed as follows:

$$\text{Swiss Market Index} = \frac{\text{Free Float Market Capitalization of the SMI}^{\circledast}}{\text{Divisor}}$$

The free float market capitalization of the SMI[®] is equal to the sum of the product of the last-paid price, the number of shares, the free float factor, the capping factor and, if a foreign stock is included, the current CHF exchange rate as of the time the index value is being calculated. (As of December 9, 2016 all stocks in the index are denominated in Swiss Francs, known as CHF). The index value is calculated in real time and is updated whenever a trade is made in a component stock. Where any index component stock price is unavailable on any trading day, the index sponsor will use the last reported price for such component stock. Only prices from the SIX Swiss Exchange's electronic order book are used in calculating the index.

Divisor Value and Adjustments

The divisor is a technical number used to calculate the index and is adjusted to reflect changes in market capitalization due to corporate events.

Below are common corporate events and their impact on the divisor of the index:

Event	Divisor Change?
Regular cash dividend	No
Repayments of capital through reduction of a share's par value	No
Special dividends, anniversary bonds and other extraordinary payments that, contrary to the company's usual dividend policy, are paid out or declared extraordinary.	Yes
Share dividends (company's own shares)	No
Share dividend (shares of another company)	Yes

The index sponsor reserves the right to respond to any other corporate events with divisor adjustments or, in extraordinary circumstances, to depart from the provisions set forth above.

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License Agreement between SIX Swiss Exchange and CIBC

CIBC will enter into an agreement with SIX Swiss Exchange AG or its affiliates as necessary to provide us and certain of our affiliates or subsidiaries, in exchange for a fee, a non-exclusive license to use the SMI®, which is owned and published by the SIX Swiss Exchange, in connection with certain securities, including the notes.

The SIX Swiss Exchange and its licensors (the Licensors) have no relationship to us, other than the licensing of the SMI® and the related trademarks for use in connection with the notes.

The SIX Swiss Exchange and its Licensors do not sponsor, endorse, sell or promote the notes; recommend that any person invest in the notes; have any responsibility or liability for or make any decisions about the timing, amount or pricing of the notes; have any responsibility or liability for the administration, management or marketing of the notes; or consider the needs of the notes or the owners of the notes in determining, composing or calculating the SMI® or have any obligation to do so.

The SIX Swiss Exchange and its Licensors will not have any liability in connection with the notes. Specifically, the SIX Swiss Exchange and its Licensors do not make any warranty, express or implied and disclaim any and all warranty about: the results to be obtained by the notes, the owners of the notes or any other person in connection with the use of the SMI® and the data included in the SMI®; the accuracy or completeness of the SMI® and its data; and the merchantability and the fitness for a particular purpose or use of the SMI® and its data. The SIX Swiss Exchange and its Licensors will have no liability for any errors, omissions or interruptions in the SMI® or its data. Under no circumstances will the SIX Swiss Exchange or its Licensors be liable for any lost profits or indirect, punitive, special or consequential damages or losses, even if the SIX Swiss Exchange or its Licensors knows that they might occur. The licensing agreement between us and the SIX Swiss Exchange will be solely for our benefit and the benefit the SIX Swiss Exchange and not for the benefit of the owners of the notes or any other third parties.

S&P/ASX 200

The S&P/ASX 200, which we also refer to in this description as the index :

- is sponsored, calculated, published and disseminated by S&P Dow Jones Indices LLC, a part of McGraw Hill Financial (S&P);
- was acquired and re-launched by its current index sponsor on April 3, 2000; and
- is the responsibility of the S&P/ASX Index Committee (Index Committee), comprised of five voting members representing S&P and the Australian Securities Exchange.

The index includes 200 companies and covers approximately 80% of the Australian equity market by float-adjusted market capitalization. As discussed below, the S&P/ASX 200 is not limited solely to companies having their primary operations or headquarters in Australia or to companies having their primary listing on the Australian Securities Exchange, which we refer to as the ASX. All ordinary and preferred shares (if such preferred shares are not of a fixed income nature) listed on the ASX, including secondary listings, are eligible for the index. Hybrid stocks such as convertible stocks, bonds, warrants, preferred stock that provides a guaranteed fixed return and listed investment companies are not eligible for inclusion. Stocks currently under consideration for merger or acquisition are not eligible for inclusion or promotion to the index.

As of March 29, 2018, the top 10 index stocks by weight were the following: Commonwealth Bank Australia, Westpac Banking Corp., BHP Billiton Ltd., ANZ Banking Group, National Australia Bank Ltd., CSL Ltd., Wesfarmers Ltd., Telstra Corp Ltd., Woolworths Ltd., and Macquarie Group Ltd.

As of March 29, 2018, the 11 GICS industry sectors represented by stocks in the index include: Financials (34.8%), Materials (17.9%), Real Estate (7.8%), Health Care (7.8%), Consumer Staples (7.7%), Industrials (7.3%), Energy (5.1%), Consumer Discretionary (4.6%), Telecommunication Services (2.8%), Information Technology (2.1%), and Utilities (2.0%). Sector designations are determined by the index sponsor using criteria it has selected or developed.

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Index sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices with different index sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices. S&P and MSCI, Inc. have announced that the Global Industry Classification Sector structure is expected to be updated after the close of business on September 28, 2018. Among other things, the update is expected to broaden the current Telecommunication Services sector and rename it the Communication Services sector. The renamed sector is expected to include the existing telecommunication companies, as well as companies selected from the Consumer Discretionary sector currently classified under the Media industry group and the Internet & Direct Marketing Retail sub-industry, along with select companies currently classified in the Information Technology sector. Further, companies that operate online marketplaces for consumer products and services are expected to be included under the Internet & Direct Marketing sub-industry of the Consumer Discretionary sector, regardless of whether they hold inventory.

As of March 29, 2018, the countries of domicile included in the index and their relative weights were: Australia (97.8%), New Zealand (1.2%), United States (0.8%), and the United Kingdom (0.2%).

The S&P/ASX 200 Index is intended to provide exposure to the largest 200 eligible securities that are listed on the ASX by float-adjusted market capitalization. Constituent companies for the S&P/ASX 200 Index are chosen based on market capitalization, public float and liquidity. All index-eligible securities that have their primary or secondary listing on the ASX are included in the initial selection of stocks from which the 200 index stocks may be selected.

The float-adjusted market capitalization of companies is determined based on the daily average market capitalization over the last six months. The security's price history over the last six months, the latest available shares on issue and the investable weight factor, which we refer to as the IWF, are the factors relevant to the calculation of daily average market capitalization. The IWF is a variable that is primarily used to determine the available float of a security for ASX listed securities.

Number of Shares

When considering the index eligibility of securities for inclusion or promotion into S&P/ASX indices, the number of index securities under consideration is based upon the latest available ASX quoted securities. For domestic securities (companies incorporated in Australia and traded on the ASX, companies incorporated overseas but exclusively listed on the ASX and companies incorporated overseas and traded on other markets but most of its trading activity is on the ASX), this figure is purely based upon the latest available data from the ASX.

Foreign-domiciled securities may quote the total number of securities on the ASX that is representative of their global equity capital; whereas other foreign-domiciled securities may quote securities on the ASX on a partial basis that represents their Australian equity capital. In order to overcome this inconsistency, S&P will quote the number of index securities that are represented by CHESS Depository Interests (CDIs) for a foreign entity. When CDIs are not issued, S&P will use the total securities held on the

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Australian register (CHESS and, where supplied, the issuer sponsored register). This quoted number for a foreign entity is representative of the Australian equity capital, thereby allowing the index to be reflective of the Australian market.

The number of CDIs or shares of a foreign entity quoted on the ASX can experience more volatility than is typically the case for ordinary shares on issue. Therefore, an average number on issue will be applied over a six-month period.

Where CDI information is not supplied to the ASX by the company or the company's share register, estimates for Australian equity capital will be drawn from CHESS data and, ultimately, registry-sourced data.

IWF

The IWF represents the float-adjusted portion of a stock's equity capital. Therefore, any strategic holdings that are classified as either corporate, private or government holdings reduce the IWF which, in turn, results in a reduction

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in the float-adjusted market capital. Shares owned by founders, directors of the company, trusts, venture capitalists and other companies are also excluded. These are also deemed strategic holders, and are considered long-term holders of a stock's equity. Any strategic shareholdings that are greater than 5% of total issued shares are excluded from the relevant float.

The IWF ranges between 0 and 1, is calculated as $1 - \text{Sum of the \% held by strategic shareholders who possess 5\% or more of issued shares}$, and is an adjustment factor that accounts for the publicly available shares of a company. A company must have a minimum IWF of 0.3 to be eligible for index inclusion.

S&P identifies the following shareholders whose holdings are considered to be control blocks and are subject to float adjustment:

- Government and government agencies;
- Controlling and strategic shareholders/partners;
- Any other entities or individuals which hold more than 5%; excluding insurance companies, securities companies and investment funds;
- Other restricted portions such as treasury stocks.

Liquidity Test

Only stocks that are regularly traded are eligible for inclusion. Eligible stocks are considered for index inclusion based on their stock median liquidity (median daily value traded divided by its average float-adjusted market capitalization for the last six months) relative to the market capitalization weighted average of the stock median liquidities of the 500 constituents of the All Ordinaries index, another member of the S&P/ASX index family.

Index Maintenance

S&P rebalances the index constituents quarterly to ensure adequate market capitalization and liquidity based on the previous six months' worth of data. Quarterly review changes take effect after the market close on the third Friday of March, June, September and December. Eligible stocks are considered for index inclusion based on their float-adjusted market capitalization rank relative to the stated quota of 200 securities. For example, a stock that is currently in the S&P/ASX 300 and is ranked at 175, based on float-adjusted market capitalization, within the universe of eligible securities may be considered for inclusion into the

index, provided that liquidity hurdles are met.

In order to limit the level of index turnover, eligible securities will only be considered for index inclusion once another stock is excluded due to a sufficiently low rank and/or liquidity, based on the float-adjusted market capitalization. Potential index inclusions and exclusions need to satisfy buffer requirements in terms of the rank of the stock relative to a given index. In order to be added to the index, a stock must be ranked 179th or higher, and in order to be deleted from the index, a stock must be ranked 221st or lower. The buffers are established to limit the level of index turnover that may take place at each quarterly rebalancing. The buffers serve as guidelines for arriving at any potential constituent changes to the index, however, these rules can be by-passed when circumstances warrant.

Between rebalancing dates, an index addition is generally made only if a vacancy is created by an index deletion. Index additions are made according to float-adjusted market capitalization and liquidity. An initial public offering is added to the index only when an appropriate vacancy occurs and is subject to proven liquidity for at least two months. An exception may be made for extraordinary large offerings where sizeable trading volumes justify index inclusion.

Deletions can occur between index rebalancing dates due to acquisitions, mergers and spin-offs or due to suspension or bankruptcies. The decision to remove a stock from the index will be made once there is sufficient evidence that the transaction will be completed. Stocks that are removed due to mergers & acquisitions activity are removed from the index at the cash offer price for cash-only offers. Otherwise the best available price in the market is used.

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Share numbers for all index constituents are updated quarterly and are rounded to the nearest thousand. The update to the number of issued shares will be considered if the change is at least 5% of the float adjusted shares or A\$100 million in value.

Share updates for foreign-domiciled securities will take place annually at the March rebalancing. The update to the number of index shares will only take place when the 6-month average of CDIs or the total securities held in the Australian branch of the issuer sponsored register (where supplied) and in CHESS, as of the March rebalancing, differs from the current index shares by either 5% or a market-cap dollar amount greater than A\$ 100 million. Where CDI information is not supplied to the ASX by the company or the company's share register, estimates for Australian equity capital will be drawn from CHESS data and, ultimately, registry-sourced data.

Intra quarter share changes are implemented at the effective date or as soon as reliable information is available; however, they will only take place in the following circumstances:

- Changes in a company's float-adjusted shares of 5% or more due to market-wide shares issuance;
- Rights issues, bonus issues and other major corporate actions; and
- Share issues resulting from index companies merging and major off-market buy-backs.

Share changes due to mergers or acquisitions are implemented when the transaction occurs, even if both of the companies are not in the same index and regardless of the size of the change.

IWFs are reviewed annually as part of the September quarterly review. However, any event that alters the float of a security in excess of 5% will be implemented as soon as practicable by an adjustment to the IWF.

The function of the IWF is also to manage the index weight of foreign-domiciled securities that quote shares on the basis of CDIs. Due to the volatility that is displayed by CDIs, unusually large changes in the number of CDIs on issue could result. Where this is the case, the IWF may be used to limit the effect of unusually large changes in the average number of CDIs (and, thereby, limit the potential to manipulate this figure). Where the Index Committee sees fit to apply the IWF in this manner, the rationale for the decision will be announced to the market. This will be reviewed annually at the March-quarter index rebalancing date.

Index Calculation

The index is calculated using a base-weighted aggregate methodology. The value of the index on any day for which an index value is published is determined by a fraction, the numerator of which is the *sum* for all index stocks of the products of the price of each stock in the index *times* the number of shares of such stock included in the index *times* that stock's IWF, and the denominator of which is the divisor, which is described more fully below.

In order to prevent the value of the index from changing due to corporate actions, all corporate actions may require S&P to make an index or divisor adjustment. This helps maintain the value of the index and ensures that the movement of the index does not reflect the corporate actions of the individual companies that comprise the index.

The table below summarizes the types of index adjustments and indicates whether the corporate action will require a divisor adjustment:

Type of Corporate Action	Index Treatment	Divisor Adjustment Required
Cash dividend	None	No
Special Cash Dividend	Price adjustment needed	Yes
Stock dividend and/or split	Shares are multiplied by and price is divided by the split factor	No
Stock dividend from class A shares into existing class B shares, both of which are	Adjustment for price of A; adjustment for shares in B	Yes

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included in the index		
Stock dividend of different class, same company and is not included in the index	Price adjustment	Yes
Reverse Split	Adjustment for price and shares	No
Rights Offering	Adjustment for price and shares	Yes
Rights offering for a new line	Adjustment for price	Yes
New share issuance	Adjustment for shares	Yes
Reduction of capital	Share adjustment	Yes
New addition to index	Share adjustment	Yes
Deletion from index	Share adjustment	Yes
Merger (acquisition by index company for stock)	Share increase	Yes

A company that is spun-off from an index constituent will be added to the index at a zero price on the ex-date. If the spun-off company is not eligible to be included in the index based on its float adjusted market capitalization then it will be removed from the index after at least one day of regular way trading.

In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, S&P will calculate the closing price of the indices based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each security before the exchange closed. If the exchange fails to open due to unforeseen circumstances, S&P treats this closure as a standard market holiday. The index will use the prior day's closing prices and shifts any corporate actions to the following business day. If all exchanges fail to open or in other extreme circumstances, S&P may determine not to publish the index for that day.

S&P reserves the right to recalculate the index under certain limited circumstances. S&P may choose to recalculate and republish an index if it is found to be incorrect or inconsistent within two trading days of the publication of the index level in question for one of the following reasons:

- Incorrect or revised closing price
- Missed corporate event
- Late announcement of a corporate event
- Incorrect application of corporate action or index methodology

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Any other restatement or recalculation of an index is only done under extraordinary circumstances to reduce or avoid possible market impact or disruption as solely determined by the Index Committee.

License Agreement between S&P Dow Jones Indices LLC and CIBC

We and S&P have entered into a non-transferable, non-exclusive license agreement providing for the sublicense to us, in exchange for a fee, of the right to use the S&P/ASX 200 in connection with the issuance of the notes.

The license agreement between us and S&P provides that the following language must be stated in this document:

The S&P/ASX 200 is a product of S&P, and has been licensed for use by us. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC; and these trademarks have been licensed for use by S&P and sublicensed for certain purposes by us. The notes are not sponsored, endorsed, sold or promoted by S&P, Standard & Poor's Financial Services LLC, any of their respective affiliates (collectively, S&P Dow Jones Indices). S&P Dow Jones Indices make no representation or warranty, express or implied, to the holders of the notes or any member of the public regarding the advisability of investing in securities generally or in the notes particularly or the ability of the S&P/ASX 200 to track general market performance. S&P Dow Jones Indices' only relationship to us with respect to the S&P/ASX 200 is the licensing of the S&P/ASX 200 and certain trademarks,

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S&P DOW JONES INDICES DO NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS AND/OR THE COMPLETENESS OF THE S&P/ASX 200 OR ANY DATA RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P DOW JONES INDICES SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, OR DELAYS THEREIN. S&P DOW JONES INDICES MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AS TO RESULTS TO BE OBTAINED BY US, HOLDERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P/ASX 200 OR WITH RESPECT TO ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P DOW JONES INDICES BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN S&P DOW JONES INDICES AND US, OTHER THAN THE LICENSORS OF S&P DOW JONES INDICES.

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Historical Closing Levels of the Basket Underliers

The respective closing level of the basket underliers have fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the level of any of the basket underliers during the period shown below is not an indication that the basket underliers are more or less likely to increase or decrease at any time during the life of your notes.

You should not take the historical levels of the basket or the basket underliers as an indication of the future performances of the basket underliers. Before investing in the offered notes, you should consult publicly available information to determine the level of the basket underliers between the date of this Pricing Supplement and the date of your purchase of the offered notes. We cannot give you any assurance that the future performance of the basket, basket underliers or the basket underlier stocks will result in your receiving an amount greater than the outstanding face amount of your notes on the stated maturity date.

Neither we nor any of our affiliates make any representation to you as to the performance of the basket or the basket underliers. Before investing in the offered notes, you should consult publicly available information to determine the levels of the underlier between the date of this Pricing Supplement and the date of your purchase of the offered notes. The actual performance of the basket and the basket underliers over the life of the offered notes, as well as the cash settlement amount at maturity, may bear little relation to the historical levels shown below.

The graphs below show the daily historical closing levels of the EURO STOXX 50® Index, the FTSE® 100 Index, the TOPIX, the Swiss Market Index and the S&P/ASX 200 Index from April 11, 2008 through April 11, 2018. The graphs are for illustrative purposes only. We obtained the closing levels in the graphs below from Bloomberg Financial Services, without independent verification.

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Historical Basket Levels

The following graph is based on the basket closing level for the period from April 11, 2008 through April 11, 2018 assuming that the basket closing level was 100 on April 11, 2008. We derived the basket closing levels based on the method to calculate the basket closing level as described in this Pricing Supplement and on actual closing levels of the relevant basket underliers on the relevant date. The basket closing level has been normalized such that its hypothetical level on April 11, 2008 was 100. As noted in this Pricing Supplement, the initial basket level was set at 100 on the trade date. The basket closing level can increase or decrease due to changes in the levels of the basket underliers.

Basket Performance

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THE BANK'S ESTIMATED VALUE OF THE NOTES

The Bank's estimated value of the notes set forth on the cover of this Pricing Supplement is equal to the sum of the values of the following hypothetical components: (1) a fixed-income debt component with the same maturity as the notes, valued using our internal funding rate for structured debt described below, and (2) the derivative or derivatives underlying the economic terms of the notes. The Bank's estimated value does not represent a minimum price at which CIBCWM or any other person would be willing to buy your notes in any secondary market (if any exists) at any time. The internal funding rate used in the determination of the Bank's estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. The discount is based on, among other things, our view of the funding value of the notes as well as the higher issuance, operational and ongoing liability management costs of the notes in comparison to those costs for our conventional fixed-rate debt. For additional information, see [Additional Risk Factors Specific to Your Notes – The Bank's Estimated Value Was Not Determined by Reference to Credit Spreads for Our Conventional Fixed-Rate Debt](#) in this Pricing Supplement. The value of the derivative or derivatives underlying the economic terms of the notes is derived from the Bank's or a third party hedge provider's internal pricing models. These models are dependent on inputs such as the traded market prices of comparable derivative instruments and on various other inputs, some of which are market-observable, and which can include volatility, dividend rates, interest rates and other factors, as well as assumptions about future market events and/or environments. Accordingly, the Bank's estimated value of the notes was determined when the terms of the notes were set based on market conditions and other relevant factors and assumptions existing at that time. See [Additional Risk Factors Specific to Your Notes – The Bank's Estimated Value Does Not Represent Future Values of the Notes and May Differ from Others' Estimates](#) in this Pricing Supplement.

The Bank's estimated value of the notes is lower than the original issue price of the notes because costs associated with selling, structuring and hedging the notes are included in the original issue price of the notes. These costs include the projected profits that our hedge counterparties, which may include our affiliates, expect to realize for assuming risks inherent in hedging our obligations under the notes and the estimated cost of hedging our obligations under the notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or it may result in a loss. We or one or more of our affiliates will retain any profits realized in hedging our obligations under the notes. See [Additional Risk Factors Specific to Your Notes – The Bank's Estimated Value of the Notes Is Lower Than the Original Issue Price \(Price to Public\) of the Notes](#) in this Pricing Supplement.

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SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

Pursuant to the terms of a distribution agreement, the Bank will sell to CIBCWM, and CIBCWM will purchase from the Bank, the aggregate face amount of the offered notes specified on the front cover of this Pricing Supplement. CIBCWM proposes initially to offer the notes to the public at the price to public set forth on the cover page of this Pricing Supplement and to certain unaffiliated securities dealers at such price.

The Bank owns, directly or indirectly, all of the outstanding equity securities of CIBCWM. In accordance with FINRA Rule 5121, CIBCWM may not make sales in this offering to any of its discretionary accounts without the prior written approval of the customer.

We will deliver the notes against payment therefor in New York, New York on April 18, 2018, which is the fifth scheduled business day following the date of this Pricing Supplement and of the pricing of the notes. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on any date prior to two business days before delivery will be required, by virtue of the fact that the notes will settle in five business days (T + 5), to specify alternative settlement arrangements to prevent a failed settlement.

The Bank may use this Pricing Supplement in the initial sale of the notes. In addition, CIBCWM or another of the Bank's affiliates may use this Pricing Supplement in market-making transactions in any notes after their initial sale. Unless CIBCWM or we inform you otherwise in the confirmation of sale, this Pricing Supplement is being used by CIBCWM in a market-making transaction.

While CIBCWM may make markets in the notes, it is under no obligation to do so and may discontinue any market-making activities at any time without notice. The price that it makes available from time to time after the issue date at which it would be willing to repurchase the notes will generally reflect its estimate of their value. That estimated value will be based upon a variety of factors, including then prevailing market conditions, our creditworthiness and transaction costs. However, for a period of approximately three months after the trade date, the price at which CIBCWM may repurchase the notes is expected to be higher than their estimated value at that time. This is because, at the beginning of this period, that price will not include certain costs that were included in the original issue price, particularly our hedging costs and profits. As the period continues, these costs are expected to be gradually included in the price that CIBCWM would be willing to pay, and the difference between that price and CIBCWM's estimate of the value of the notes will decrease over time until the end of this period. After this period, if CIBCWM continues to make a market in the notes, the prices that it would pay for them are expected to reflect its estimated value, as well as customary bid-ask spreads for similar trades. In addition, the value of the notes shown on your account statement may not be identical to the price at which CIBCWM would be willing to purchase the notes at that time, and could be lower than CIBCWM's price. See the section titled Supplemental Plan of Distribution Conflicts of Interest in the accompanying Prospectus Supplement.

The price at which you purchase the notes includes costs that the Bank or its affiliates expect to incur and profits that the Bank or its affiliates expect to realize in connection with hedging activities related to the notes, as set forth above. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the notes.

Any notes which are the subject of the offering contemplated by this Pricing Supplement, the accompanying Product Supplement No. 6, accompanying General Terms Supplement No. 1, accompanying Prospectus Supplement and accompanying Prospectus may not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). Consequently no key information document required by Regulation (EU) No 1286/2014 (the PRIIPs Regulation) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. For the purposes of this provision:

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- (a) the expression **retail investor** means a person who is one (or more) of the following:
- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, MiFID II); or
 - (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC; and
- (b) the expression **an offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a brief summary of the material U.S. federal income tax considerations relating to an investment in the notes. The following summary is not complete and is both qualified and supplemented by the discussion entitled "Supplemental Discussion of U.S. Federal Income Tax Consequences" in the accompanying Product Supplement No. 6, which you should carefully review prior to investing in the notes.

The U.S. federal income tax considerations of your investment in the notes are uncertain. No statutory, judicial or administrative authority directly discusses how the notes should be treated for U.S. federal income tax purposes. In the opinion of our tax counsel, Mayer Brown LLP, it would generally be reasonable to treat the notes as prepaid cash-settled derivative contracts. Pursuant to the terms of the notes, you agree to treat the notes in this manner for all U.S. federal income tax purposes. If this treatment is respected, you should generally recognize capital gain or loss upon the sale, exchange or payment upon maturity in an amount equal to the difference between the amount you receive in such transaction and the amount that you paid for your notes. Such gain or loss should generally be treated as long-term capital gain or loss if you have held your notes for more than one year.

The expected characterization of the notes is not binding on the IRS or the courts. It is possible that the IRS would seek to characterize the notes in a manner that results in tax consequences to you that are different from those described above or in the accompanying Product Supplement No. 6. Such alternate treatments could include a requirement that a holder accrue ordinary income over the life of the notes or treat all gain or loss at maturity as ordinary gain or loss. For a more detailed discussion of certain alternative characterizations with respect to the notes and certain other considerations with respect to an investment in the notes, you should consider the discussion set forth in "Supplemental Discussion of U.S. Federal Income Tax Consequences" of Product Supplement No. 6. We are not responsible for any adverse consequences that you may experience as a result of any alternative characterization of the notes for U.S. federal income tax or other tax purposes.

U.S. tax rules treat certain financial products issued to non-U.S. holders in 2017 or thereafter as giving rise to withholdable dividend equivalent payments when the financial product provides a payment or credit in respect of dividend payments on certain U.S. underliers. These rules do not apply if the financial product references a qualified index and does not contain short positions on more than 5 percent of the components within the index. Additionally, Treasury Regulations exclude financial products issued prior to 2019 that are not "delta-one" with respect to underlying securities that could pay withholdable dividend equivalent payments. In the opinion of Mayer Brown LLP, these rules should not apply to the notes.

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CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, our Canadian tax counsel, the following summary describes the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the *Canadian Tax Act*) generally applicable at the date hereof to a purchaser who acquires beneficial ownership of a note pursuant to this Pricing Supplement and who for the purposes of the *Canadian Tax Act* and the regulations thereto and at all relevant times: (a) is neither resident nor deemed to be resident in Canada; (b) deals at arm's length with CIBC and any transferee resident (or deemed to be resident) in Canada to whom the purchaser disposes of the note; (c) does not use or hold and is not deemed to use or hold the note in, or in the course of, carrying on a business in Canada; (d) is entitled to receive all payments (including any interest and principal) made on the note, and (e) is not a, and deals at arm's length with any, specified shareholder of CIBC for purposes of the thin capitalization rules in the *Canadian Tax Act* (a *Non-Resident Holder*). A specified shareholder for these purposes generally includes a person who (either alone or together with persons with whom that person is not dealing at arm's length for the purposes of the *Canadian Tax Act*) owns or has the right to acquire or control or is otherwise deemed to own 25% or more of CIBC's shares determined on a votes or fair market value basis. Special rules which apply to non-resident insurers carrying on business in Canada and elsewhere are not discussed in this summary.

This summary is supplemental to and should be read together with the description of material Canadian federal income tax considerations relevant to a Non-Resident Holder owning notes under *Material Income Tax Consequences Canadian Taxation* in the accompanying Prospectus and a Non-Resident Holder should carefully read that description as well.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Non-Resident Holder. Non-Resident Holders are advised to consult with their own tax advisors with respect to their particular circumstances.

Based on Canadian tax counsel's understanding of the Canada Revenue Agency's administrative policies and having regard to the terms of the notes, interest payable on the notes should not be considered to be participating debt interest as defined in the *Canadian Tax Act* and accordingly, a Non-Resident Holder should not be subject to Canadian non-resident withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by CIBC on a note as, on account of or in lieu of payment of, or in satisfaction of, interest.

Non-Resident Holders should consult their own tax advisors regarding the consequences to them of a disposition of the notes to a person with whom they are not dealing at arm's length for purposes of the *Canadian Tax Act*.

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VALIDITY OF THE NOTES

In the opinion of Blake, Cassels & Graydon LLP, as Canadian counsel to the Bank, the issue and sale of the notes has been duly authorized by all necessary corporate action of the Bank in conformity with the indenture, and when the notes have been duly executed, authenticated and issued in accordance with the indenture, the notes will be validly issued and, to the extent validity of the notes is a matter governed by the laws of the Province of Ontario or the federal laws of Canada applicable therein, will be valid obligations of the Bank, subject to applicable bankruptcy, insolvency and other laws of general application affecting creditors rights, equitable principles, and subject to limitations as to the currency in which judgments in Canada may be rendered, as prescribed by the *Currency Act* (Canada). This opinion is given as of the date hereof and is limited to the laws of the Province of Ontario and the federal laws of Canada applicable therein. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and the genuineness of signature, and to such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the opinion letter of such counsel dated February 27, 2017, which has been filed as Exhibit 5.2 to the Bank's Registration Statement on Form F-3 filed with the SEC on February 27, 2017.

In the opinion of Mayer Brown LLP, when the notes have been duly completed in accordance with the indenture and issued and sold as contemplated by the Prospectus Supplement and the Prospectus, the notes will constitute valid and binding obligations of the Bank, entitled to the benefits of the indenture, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles. This opinion is given as of the date hereof and is limited to the laws of the State of New York. This opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the legal opinion dated February 27, 2017, which has been filed as Exhibit 5.1 to the Bank's Registration Statement on Form F-3 filed with the SEC on February 27, 2017.

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We have not authorized anyone to provide any information or to make any representations other than those contained or incorporated by reference in this Pricing Supplement, the accompanying Product Supplement No.6, the accompanying General Terms Supplement, the accompanying Prospectus Supplement or the accompanying Prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This Pricing Supplement, the accompanying Product Supplement No. 6, the accompanying General Terms Supplement, the accompanying Prospectus Supplement and the accompanying Prospectus is an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Pricing Supplement, the accompanying Product Supplement No. 6, the accompanying General Terms Supplement, the accompanying Prospectus Supplement and the accompanying Prospectus is current only as of the respective dates of such documents.

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Canadian Imperial Bank of Commerce
Senior Global Medium-Term Notes (Structured Notes)
Capped Leveraged Basket-Linked Notes due
September 27, 2019

CIBC World Markets