



 West Bancorporation

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 **West Bancorporation**

2014 Annual Report



2014 Annual Report

Dear Stockholders:

We are proud of our accomplishments in 2014.

As a community bank, our most important mission is serving our customers. As a result of serving our existing customers and developing new customer relationships, the loan portfolio of West Bank grew by \$192 million, or 19 percent in 2014. The deposits at West Bank grew by \$107 million, or nine percent. This growth only increased expenses by four percent.

Net income for our Company for 2014 was \$20 million. That was just a few dollars short of our all-time high. Our loan portfolio is at an all-time high. Our nonperforming assets are almost nonexistent. Things are going well at our Company.



Our success was validated twice this year by being named one of the best community banks in the country by two different investment banking firms. It is fun to receive this honor in recognition of our hard work.

We occupied our new eastern Iowa main office in January 2015. We are in the process of planning our new Rochester, Minnesota, office building and expect to occupy it during 2016.

As a community bank, our success is driven by our people. Every employee knows the most important things they need to do every day to contribute to our success. It happens in all three of our markets. One of our Rochester community board members, Gus Chafoulias, wrote a nice note to the Rochester staff at the end of 2014. In part it read, "I am so proud of the way you are running the Bank. West Bank is the best thing to happen in Rochester – since Mayo." Gus also happened to be voted the business person of the year in Rochester, so he speaks with credibility. We thank Gus for expressing those thoughts. We know the same can be said of our entire staff.

As we move into 2015, here is what everyone will be doing on purpose to make us special:

- Strengthening existing relationships
- Developing new relationships
- Making good decisions
- Working hard
- Having an on-purpose daily personal routine

We believe these actions will create the following outcomes:

- Providing great customer service
- Achieving growth
- Maintaining strong credit quality
- Generating more revenue
- Succeeding while having fun

We believe we are in a position to have continued success in 2015. Thank you for your support.

Sincerely,

A handwritten signature in black ink that reads 'David D. Nelson'.

David D. Nelson
CEO and President, West Bancorporation, Inc.;
Chairman and CEO, West Bank

Towering Success

In recognition of industry success, West Bank CEO Dave Nelson and CFO Doug Gulling rang the Nasdaq Closing Bell on June 16, 2014, on behalf of West Bancorporation, Inc. The officers and directors of WTBA attended the ceremony in New York City.

“Ringling the Closing Bell at Nasdaq was an honor; it highlights the extraordinary success we’ve had because of the loyalty of our employees, customers and stockholders,” Nelson said.

During the momentous occasion, West Bancorporation, Inc. was displayed on the seven-story Nasdaq Tower in Times Square.

West Bancorporation, Inc. has been publicly listed on the Nasdaq stock exchange since 2002.





BOARD OF DIRECTORS



David Milligan*
Chairman,
West Bancorporation



Dave Nelson*
CEO and President,
West Bancorporation;
Chairman and CEO,
West Bank



Douglas Gulling**
EVP, Treasurer and
Chief Financial Officer,
West Bancorporation;
Chief Financial Officer,
West Bank



Brad Winterbottom**
EVP,
West Bancorporation;
President,
West Bank



Harlee Olafson**
EVP and Chief Risk Officer,
West Bancorporation;
EVP and Chief Risk Officer,
West Bank



Frank Berlin*
Frank W. Berlin &
Associates



Thomas Carlstrom*
Retired,
Iowa Clinic



Joyce Chapman*
Retired,
West Bank Executive



Steven Gaer*
R & R Realty Group;
Mayor, West Des Moines



Mike Gerdin*
Heartland Express, Inc.



Kaye Lozier*
Community Foundation
of Greater Des Moines



Sean McMurray*
AgSolver, Inc.



George Milligan*
The Graham Group, Inc.



Jim Noyce*
Retired



Bob Pulver*
All-State Industries, Inc.



Lou Ann Sandburg*
Retired,
FBL Financial Group, Inc.



Jason Worth*
Gilcrest/Jewett
Lumber Company

* Director of West Bancorporation, Inc. and West Bank ** Director of West Bank

CENTRAL IOWA COMMUNITY BOARD*



Chad Airhart
*Dallas County
Recorder*



Jerry Deegan
*Dowling Catholic
High School*



Darin Ferguson
*Ferguson Commercial
Real Estate Services*



Ryan Flynn, CPA
Flynn + Sweeney, LLC



Kevin Grimm
Wexford & James, LLC



Greg LaMair
*LaMair-Mullock-
Condon Co.*



Gene Loffredo
*Loffredo Fresh
Produce Co., Inc.*



Austin Palmer
The Palmer Group



Kirk Tyler
Atlantic Bottling Company



Victoria Veiock
Wicker Works, LTD



Mark Wackerbarth
Denman & Company



Nancy Williams
*AIB College of
Business*



Jeff Yurgae
Mueller-Yurgae

West Bank invests a great deal in relationships because we believe they're the cornerstone of our success — it's one of the reasons we form a community board wherever we do business. We turn to these leaders for their insight, perspective and collective wisdom. We know it's impossible to be a community bank without local connections and support, so we're grateful for their assistance in helping us achieve our business, government and community relations goals.

* All three of our community boards are non-voting advisory boards with knowledge of the communities we serve.

EASTERN IOWA COMMUNITY BOARD*



Jill Armstrong
Skogman Realty



Kevin Digmann
Hodge Construction



Andy Meardon
*Lifetime Financial
Group, LLC*



Mark Mysnyk
*Steindler Orthopedic
Clinic, PLC*



Bill Nusser
Hands Jewelers



Chuck Skaugstad
The Mansion

ROCHESTER COMMUNITY BOARD*



Nancy Brataas
*In Memoriam
1928 – 2014*



Gus Chafoulias
*Titan Development &
Investments*



Patrick Deutsch
Pace International



Greg Groves
*Universal
Marine & RV, Inc.*



Norb Harrington
*Retired
Regional Banking President*



Hal Henderson
*HGA Architects and
Engineers*



A. M. Sandy Keith
Dunlap & Seeger, P.A.



Charlie Kuehn
Kuehn Motors



Dick Kuehn
Kuehn Motors



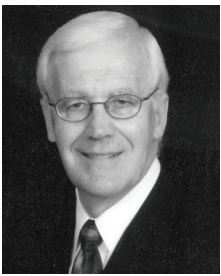
James McPeak, Sr.
Babcock Genetics, Inc.



David Pederson
Dunlap & Seeger, P.A.



Joe Powers
Powers Ventures



Peter Schuller
A.B. Systems, Inc.



Ed Stanley
*Merit Building
Enclosure Systems*



Tim Weir
Olmsted Medical Center

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FINANCIAL HIGHLIGHTS

(dollars in thousands, except per share data)

	2014	2013	2012	2011	2010
Year-End Balances					
Assets	\$ 1,615,833	\$ 1,442,404	\$ 1,448,175	\$ 1,269,524	\$ 1,305,463
Investment securities	339,208	357,067	304,103	294,497	267,537
Loans	1,184,045	991,720	927,401	838,959	888,649
Nonperforming loans	1,937	2,915	7,256	10,693	12,930
Other real estate owned	2,235	5,800	8,304	10,967	19,193
Deposits	1,270,462	1,163,842	1,134,576	957,373	972,072
Stockholders' equity	140,175	123,625	134,587	123,451	145,436
Average Balances					
Assets	\$ 1,512,506	\$ 1,445,773	\$ 1,326,408	\$ 1,295,313	\$ 1,558,461
Investment securities	347,351	369,088	317,615	266,031	301,124
Loans	1,063,528	949,775	854,860	849,115	960,227
Deposits	1,222,836	1,131,264	995,694	961,488	1,218,997
Stockholders' equity	131,924	127,789	129,795	135,520	141,079
Results of Operations					
Net interest income	\$ 49,145	\$ 45,683	\$ 41,198	\$ 41,402	\$ 42,120
Provision for loan losses	750	(850)	625	550	6,050
Noninterest income	10,296	8,494	10,869	9,349	10,383
Noninterest expense	32,002	30,816	28,667	28,861	27,740
Income before income taxes	26,689	24,211	22,775	21,340	18,713
Net income	20,040	16,891	16,011	15,268	13,383
Net income available to common stockholders	20,040	16,891	16,011	12,881	11,099
Per Common Share					
Cash dividends	\$ 0.49	\$ 0.42	\$ 0.36	\$ 0.17	\$ 0.05
Basic earnings	1.25	1.02	0.92	0.74	0.64
Diluted earnings	1.25	1.02	0.92	0.74	0.64
Closing stock price	17.02	15.82	10.78	9.58	7.79
Book value	8.75	7.74	7.73	7.09	6.37
Ratios					
Return on average equity	15.19%	13.22%	12.34%	11.27%	9.49%
Return on average assets	1.32%	1.17%	1.21%	1.18%	0.86%
Texas ratio	2.71%	7.69%	11.25%	16.33%	25.76%
Efficiency ratio	49.93%	52.55%	50.83%	49.27%	47.28%
Dividend payout ratio	39.13%	41.41%	39.13%	22.97%	7.84%
Dividend yield	2.88%	2.65%	3.34%	1.77%	0.64%
Net interest margin	3.59%	3.48%	3.42%	3.58%	3.04%
Average equity to average assets	8.72%	8.84%	9.79%	10.46%	9.05%
Allowance for loan losses as % of loans	1.15%	1.39%	1.67%	2.00%	2.15%
Net charge-offs as % of average loans	0.09%	0.09%	0.22%	0.34%	0.63%
Nonperforming loans as % of loans	0.16%	0.29%	0.78%	1.27%	1.46%
Tangible common equity to tangible assets	8.68%	8.57%	9.29%	9.72%	8.49%

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	December 31,	
	2014	2013
Assets		
Cash and due from banks	\$ 27,936	\$ 41,126
Federal funds sold	11,845	1,299
Cash and cash equivalents	39,781	42,425
Investment securities available for sale, at fair value	272,790	345,216
Investment securities held to maturity, at amortized cost (fair value of \$51,501 at December 31, 2014, and \$0 at December 31, 2013)	51,343	-
Federal Home Loan Bank stock, at cost	15,075	11,851
Loans held for sale	826	2,230
Loans	1,184,045	991,720
Allowance for loan losses	(13,607)	(13,791)
Loans, net	1,170,438	977,929
Premises and equipment, net	9,988	7,487
Accrued interest receivable	4,425	4,007
Bank-owned life insurance	32,107	26,376
Other real estate owned	2,235	5,800
Deferred tax assets, net	6,333	9,193
Other assets	10,492	9,890
Total assets	\$ 1,615,833	\$ 1,442,404
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing demand	\$ 362,827	\$ 332,230
Interest-bearing demand	241,722	233,613
Savings	527,277	451,855
Time of \$250,000 or more	18,985	30,457
Other time	119,651	115,687
Total deposits	1,270,462	1,163,842
Federal funds purchased	2,975	16,622
Short-term borrowings	66,000	-
Subordinated notes	20,619	20,619
Federal Home Loan Bank advances, net of discount	96,888	95,392
Long-term debt	12,676	15,935
Accrued expenses and other liabilities	6,038	6,369
Total liabilities	1,475,658	1,318,779
Stockholders' Equity		
Preferred stock, \$0.01 par value; authorized 50,000,000 shares; no shares issued and outstanding at December 31, 2014 and 2013	-	-
Common stock, no par value; authorized 50,000,000 shares; 16,018,734 and 15,976,204 shares issued and outstanding at December 31, 2014 and 2013, respectively	3,000	3,000
Additional paid-in capital	18,971	18,411
Retained earnings	117,950	105,752
Accumulated other comprehensive income (loss)	254	(3,538)
Total stockholders' equity	140,175	123,625
Total liabilities and stockholders' equity	\$ 1,615,833	\$ 1,442,404

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share data)

	Years Ended December 31		
	2014	2013	2012
Interest Income			
Loans, including fees	\$ 47,440	\$ 44,992	\$ 44,277
Investment securities:			
Taxable	4,938	5,173	4,240
Tax-exempt	2,878	2,457	1,954
Federal funds sold	45	119	191
Total interest income	55,301	52,741	50,662
Interest Expense			
Deposits	2,426	3,413	4,535
Federal funds purchased and securities sold under agreements to repurchase	11	85	114
Short-term borrowings	40	4	-
Subordinated notes	754	711	751
Federal Home Loan Bank advances	2,628	2,657	4,064
Long-term debt	297	188	-
Total interest expense	6,156	7,058	9,464
Net interest income	49,145	45,683	41,198
Provision for Loan Losses	750	(850)	625
Net interest income after provision for loan losses	48,395	46,533	40,573
Noninterest Income			
Service charges on deposit accounts	2,790	2,923	3,009
Debit card usage fees	1,764	1,787	1,586
Trust services	1,327	997	817
Gains and fees on sales of residential mortgages	1,394	1,275	3,104
Increase in cash value of bank-owned life insurance	731	646	737
Gain from bank-owned life insurance	-	-	841
Gain (loss) on disposition of premises and equipment	1,069	(9)	(125)
Investment securities impairment loss	-	-	(203)
Realized investment securities gains, net	223	-	246
Other income	998	875	857
Total noninterest income	10,296	8,494	10,869
Noninterest Expense			
Salaries and employee benefits	16,086	15,757	14,532
Occupancy	4,165	3,906	3,519
Data processing	2,241	2,030	2,070
FDIC insurance expense	757	733	672
Other real estate owned expense	1,865	1,359	1,491
Professional fees	944	1,200	1,064
Directors fees	714	584	448
Miscellaneous losses	329	736	195
Other expenses	4,901	4,511	4,676
Total noninterest expense	32,002	30,816	28,667
Income before income taxes	26,689	24,211	22,775
Income Taxes	6,649	7,320	6,764
Net income	\$ 20,040	\$ 16,891	\$ 16,011
Earnings per Common Share			
Basic earnings per common share	\$ 1.25	\$ 1.02	\$ 0.92
Diluted earnings per common share	\$ 1.25	\$ 1.02	\$ 0.92

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(dollars in thousands, except per share data)

Years Ended December 31, 2014, 2013 and 2012	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2011	\$ -	\$ 3,000	\$ 33,687	\$ 86,110	\$ 654	\$ 123,451
Net Income	-	-	-	16,011	-	16,011
Other comprehensive income, net of tax	-	-	-	-	1,272	1,272
Cash dividends declared, \$0.36 per common share	-	-	-	(6,265)	-	(6,265)
Stock-based compensation costs	-	-	118	-	-	118
Balance, December 31, 2012	-	3,000	33,805	95,856	1,926	134,587
Net Income	-	-	-	16,891	-	16,891
Other comprehensive (loss), net of tax	-	-	-	-	(5,464)	(5,464)
Cash dividends declared, \$0.42 per common share	-	-	-	(6,995)	-	(6,995)
Repurchase and cancellation of common stock	-	-	(15,774)	-	-	(15,774)
Stock-based compensation costs	-	-	378	-	-	378
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for payroll taxes	-	-	(14)	-	-	(14)
Excess tax benefits from vesting of restricted stock units	-	-	16	-	-	16
Balance, December 31, 2013	-	3,000	18,411	105,752	(3,538)	123,625
Net Income	-	-	-	20,040	-	20,040
Other comprehensive income, net of tax	-	-	-	-	3,792	3,792
Cash dividends declared, \$0.49 per common share	-	-	-	(7,842)	-	(7,842)
Stock-based compensation costs	-	-	633	-	-	633
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for payroll taxes	-	-	(189)	-	-	(189)
Excess tax benefits from vesting of restricted stock units	-	-	116	-	-	116
Balance, December 31, 2014	\$ -	\$ 3,000	\$ 18,971	\$ 117,950	\$ 254	\$ 140,175

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of West Bancorporation, Inc.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of West Bancorporation, Inc. and subsidiary as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income (not presented herein), stockholders' equity, and cash flows (not presented herein) for each of the three years in the period ended December 31, 2014, and in our report dated March 5, 2015, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements appearing in this report is fairly presented, in all material respects, in relation to the consolidated financial statements from which it has been derived.

McGladrey LLP

Des Moines, Iowa | March 5, 2015

STOCK INFORMATION

West Bancorporation's common stock is traded on the Nasdaq Global Select Market and quotations are furnished by the Nasdaq System. We had 208 common stockholders of record on December 31, 2014, and an estimated 1,260 additional nonobjecting beneficial holders whose stock was held in street name by brokerage houses.

Market and Dividend Information ⁽¹⁾

	High	Low	Close	Dividends
2014				
4th Quarter	\$ 17.05	\$ 14.00	\$ 17.02	\$ 0.14
3rd Quarter	15.68	14.01	14.13	0.12
2nd Quarter	16.45	13.53	15.23	0.12
1st Quarter	15.98	13.64	15.19	0.11
Total				\$ 0.49
2013				
4th Quarter	\$ 16.64	\$ 13.34	\$ 15.82	\$ 0.11
3rd Quarter	14.50	11.74	13.80	0.11
2nd Quarter	12.27	10.10	11.75	0.10
1st Quarter	11.72	10.46	11.10	0.10
Total				\$ 0.42

(1) The prices shown are the high and low sale prices for the Company's common stock. The market quotations, reported by Nasdaq, do not include retail markup, markdown or commissions.

FORM 10-K

A copy of the Company's annual report to the Securities and Exchange Commission on Form 10-K will be available on the Securities and Exchange Commission's website at <http://www.sec.gov> and through a link on the Company's website, www.westbankstrong.com, at Investor Relations, SEC Filings. A copy of the annual report can also be obtained upon request to Alice Jensen at 515-222-2300 or ajensen@westbankstrong.com.

TRANSFER AGENT/DIVIDEND PAYING AGENT

American Stock Transfer & Trust Company, LLC

6201 15th Avenue, Brooklyn, New York 11219

718-921-8200 | www.amstock.com

FORWARD-LOOKING STATEMENTS

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meanings of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report. These forward-looking statements are generally identified by the words "believes," "expects," "intends," "anticipates," "projects," "future," "may," "should," "will," "strategy," "plan," "opportunity," "will be," "will likely result," "will continue," or similar references, or references to estimates, predictions or future events. Such forward-looking statements are based upon certain underlying assumptions, risks and uncertainties. Because of the possibility that the underlying assumptions are incorrect or do not materialize as expected in the future, actual results could differ materially from these forward-looking statements. Risks and uncertainties that may affect future results include: interest rate risk; competitive pressures; pricing pressures on loans and deposits; changes in credit and other risks posed by the Company's loan and investment portfolios, including declines in commercial or residential real estate values or changes in the allowance for loan losses dictated by new market conditions or regulatory requirements; actions of bank and nonbank competitors; changes in local and national economic conditions; changes in regulatory requirements, limitations and costs; changes in customers' acceptance of the Company's products and services; and any other risks described in sections of this and other reports made by the Company. The Company undertakes no obligation to revise or update such forward-looking statements to reflect current or future events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.



Branch Locations

CENTRAL IOWA

Main Bank
1601 22nd St.
West Des Moines

City Center Branch
809 6th Ave.
Des Moines

North Branch
3839 Merle Hay Rd.
Des Moines

Urbandale Branch
3255 99th St.
Urbandale

Grand Branch
125 Grand Ave.
West Des Moines

East Branch
2440 E Euclid Ave.
Des Moines

South Branch
3920 SW 9th St.
Des Moines

Waukee Branch
955 E Hickman Rd.
Waukee

EASTERN IOWA

Coralville Branch
401 10th Ave.
Coralville

Lower Muscatine Branch
1910 Lower Muscatine Rd.
Iowa City

SOUTHEASTERN MINNESOTA

Rochester Branch
3147 Superior Dr. NW
Suite 100
Rochester



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