WEST BANCORPORATION INC
Form 10-K
March 11, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT of 1934
For the fiscal year ended December 31, 2010

or

o TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

Commission file number: 0-49677

WEST BANCORPORATION, INC.
(Exact name of registrant as specified in its charter)

IOWA	42-1230603
(State of incorporation or organization)	(I.R.S. Employer Identification No.)
1601 22nd STREET, WEST DES MOINES, IOWA	50266
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (515) 222-2300

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, NO PAR VALUE
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of June 30, 2010, was approximately $115,960,000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the most recent practicable date, March 9, 2011.

17,403,882 shares Common Stock, no par value

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement of West Bancorporation, Inc., which was filed on March 11, 2011, is incorporated by reference into Part III hereof to the extent indicated in such Part.

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"SAFE HARBOR" CONCERNING 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,” “should,” “anticipates,” “projects,” “future,” “may,” “should,” “will,” “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 non-bank competitors; changes in local and national economic conditions; changes in regulatory requirements, limitations, and costs; changes in the Treasury's Capital Purchase Program; changes in customers' acceptance of the Company's products and services; and any other risks described in the “Risk Factors” 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.

PART I

ITEM 1. BUSINESS
(dollars in thousands, except per share amounts)

GENERAL DEVELOPMENT OF BUSINESS

West Bancorporation, Inc. (the Company or West Bancorporation) is an Iowa corporation and bank holding company registered under the Bank Holding Company Act of 1956, as amended (BHCA). The Company owns West Bank, an Iowa chartered bank headquartered in West Des Moines, Iowa.

The Company reported net income available to common stockholders of $11,099 for the year ended December 31, 2010.

Effective April 1, 2010, David D. Nelson commenced his duties as Chief Executive Officer and President of the Company and Chief Executive Officer and Chairman of West Bank. On that same date, David R. Milligan submitted his resignation as interim Chief Executive Officer of the Company and interim Chief Executive Officer and Chairman of West Bank. Mr. Milligan was appointed an Executive Vice President of West Bank to assist Mr. Nelson during a transition period which ended on April 30, 2010. Mr. Milligan continued as a member of the Board of Directors of both the Company and West Bank, and became Chairman of the Company on April 29, 2010.

On August 3, 2010, Harlee N. Olafson began his employment in the new position of Executive Vice President and Chief Risk Officer of the Company and West Bank. He reports to Mr. Nelson and performs duties assigned by Mr. Nelson and the Company's Board of Directors. Mr. Olafson is a named executive officer of the Company.

During 2010, management's primary focus was on improving credit quality of the loan portfolio and reducing nonperforming assets. Additional employees have improved the infrastructure of the organization. These investments in infrastructure have and will help us with continued improvements in credit quality and our credit process. The infrastructure investments are also designed to provide West Bank with the capacity for growth. The sales and credit evaluation functions have been separated, which provides more time for business development by the business development staff. The credit function will focus on underwriting of the new business opportunities. Additional resources have also been added in the compliance area to focus on the significant volume of financial institution regulations being enacted.

West Bank entered into a memorandum of understanding (MOU) with the Iowa Division of Banking (IDOB) and the Federal Deposit Insurance Corporation (FDIC) on April 28, 2010. The MOU was issued as a result of concerns related in significant part to the level of West Bank’s classified assets as of December 31, 2009, and its 2009 loss. West Bank agreed with its regulators’ general concerns and has been aggressively working to resolve the issues. The Company believes those efforts are producing positive results, as demonstrated by the level of earnings reported for 2010 and significant reductions in classified assets by the end of 2010.

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The Company believes West Bank has been performing under the agreement without any substantial impact on its operations or material impact on its financial results. For example, West Bank's capital levels have always exceeded the levels stated in the agreement. West Bank is well-capitalized under all regulatory measures, and no change in that condition is anticipated.

The agreement allows West Bank to pay dividends to the Company for preferred stock dividends, trust preferred payments, and normal and ordinary Company expenses. The agreement calls for prior regulatory approval of West Bank dividends intended to fund Company common stock dividends. The Company is not currently paying regular quarterly common stock dividends; however, it did receive approval for the declaration and payment of a $0.05 special dividend in December 2010.

The agreement requires West Bank to maintain its allowance for loan losses at a level commensurate with the volume and degree of risk inherent in the loan portfolio. The Company believes West Bank is presently in compliance with this requirement.

The agreement requires a comprehensive written plan concerning future profitability. West Bank has met this requirement. The Company believes that West Bank is in compliance with the other requirements of the agreement.

On July 22, 2010, the Company received notice from the Federal Reserve Bank of Chicago that it must request prior approval for the declaration or payment of common stock dividends (which must be paid from current earnings), any increase in debt or issuance of trust preferred obligations, or the redemption of Company stock.

On July 30, 2010, West Bank completed the planned transfer of the SmartyPig® savings accounts from West Bank to another financial institution. The transfer reduced West Bank's total deposit liabilities by approximately $176 million. The transaction was funded by liquidating short-term assets.

The Company and West Bank had approximately 170 employees as of December 31, 2010.

SEGMENTS

An operating segment is generally defined as a component of a business for which discrete financial information is available and whose operating results are regularly reviewed by the chief operating decision-maker. The Company's and West Bank's only business is banking, therefore, no segment information is disclosed.

The audited financial statements appear on pages 47 through 89 under Item 8 of this document.

WEST BANK

West Bank is a business-focused community bank that was organized in 1893. The Company was formed in 1984 to own West Bank.

West Bank provides full-service community banking and trust services to customers located primarily in the Des Moines and Iowa City, Iowa metropolitan areas. West Bank has eleven full-service offices.

West Bank's business strategy emphasizes strong business and personal relationships between the bank and its customers and the delivery of products and services that meet the individualized needs of those customers. West

Bank's commitment extends to building strong communities. West Bank's buy-local commitment contributes to the profits of the community. West Bank emphasizes strong cost controls while striving to achieve return on equity and net income goals. To accomplish these goals, West Bank focuses on local market small to medium-sized businesses that traditionally wish to develop an exclusive relationship with a single bank. West Bank has the size to give the personal attention required by business owners and the financial expertise and entrepreneurial attitude to help businesses meet their financial services needs. West Bank also supports our customers by being a connected member of the business community.

West Bank offers all basic types of credit to its customers including commercial, real estate, and consumer loans. West Bank offers trust services typically found in a commercial bank with trust powers including the administration of estates, conservatorships, personal trusts, and agency accounts. West Bank also originates residential mortgages that are primarily sold in the secondary market. In addition, West Bank offers a full range of deposit services including checking, savings, money market accounts, and time certificates of deposit. All of West Bank's deposit accounts are FDIC insured up to the maximum amount determined by law.

The Company believes the loss of deposits of any one customer or of a few customers would not have adverse material effects on West Bank's operations or core deposit base. Furthermore, the Company believes the loss of any one or a few customers would not have a material effect on the Company.

The market areas served by West Bank are highly competitive with respect to both loans and deposits. West Bank competes with other commercial banks, savings and loan associations, credit unions, mortgage companies, finance affiliates of auto companies, and other financial service providers. Some of these competitors are local, while others are nationwide. The major local commercial bank competitors include Bankers Trust Company, NA, First American Bank, Hills Bank & Trust Company, and MidWestOne Bank. Bank of the West, a regional bank, and several nationwide banks, including Bank of America, Regions Bank, U.S. Bank, NA, and Wells Fargo Bank, NA are also competitors. The larger banks have certain competitive advantages due to their abilities to pursue substantial advertising campaigns and allocate their investment assets to out-of-market geographic regions with potentially higher returns. Such banks also offer certain services, for example, international and conduit financing transactions, which are not offered directly by West Bank. These larger banking organizations have much higher legal lending limits than West Bank, and therefore, may be better able to service large regional, national, and global commercial customers.

In order to compete to the fullest extent possible with the other financial institutions in its primary trade area, West Bank uses the flexibility that is afforded by its local management. This includes an emphasis on specialized services, local promotional activities, and personal contacts by West Bank's officers, directors, and employees. In particular, West Bank competes for deposits principally by offering depositors a variety of deposit programs, convenient office locations and hours, and other personalized services. West Bank competes for loans primarily by offering competitive interest rates, experienced lending personnel with local decision-making authority, flexible loan arrangements, and quality products and services.

West Bank also competes with financial markets for funds. Yields on corporate and government debt securities and commercial paper affect West Bank's ability to attract and hold deposits. West Bank also competes for funds with money market accounts and similar investment vehicles offered by brokerage firms, mutual fund companies, internet banks, and others.

According to the FDIC's Summary of Deposits, as of June 30, 2010, there were thirty-six other banks and savings and loan associations operating within Polk County, Iowa, where seven of West Bank's offices are located. West Bank ranked fifth based on total deposits of all banking offices in Polk County. As of June 30, 2010, there were seventeen other banks and savings and loan associations within Johnson County, Iowa, which includes Iowa City. Three West Bank offices are located in Johnson County. West Bank ranked fourth based on total deposits of all banking offices in Johnson County. West Bank also has one office located in Dallas County. For the entire state, West Bank ranked seventh in terms of deposit size.

SUPERVISION AND REGULATION

The Company and West Bank are subject to extensive federal and state regulation and supervision. Regulation and supervision of financial institutions is intended primarily to protect customers and the FDIC insurance fund rather than shareholders of the Company. The laws and regulations affecting banks and bank holding companies change regularly. Any future change in applicable laws, regulations, or regulatory policies may have material effects on the business, operations, and prospects of the Company which cannot now be fully anticipated. Some, but not all, of the regulatory and supervisory environment in which the Company and West Bank exist are discussed below.

The enforcement powers available to federal and state banking regulators are substantial and include, among other things, the ability to assess civil monetary penalties, to issue cease-and-desist or removal orders, and to initiate injunctive actions against banking organizations and institution-affiliated parties, as defined. In general, enforcement actions must be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions, or inactions, may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities. Applicable law also requires public disclosure of final enforcement actions by the federal banking agencies.

As a bank holding company, West Bancorporation is subject to regulation under the BHCA, which subjects the Company and West Bank to supervision and examination by the Federal Reserve. The Company files quarterly and annual reports of its operations and such additional information as the Federal Reserve may require.

The Company elected to become a financial holding company during 2007. Financial holding companies are permitted to engage in certain financial activities through affiliates that were previously prohibited activities for bank holding companies. Such financial activities include securities and insurance underwriting and merchant banking. The Company opted to revert back to a bank holding company after the July 30, 2010, transfer of the SmartyPig® savings program accounts. Management does not currently anticipate engaging in any activities which would require financial holding company status.

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A bank holding company is required to serve as a source of financial strength to its subsidiary bank(s) and may not conduct its operations in an unsafe or unsound manner. In addition, it is the Federal Reserve's position that in serving as a source of strength to its subsidiary bank, a bank holding company should use available resources to provide adequate capital funds to its subsidiary bank during periods of financial stress or adversity. It should also maintain the financial flexibility and capacity to obtain additional resources for providing assistance to its subsidiary bank. The Federal Reserve generally considers a bank holding company's failure to be a source of strength for a subsidiary bank to be an unsafe and unsound banking practice, a violation of the Federal Reserve's regulations, or both.

Bank holding companies must obtain the approval of the Federal Reserve before they: (1) acquire direct or indirect ownership or control of any voting stock of any bank if, after such acquisition, they would own or control, directly or indirectly, more than five percent of the voting stock of such bank; (2) merge or consolidate with another financial or bank holding company; or (3) acquire substantially all of the assets of any additional banks.

With certain exceptions, the BHCA also prohibits bank holding companies from acquiring direct or indirect ownership or control of voting stock in any company other than a bank or bank holding company unless the Federal Reserve finds the company's business to be incidental to the business of banking.

The Company and West Bank are deemed affiliates within the meaning of the Federal Reserve Act, and transactions between affiliates are subject to certain restrictions. Generally, the Federal Reserve Act: (1) limits the extent to which the financial institution or its subsidiaries may engage in "covered transactions” with an affiliate; and (2) requires all transactions with an affiliate, whether or not “covered transactions,” to be on terms substantially the same, or at least as favorable to the institution or subsidiary, as those provided to a non-affiliate. The term “covered transaction” includes the making of loans, purchase of assets, issuance of guarantees, and similar transactions.

On December 31, 2008, the Company sold 36,000 shares of cumulative senior preferred stock and a warrant to purchase 474,100 shares of common stock for $36 million to the United States Department of the Treasury under the Capital Purchase Program (CPP). CPP participants are subject to various executive compensation, dividend, and corporate governance regulations. For example, incentive compensation for covered senior executive officers is limited to one-third of total annual compensation and must be in the form of long-term restricted stock. Severance benefits for such officers are prohibited while the preferred stock is outstanding. The Company's Compensation Committee has additional duties and reporting requirements during that period. The Board of Directors is currently considering options for redeeming the preferred stock prior to the date of a scheduled increase in the preferred stock dividend rate which is on January 1, 2014.

West Bank is a state-chartered bank subject to primary federal regulation and supervision by the FDIC and the IDOB. The federal laws applicable to West Bank regulate, among other things, the scope of its business, its investments, its reserves against deposits, the timing of the availability of deposited funds, and the nature and amount of collateral for loans. West Bank files quarterly reports of its operations with the Federal Financial Institutions Examination Council (FFIEC).

The FDIC has authority to prohibit banks under its supervision from engaging in what it considers to be unsafe and unsound business practices. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) required federal banking regulators to adopt regulations or guidelines in a number of areas to ensure bank safety and soundness, including internal controls, credit underwriting, asset growth, earnings, management compensation, and ratios of classified assets to capital. FDICIA also contains provisions regarding independent auditing requirements, restricts the activities of state-chartered insured banks, amended various consumer banking laws, limits the ability of “undercapitalized banks” to borrow from the Federal Reserve's discount window, requires regulators to perform periodic on-site bank examinations, and sets standards for real estate lending.

West Bank is subject to limitations on the aggregate amount of loans that it can make to any one borrower, including related entities. Subject to numerous exceptions based on the type of loans and collateral, applicable statutes and regulations generally limit loans to one borrower to fifteen percent of total equity and reserves. West Bank is in compliance with applicable requirements governing loans to one borrower.

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On July 21, 2010, legislation was signed into law which permanently increased the FDIC insurance coverage for customer deposit accounts up to a maximum amount of $250,000. In addition, on November 9, 2010, the FDIC issued a final rule which provides for unlimited insurance coverage for noninterest-bearing transaction accounts. This unlimited coverage is in effect from December 31, 2010 through December 31, 2012, and is separate from, and in addition to, the insurance coverage provided to a depositor's other accounts. The FDIC has a risk-based insurance assessment system under which depository institutions contribute funds to the FDIC insurance fund based on their risk classification. The FDIC has redefined the assessment base used for calculating deposit insurance assessments. Going forward the assessment base will be based on an amount equal to average consolidated total assets less average tangible equity. This change is expected to reduce total fees paid by community banks.

The FDIC may terminate the deposit insurance of any insured depository institution if it determines after an administrative hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law.

The Federal Reserve, the FDIC, and the Office of the Comptroller of the Currency have adopted risk-based capital guidelines for banks and bank holding companies that are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies and to account for off-balance sheet items. Failure to achieve and maintain adequate capital levels may give rise to supervisory action through the issuance of a capital directive to ensure the maintenance of required capital levels. West Bank is in compliance with applicable regulatory capital level requirements.

The current guidelines require all federally-regulated banks to maintain a minimum Total Risk-Based Capital ratio equal to eight percent, of which at least four percent must be Tier 1 Capital. Tier 1 Capital includes common shareholders' equity, qualifying perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, but excludes goodwill and most other intangibles and the allowance for loan and lease losses. Tier 2 Capital includes the excess of any preferred stock not included in Tier 1 Capital, mandatory convertible securities, hybrid capital instruments, subordinated debt and intermediate-term preferred stock, and general reserve for loan and lease losses up to 1.25 percent of risk-weighted assets.

The regulatory agencies must take certain “prompt corrective action” when a bank fails to meet capital requirements. The regulations establish and define five capital levels: (1) “well-capitalized,” (2) “adequately capitalized,” (3) “undercapitalized,” (4) “significantly undercapitalized,” and (5) “critically undercapitalized.” Increasingly severe restrictions are imposed on the payment of dividends and management fees, asset growth, and other aspects of the operations of institutions that fall below the category of being “adequately capitalized.” As of the date of this Annual Report on Form 10-K, West Bank was categorized as “well-capitalized” under regulatory prompt corrective action provisions.

Dividends paid to the Company by West Bank are the major source of Company cash flow. Various federal and state statutory provisions limit the amount of dividends banking subsidiaries are permitted to pay to their holding companies without regulatory approval. Federal Reserve policy further limits the circumstances under which bank holding companies may declare dividends. For example, a bank holding company should not continue its existing rate of cash dividends on its common stock unless its net income is sufficient to fully fund each dividend, and its prospective rate of earnings retention appears consistent with its capital needs, asset quality, and overall financial condition. In addition, the Federal Reserve and the FDIC have issued policy statements providing that insured banks and bank holding companies should generally pay dividends only out of current operating earnings. Federal and state banking regulators may also restrict the payment of dividends by order.

Due to the Company's participation in the CPP, any proposed dividend increase above the quarterly dividend amount paid in the quarter ended September 30, 2008, (i.e., $0.16 per share) is subject to the approval of the Treasury until December 31, 2011, unless the senior preferred stock has been redeemed or the Treasury has transferred all of the senior preferred stock to third parties. Currently, per notice received from the Federal Reserve Bank of Chicago, the Company must request prior approval for the declaration or payment of common stock dividends (which must be paid from current earnings), any increase in debt, issuance of trust preferred obligations, or the redemption of Company stock.

West Bank, as a state-chartered bank, is restricted under Iowa law to paying dividends only out of its undivided profits. Additionally, the payment of dividends by West Bank is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and West Bank is generally prohibited from paying any dividends if, following payment thereof, West Bank would be undercapitalized. West Bank must currently obtain prior regulatory approval for dividends intended to fund Company common stock dividends. Such approval for payment was sought and granted in December 2010.

The Emergency Economic Stabilization Act of 2008 (EESA) and the American Recovery and Reinvestment Act of 2009 (ARRA) became law in response to the financial market difficulties and recession. These statutes include a number of corporate governance and executive compensation provisions, which are applicable to the Company because of its participation in the CPP.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into law on July 31, 2010. The Dodd-Frank Act constitutes a substantial change to financial and banking regulation. The two main annunciated goals of the legislation are to lower the systemic risks of the financial system and enhance consumer protections. The specific compliance burden and impact on the operations and profitability of the Company and West Bank with respect to the Dodd-Frank Act are currently unknown, as the Dodd-Frank Act delegates to various federal agencies the task of implementing its many provisions through regulation. Hundreds of new federal regulations, studies and reports addressing all of the major areas of the new law, including the regulation of financial institutions and their holding companies, will be required, ensuring that federal rules and policies in this area will be expanding further for some time to come. It is highly likely that banks and thrifts, as well as their holding companies, will be subject to significantly increased regulation and compliance obligations and costs.

The Dodd-Frank Act also created the new Bureau of Consumer Financial Protection (BCFP), which consolidates most federal regulation of financial services offered to consumers. The BCFP is supposed to ensure that consumers receive clear and accurate information for evaluating mortgages, credit cards, and other financial products; to provide consumers with one dedicated advocate; and to protect them from hidden fees and deceptive practices. The BCFP will also oversee the enforcement of federal laws intended to ensure the fair, equitable, and nondiscriminatory access to consumer credit. The ultimate impact of the BCFP's broad new rulemaking powers on the operations of financial institutions offering consumer financial products or services, including West Bank, is currently unknown.

Finally, the Company is subject to regulation under the federal securities laws as administered by the Securities and Exchange Commission as well as the listing rules of the Nasdaq stock market. Both the SEC and Nasdaq establish requirements for financial reporting, corporate disclosures, and corporate governance.

ADDITIONAL INFORMATION

The principal executive offices of the Company are located at 1601 22nd Street, West Des Moines, Iowa 50266. The Company's telephone number is (515) 222-2300, and the Internet address is www.westbankiowa.com. Copies of the Company's quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments thereto are available for viewing or downloading free of charge from the Investor Relations section of the website as soon as reasonably practicable after the documents are filed or furnished to the SEC. The Company's quarterly and annual reports to the Federal Reserve are available at http://www.ffiec.gov/nicpubweb/nicweb/SearchForm.aspx. West Bank's quarterly reports of condition and income are available online at https://cdr.ffiec.gov/public/ManageFacsimiles.aspx.

ITEM 1A. RISK FACTORS

West Bancorporation's business is conducted almost exclusively through West Bank. West Bancorporation and West Bank are subject to many of the common risks that challenge publicly traded, regulated financial institutions.   An investment in West Bancorporation's common stock is also subject to the following specific risks.

Risks Related to West Bancorporation's Business

Our loan portfolio.

The largest component of West Bank's income is interest received on loans. West Bank is in substantial part a business bank. Its loan portfolio includes a significant amount of commercial real estate loans, construction or land development loans, commercial lines of credit, and commercial term loans. West Bank's typical commercial borrower is a small or medium-sized privately-owned Iowa business person or entity. Our commercial loans typically have greater credit risks than standard residential mortgage or consumer loans, because commercial loans often have larger balances and repayment usually depends on the borrowers' successful business operations. Commercial loans also involve some additional risk, because they generally are not fully repaid over the loan period and thus usually require refinancing or a large payoff at maturity. If the general economy turns substantially downward, commercial borrowers may not be able to repay their loans and the value of their assets, which are usually pledged as collateral, may decrease rapidly and significantly. Also, when credit markets tighten due to adverse developments in specific markets or the general economy, opportunities for refinancing may become more expensive or unavailable, resulting in loan defaults. The general economic conditions in West Bank's market areas are still challenging for many of our existing loan customers, and are limiting our ability to find credit-worthy new loan customers. Competition for quality loans in our market area continues to increase.

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We must effectively manage our credit risks.

Our business depends on the creditworthiness of our customers. There are obvious risks inherent in making loans. We attempt to reduce our credit risk through prudent loan application and approval procedures, including internal loan reviews before and after proceeds have been disbursed, careful monitoring of the concentration of our loans within specific industries, and collateral and guarantee requirements. These procedures cannot, however, be expected to completely eliminate our credit risks.

Nonperforming loans take significant time to resolve and adversely affect our results of operations and financial condition.

At December 31, 2010, West Bank's nonperforming loans, which consist of nonaccrual loans, loans past due 90 days and still accruing, and troubled debt restructured loans, totaled $12.9 million, or 1.46 percent of our loan portfolio. While this total is less than half of the 2009 year end amount, it remains at a level exceeding our usual past experiences. Nonperforming loans adversely affect our net income in various ways. We do not record interest income on nonaccrual loans, thereby negatively affecting our income and returns on assets and equity, and our administrative costs increase significantly. Nonperforming loans require significant time commitments from management and lending staff, which takes time away from other duties, including generation of new business. There is no assurance that we will experience continued decreases in nonperforming loans in the future.

Various factors may cause our allowance for loan losses to increase.

Our allowance for loan losses represents management's estimate of probable losses inherent in our loan portfolio. Management evaluates the allowance each quarter to determine that it is adequate to absorb these inherent losses. This evaluation is supported by a methodology that identifies estimated losses based on assessments of individual problem loans and historical loss patterns. In addition, general factors unique to each measurement date are considered, including economic conditions in certain geographic or industry segments of the loan portfolio, economic trends, risk profile, and portfolio composition. The determination of the appropriate level of the allowance for loan losses is highly subjective and requires management to make significant estimates of current credit risks and future trends, all of which may undergo material changes in a short period of time. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans, and other factors, many of which are not within our control, may require an increase in the allowance for loan losses. West Bank may need to significantly increase the provision for loan losses if one or more of our larger loans or credit relationships becomes delinquent or experiences significant financial difficulties. In addition, federal and state regulators periodically review West Bank's allowance for loan losses and may require West Bank to increase the provision for loan losses or recognize loan charge-offs. Determining the appropriate loan loss allowance is more difficult during periods of significant economic downturn. A significant increase in the allowance for loan losses will usually result in a decrease in net income and capital, and could have a material adverse effect on our financial condition and results of operations.

If all or a significant portion of the unrealized losses in our portfolio of investment securities were determined to be other than temporarily impaired with credit losses, we would recognize a material charge to our earnings and our capital ratios would be adversely impacted.

We analyze our investment securities quarterly to determine whether, in the opinion of management, the value of any of the securities is other than temporarily impaired. To the extent that any portion of the unrealized losses in our portfolio of investment securities is determined to be other than temporarily impaired and credit loss related, we will recognize a charge to our earnings in the quarter during which such determination is made, and our capital ratios will be adversely impacted. Generally, a fixed income security is determined to be other than temporarily impaired when it appears unlikely that we will receive all of the principal and interest due in accordance with the original terms of the investment. In addition to credit losses, losses are recognized for a security having an unrealized loss if West Bank has the intent to sell the security or if it is more likely than not West Bank will be required to sell the security before collection of the principal amount.

Other real estate owned.

Other real estate owned consists of real estate collateral that West Bank has received in foreclosure or accepted in lieu of foreclosure of nonperforming loans. Management obtains independent appraisals to determine that these properties are carried at fair value less estimated costs to sell. The appraisals are updated at least annually, and any subsequent writedowns are recorded as charges to operations. Future economic conditions could result in reductions of our estimates of fair value for other real estate owned.

Our accounting policies and methods are the basis for how we report our financial condition and results of operations, and they may require management to make estimates about matters that are inherently uncertain.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods in order to ensure they comply with generally accepted accounting principles and reflect management's judgment as to the most appropriate manner in which to record and report our financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances yet might result in us reporting different amounts than would have been reported under a different alternative.

We have identified three accounting policies as being "critical" to the presentation of our financial condition and results of operations, because they require management to make particularly subjective and complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be reported under different conditions or using different assumptions. These critical accounting policies relate to: (1) determining the fair value and possible other than temporary impairment of investment securities available for sale, (2) determining the valuation of other real estate owned properties, and (3) the allowance for loan losses. Because of the inherent uncertainty of these estimates, no assurance can be given that application of alternative policies or methods might not result in the reporting of different amounts of the fair value of securities available for sale, the fair value of other real estate owned, or the allowance for loan losses, and net income.

West Bank and West Bancorporation are highly regulated entities and are currently operating under regulatory agreements that require consent for the payment of common stock dividends and impose capital requirements above ordinary “well-capitalized” standards.

Both West Bancorporation and West Bank are highly regulated companies. Financial institution regulation is designed primarily to protect consumers, depositors, and the banking system as a whole, not shareholders. We are subject to regular examinations by the Iowa Division of Banking (IDOB), the Federal Deposit Insurance Company (FDIC), and the Federal Reserve. Although our companies are considered well-capitalized under regulatory standards, we experienced significant loan losses during the last three years and the levels of our nonperforming assets have been above historic averages. On April 28, 2010, West Bank entered into a memorandum of understanding with the IDOB and the FDIC. West Bank agreed to obtain prior approval from the IDOB for payment of any dividend that would be used to fund West Bancorporation common stock dividends. West Bank also agreed to maintain a Tier 1 Capital ratio of at least 8.0 percent of Total Average Assets and a Total Risk-Based Capital ratio of at least 12.0 percent of Total Risk-Weighted assets. These capital ratios are higher than the ordinary regulatory standards for being considered “well-capitalized.” West Bank's capital position exceeded the agreed upon levels as of April 28, 2010, and has continued to do so since. In July 2010, our Board passed a resolution stating it would request prior approval from the Federal Reserve Bank of Chicago for (1) the declaration or payment of common stock dividends (which must be paid from current earnings), (2) any increase in debt or issuance of trust preferred obligations, or (3) the redemption of Company stock. West Bancorporation and West Bank believe they have complied with the requirements of the agreement and resolution without any substantial impact on current or planned operations and will be able to continue complying without material impact on future financial results. Each of the regulators approved the payment of a West Bancorporation common stock dividend in December 2010.

We are subject to liquidity risks.

West Bank maintains liquidity primarily through customer deposits and other short-term funding sources. If economic influences change so that we do not have access to short-term credit, or our depositors withdraw a substantial amount of their funds for other uses, West Bank might experience liquidity issues. Our efforts to monitor and manage liquidity risk may not be successful or sufficient to deal with dramatic or unanticipated reductions in our liquidity. In such events, our cost of funds may increase, thereby reducing our net interest income, or we may need to sell a portion of our investment portfolio, which, depending upon market conditions, could result in West Bank realizing losses.

Although West Bank's current sources of funds are adequate for its liquidity needs, there can be no assurance in this regard for the future. Liquidity issues during the financial crisis were severe for regional and community banks, as some of the larger financial institutions significantly curtailed their lending to regional and community banks. In addition, many of the larger correspondent lenders reduced or even eliminated federal funds lines for their correspondent customers. If this was to occur to us, and additional debt is needed in the future, there can be no assurance that such debt would be available or, if available, would be on favorable terms.

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The market for banking and financial services in our market areas is highly competitive, which could adversely affect our financial condition and results of operations.

We operate in highly competitive markets. The West Des Moines metropolitan market area, in particular, has attracted many new financial institutions within the last two decades. Customer loyalty can be influenced by a competitor's new products, especially if those offerings are priced lower than our products. Some of our competitors may also be better able to attract customers, because they provide products and services over a larger geographic area than we serve.

Failure to maintain effective internal controls over financial reporting could impair our ability to accurately and timely report our financial results and could increase the risk of fraud.

Effective internal controls over financial reporting are necessary to provide reliable financial reports and prevent fraud. Management believes that our internal controls over financial reporting are currently effective. While management will continue to assess our controls and procedures and take immediate action to remediate any future perceived issues, there can be no guarantee of the effectiveness of these controls and procedures on an on-going basis. Any failure to maintain an effective internal control environment could impact our ability to report our financial results on an accurate and timely basis, which could result in regulatory actions, loss of investor confidence, and adversely impact our business operations and stock price.

A breach of information security, compliance breach by one of our employees or vendors, or employee or customer fraud could negatively affect our reputation and business.

West Bank depends on data processing, communication, and information exchange on a variety of platforms and networks and over the internet. West Bank cannot be certain all of its systems are entirely free from vulnerability to attack, despite safeguards it has installed. West Bank does business with a number of third-party service providers and vendors with respect to West Bank's business, data, and communications needs. If information security is breached, or one of West Bank's employees or vendors breaches compliance procedures, information could be lost or misappropriated, resulting in financial loss or costs to West Bank or damages to others. Computer break-ins, phishing, and other disruptions could jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us in excess of insurance coverage, and may cause existing and potential customers to refrain from doing business with us. Although we, with the help of third-party service providers, intend to continue to implement security technology and establish operational procedures to prevent such damage, there can be no assurance that these security measures will be successful.

Employee or customer fraud could subject us to operational losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of a customer, or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. We maintain a substantial system of internal controls and insurance coverage to mitigate against operational risks, including data processing failures and errors and customer or employee fraud. Should our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have an adverse effect on our business, financial condition, or results of operations.

The loss of the services of any of our senior executive officers or key personnel could cause our business to suffer.

Much of our success is due to our ability to attract and retain senior management and key personnel experienced in bank and financial services and who function well in the communities in our market area. Our continued success depends to a significant extent upon the continued services of a relative few individuals. The loss of services of a few of our senior executive officers or key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition, or results of operations, at least in the short term. In addition, our success depends in significant part upon our senior management's ability to develop and implement our business strategies.

Risks Related to West Bancorporation's Common Stock

Our stock is relatively thinly traded.

Although our common stock is traded on the Nasdaq Global Select Market, the trading volume of our common stock is less than that of larger financial services companies. The desired market characteristics of depth, liquidity, and orderliness require the presence of willing buyers and sellers in the marketplace at any given time. This presence depends on the individual decisions of a relatively small number of investors and general economic and market conditions over which we have no control. Due to the relatively small trading volume of our common stock, significant sales of our common stock, or the expectation of these sales, could cause the stock price to fall more than would otherwise be expected.

There can be no assurances concerning if or when we might pay dividends in the future.

Our common stock shareholders are only entitled to receive the dividends declared by our Board of Directors. The primary source of money to pay our dividends comes from dividends paid to West Bancorporation by West Bank. As discussed above, West Bank is required by a memorandum of understanding to obtain prior approval from the IDOB for any dividend which would be used to fund West Bancorporation common stock dividends. In December 2010, our Board, with required regulatory consent, declared a special dividend of $0.05 per common share. Although we have historically paid quarterly dividends on our common stock and hope to resume payment of a quarterly dividend at some point in 2011, there can be no assurances that we will be able to reinstate regular quarterly dividends at any particular future time or in any particular amount.

Our participation in the Treasury's Capital Purchase Program (CPP) may limit the amount of money available to pay common stock dividends and impacts net income available to common stockholders and earnings per share.

On December 31, 2008, as part of the CPP, West Bancorporation raised $36 million of capital by selling the U.S. Treasury 36,000 shares of preferred stock and a ten-year warrant to purchase 474,100 shares of our common stock for $11.39 per share. The annual cash dividend on the preferred stock is $1,800,000 through 2013 and $3,240,000 thereafter. We anticipate redeeming the preferred stock before 2014. We also intend to pay the preferred stock dividends each quarter before considering allocating any funds for payment of common stock dividends. Therefore, our participation in the CPP will limit the amount of money available to pay common stock dividends so long as the preferred stock is outstanding.

The dividends declared on our preferred stock reduce the net income available to common shareholders and our earnings per common share. The preferred stock will also receive preferential treatment in the event of liquidation, dissolution, or winding up of our business.

Repurchase of the preferred stock sold to the Treasury could limit our ability to pay dividends in the future.

We anticipate redeeming the preferred stock sold to the U.S. Treasury prior to December 31, 2013. Funds for the redemption may come from a combination of retained earnings, the sale of new West Bancorporation stock, or participation in the Small Business Lending fund. Any of these actions could negatively impact the price of our common stock and our ability to pay common stock dividends.

Issuing additional common stock or the exercise of the Treasury's warrant may adversely affect the market price of our common stock.

In connection with the preferred stock sale, we sold a warrant to the U.S. Treasury representing the right to purchase 474,100 shares of our common stock at $11.39. In addition, the Company may issue additional common shares in order to raise capital to redeem the preferred stock. If the warrant is exercised or additional shares of common stock are issued, the ownership interests of our existing shareholders will be diluted. The market price of our common stock might decline or fail to advance in response to either of these two potential events.

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Risks Related to the Banking Industry in General and Community Banking in Particular

Increasing government regulation is a significant challenge.

During the last three years the Dodd-Frank Act, the American Recovery and Reinvestment Act of 2009, and the Emergency Economic Stabilization Act of 2008 have been enacted. These laws and related regulations either have imposed or will impose a significant number of new business practice requirements and restrictions and additional compliance burdens on banks. The regulation of bank services and products in the overall financial services marketplace and the increasing burdens of regulatory compliance are significant challenges for banking profitability, especially for community banks such as West Bank.

The Bureau of Consumer Financial Protection (BCFP) will impact consumer financial regulation through federal rulemaking and enforcement of “unfair, deceptive, or abusive practices,” which may directly impact the business operations of depository institutions offering consumer financial products or services, including West Bank.

The BCFP, which was created by the Dodd-Frank Act, has broad rulemaking authority to administer and carry out the purposes and objectives of the "Federal consumer financial laws, and to prevent evasions thereof," with respect to all financial institutions that offer financial products and services to consumers. The BCFP is also authorized to prescribe rules applicable to any covered person or service provider identifying and prohibiting acts or practices that are "unfair, deceptive, or abusive" in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. West Bancorporation and West Bank do not employ unfair, deceptive, or abusive practices. However, the potential reach and costs of the BCFP's broad new rulemaking powers on the operations of financial institutions offering consumer financial products or services, including West Bank, are currently unknown.

Community banking is adversely affected by conditions in national and international financial markets and economies over which West Bank has no meaningful influence or extraordinary ability to predict.

The financial crisis of the last several years demonstrates how negative national and international financial and economic developments disrupt the economic activities of local businesses and individuals, who are West Bank's primary customers. Adverse changes in those general conditions promote changes in interest rates, savings rates, demand for loans, loan defaults, and other factors that may substantially and negatively impact West Bank's traditional local commercial banking business model. West Bancorporation has no meaningful influence over national or international financial or economic conditions and may not be able to predict adverse changes in those conditions any better than the average business of its size. In addition, West Bank's business model does not include investment banking, brokerage, or trading activities that may remain profitable even in periods of economic contraction or become profitable in the early stages of a general economic upturn. West Bank, as a community bank, has more limited options than larger financial institutions to mitigate general risks of future economic downturns.

Changes in interest rates could negatively impact our financial condition and results of operations.

Earnings in the banking industry, particularly the community bank segment, are substantially dependent on net interest income, which is the difference between interest earned on interest-earning assets (investments and loans) and interest paid on interest-bearing liabilities (deposits and borrowings). Interest rates are sensitive to many factors, including government monetary and fiscal policies and domestic and international economic and political conditions. During the last few years interest rates have been at historically low levels. When the interest rates inevitably increase, banks will experience competitive pressures to increase rates paid on deposits. Depending on competitive pressures, such deposit rate increases may increase faster than rates received on loans, which may reduce net interest margin during the transition periods. Community banks, such as West Bank, rely more heavily on net interest margin than do larger institutions that have additional non-lending sources of income.

Technological advances.

The banking industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. Effective use of technology increases efficiency and enables banks to better serve customers. Our future success depends, in part, on our ability to effectively implement new technology. Many of our large institution competitors have substantially greater resources than we do to invest in technological improvements. As a result, they may be able to offer, or more quickly offer, additional or superior products that put West Bank at some competitive disadvantage.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved comments from the Commission staff.

ITEM 2. PROPERTIES

The Company is located in the main office building of West Bank, at 1601 22nd Street in West Des Moines, Iowa. The headquarters location is leased. West Bank rents approximately 18,800 square feet in the building and pays annual rent of approximately $425,000 for a full-service bank location that includes drive-up facilities and one automated teller machine. West Bank also leases bank buildings and space for eight other locations. These offices are full-service locations, with drive-up facilities and automated teller machines, except an office in Coralville, which does not have a drive-up. Annual lease payments for these eight offices total approximately $915,000. West Bank owns two full-service banking locations in Iowa City. We believe each of our facilities is adequate to meet our needs.

ITEM 3. LEGAL PROCEEDINGS

On September 29, 2010, West Bank was named a defendant in a purported class action lawsuit that asserts overdraft fees charged by West Bank on bank card transactions are in fact interest charges that violate Iowa usury laws. West Bank believes the allegations of the lawsuit to be both factually and legally inaccurate. West Bank is vigorously defending this litigation.

Except as described above, neither the Company nor West Bank are parties to any material pending legal proceedings, other than ordinary litigation incidental to West Bank's business, and no property of these entities is the subject of any such proceeding. The Company does not know of any proceeding contemplated by a governmental authority against the Company or West Bank or any of the companies' property.

ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

West Bancorporation common stock is traded on the Nasdaq Global Select Market under the symbol "WTBA." The table below shows the high and low sale prices and common stock dividends declared for each quarter in 2010 and 2009. The market quotations, reported by Nasdaq, do not include retail markup, markdown, or commissions.

Market and Dividend Information

	High	Low	Dividends
2010			
1st quarter	$6.64	$4.80	$—
2nd quarter	9.04	6.32	—
3rd quarter	7.28	5.51	—
4th quarter	8.19	6.13	0.05
2009			
1st quarter	$12.40	$4.36	$0.08
2nd quarter	9.50	5.00	0.01

3rd quarter	6.38	4.61	—
4th quarter	5.50	4.28	—

There were 235 holders of record of the Company's common stock as of February 28, 2011, and an estimated 990 additional beneficial holders whose stock was held in street name by brokerage houses. The closing price of the Company's common stock was $7.61 on February 28, 2011.

Dividends to common shareholders in 2010 and 2009 were $0.05 and $0.09 per common share, respectively. Dividend declarations are evaluated and determined by the Board on a quarterly basis. The ability of the Company to pay dividends in the future will depend primarily upon the earnings of West Bank and its ability to pay dividends to the Company.

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The ability of West Bank to pay dividends is governed by various statutes. These statutes provide that no bank shall declare or pay any dividends in an amount greater than its retained earnings, without approval from governing regulatory bodies. In addition, applicable bank regulatory authorities have the power to require any bank to suspend the payment of dividends until the bank complies with all requirements that may be imposed by such authorities.

The Company's preferred stock agreement with the Treasury limits dividends to $0.16 or less per quarter. The Company and West Bank are also currently required to obtain regulatory approval before dividends can be paid on the Company's common stock. Approval was obtained for the Company's December 2010 $0.05 common stock dividend.

The following performance graph provides information regarding cumulative, five-year return (loss) on an indexed basis of the common stock as compared with the Nasdaq - Total US Index and the SNL Midwest Bank Index prepared by SNL Financial L.C. of Charlottesville, Virginia. The latter index reflects the performance of bank holding companies operating principally in the Midwest as selected by SNL Financial. The indices assume the investment of $100 on December 31, 2005, in the common stock, the Nasdaq - Total US Index, and the SNL Midwest Bank Index, with all dividends reinvested. The Company's common stock price performance shown in the following graph is not indicative of future stock price performance.

*Source: SNL Financial LC, Charlottesville, VA. Used with permission. All rights reserved.

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ITEM 6. SELECTED FINANCIAL DATA
West Bancorporation, Inc. and Subsidiary
Selected Financial Data

	Years Ended December 31				
(in thousands, except per share amounts)	2010	2009	2008	2007	2006
Operating Results					
Interest income	$61,143	$67,730	$72,532	$82,027	$79,738
Interest expense	19,023	26,636	31,431	43,823	40,639
Net interest income	42,120	41,094	41,101	38,204	39,099
Provision for loan losses	6,050	24,500	16,600	2,350	1,725
Net interest income after provision for loan losses	36,070	16,594	24,501	35,854	37,374
Noninterest income, including securities gains (losses)	10,387	8,904	4,301	8,430	8,128
Noninterest expense	27,744	37,905	20,105	17,870	17,425
Income (loss) before income taxes	18,713	(12,407)	8,697	26,414	28,077
Income taxes (benefits)	5,330	(7,356)	1,386	8,062	8,935
Income (loss) from continuing operations	13,383	(5,051)	7,311	18,352	19,142
Income (loss) from discontinued operations					
before income taxes	—	(10,262)	563	982	458
Income taxes (benefits)	—	(696)	238	414	193
Income (loss) from discontinued operations	—	(9,566)	325	568	265
Net income (loss)					