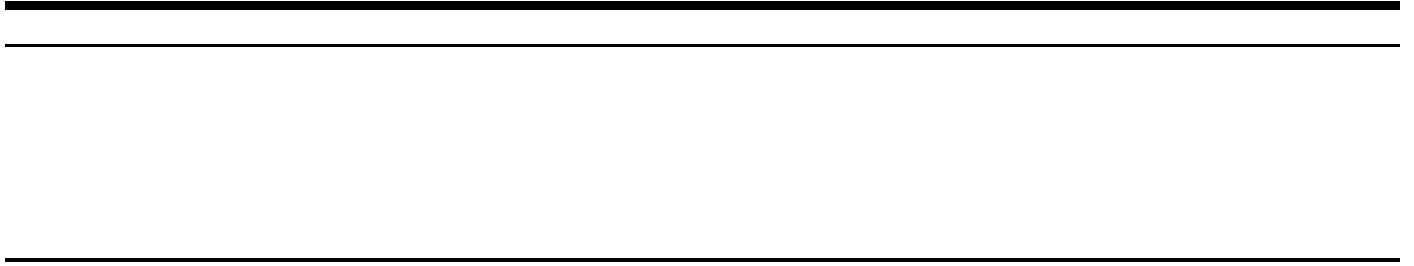


WEST BANCORPORATION INC

Form ARS

March 12, 2010



Shareholders' Letter

Dear Fellow Shareholders:

2009 was disappointing. There is no other way to say it. While your company was not alone, that fact does not make our 2009 results any easier to accept because we expect to be better than average.

Jack G. Wahlig

David R. Milligan

The recession slammed the company on multiple fronts during 2009. First, we experienced unprecedented loan losses, particularly in areas related to real estate. Second, the decline in our stock price required the write-off of the goodwill associated with our past acquisitions. Although our important capital measures were not impacted by the write-off, it contributed to our reported loss. Third, we also experienced a high level of nonperforming assets, which reduced our interest income. Finally, the uncertain economy reduced the demand for new loans.

Fortunately, we believe West Bank has the ability to generate good core earnings going forward. We remain well-capitalized, and our liquidity is very strong. We are still a highly efficient company, and our experienced staff has remained intact.

We are cautiously optimistic entering 2010. There is evidence the economy is improving, although we are watching closely for any sign of reversal. In addition, we have made substantial progress on our loan problems and we are working aggressively to prevent or minimize future problems. We have also reduced the credit risk in our investment portfolio. As a result, we believe the company is in better shape now than it was in early 2009.

As you know, the common stock dividend was suspended in the third quarter of 2009. We are working to resume dividend payments as soon as prudent. In addition, we do not expect to redeem any of the Treasury's preferred stock in 2010, but we are planning on buying back all of that stock within the next few years.

We completed the sale of WB Capital Management Inc. on December 31, 2009. We wish our former associates well as they embark on their new path.

West Bank has been serving customers since 1893. We plan to continue serving our customers and rewarding our shareholders for many years to come as we look forward to better results in 2010. We hope to see you at the annual shareholders meeting on April 29. Thank you for your support.

Jack G. Wahlig
Chairman

David R. Milligan
Chief Executive Officer

West Bancorporation, Inc., and Subsidiaries

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|--------------|--------------|--------------|--------------|--------------|
| YEAR-END BALANCES | | | | | |
| Assets | \$ 1,575,054 | \$ 1,554,276 | \$ 1,341,289 | \$ 1,270,013 | \$ 1,245,417 |
| Investment securities | 351,269 | 189,558 | 237,378 | 261,578 | 274,719 |
| Loans | 1,021,042 | 1,101,753 | 985,423 | 904,422 | 867,504 |
| Nonperforming loans | 26,317 | 28,835 | 5,877 | 650 | 4,912 |
| Other real estate owned | 25,350 | 4,352 | 155 | 2,002 | 497 |
| Deposits | 1,246,617 | 1,155,132 | 911,371 | 926,251 | 945,553 |
| Stockholders' equity | 133,059 | 150,063 | 121,606 | 113,812 | 104,521 |
| AVERAGE BALANCES | | | | | |
| Assets | 1,618,557 | 1,371,401 | 1,309,119 | 1,298,410 | 1,192,208 |
| Investment securities | 230,821 | 189,206 | 252,477 | 270,484 | 313,015 |
| Loans | 1,100,045 | 1,054,558 | 945,669 | 918,992 | 785,164 |
| Deposits | 1,231,597 | 954,423 | 903,972 | 991,603 | 862,376 |
| Stockholders' equity | 143,163 | 118,090 | 116,683 | 107,345 | 100,392 |
| RESULTS OF OPERATIONS | | | | | |
| Net interest income | 41,094 | 41,101 | 38,204 | 39,099 | 38,433 |
| Provision for loan losses | 24,500 | 16,600 | 2,350 | 1,725 | 1,775 |
| Noninterest income, including investment securities gains (losses) | 8,904 | 4,301 | 8,430 | 8,128 | 8,395 |
| Noninterest expense | 37,905 | 20,105 | 17,870 | 17,425 | 16,247 |
| Income (loss) before income taxes | | | | | |
| from continuing operations | (12,407) | 8,697 | 26,414 | 28,077 | 28,806 |
| Income (loss) from continuing operations | (5,051) | 7,311 | 18,352 | 19,142 | 19,675 |
| Income (loss) from discontinued operations | (9,566) | 325 | 568 | 265 | 400 |
| Net income (loss) | (14,617) | 7,636 | 18,920 | 19,407 | 20,075 |
| PER COMMON SHARE | | | | | |
| Net income (loss) from continuing operations - basic and diluted | (0.42) | 0.42 | 1.05 | 1.09 | 1.12 |
| Net income (loss) from discontinued operations - basic and diluted | (0.55) | 0.02 | 0.03 | 0.02 | 0.02 |
| | (0.97) | 0.44 | 1.08 | 1.11 | 1.14 |

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Net income (loss) - basic and diluted

| | | | | | | | | | |
|---------------|-------|--|-------|--|-------|--|-------|--|-------|
| Dividends | 0.090 | | 0.640 | | 0.640 | | 0.625 | | 0.610 |
| Book value | 5.69 | | 6.69 | | 6.96 | | 6.49 | | 5.96 |
| Closing price | 4.93 | | 12.25 | | 13.04 | | 17.78 | | 17.81 |

RATIOS

| | | | | | | | | | | |
|---|--------|---|-------|---|-------|---|-------|---|-------|---|
| Return on average equity | -10.21 | % | 6.47 | % | 16.21 | % | 18.08 | % | 20.00 | % |
| Return on average assets | -0.90 | % | 0.56 | % | 1.45 | % | 1.49 | % | 1.68 | % |
| Efficiency ratio | 45.99 | % | 38.56 | % | 37.08 | % | 35.47 | % | 33.56 | % |
| Net interest margin | 2.86 | % | 3.38 | % | 3.28 | % | 3.38 | % | 3.62 | % |
| Average equity as % of average assets | 8.85 | % | 8.61 | % | 8.91 | % | 8.27 | % | 8.42 | % |
| Allowance for loan losses as % of loans | 1.87 | % | 1.40 | % | 0.91 | % | 0.94 | % | 0.88 | % |
| Net charge-offs as % of average loans | 1.89 | % | 0.96 | % | 0.20 | % | 0.09 | % | 0.09 | % |
| Nonperforming loans as % of loans | 2.58 | % | 2.62 | % | 0.60 | % | 0.07 | % | 0.57 | % |

West Bancorporation, Inc., and Subsidiaries

| | DECEMBER 31 | |
|---|--------------|--------------|
| | 2009 | 2008 |
| ASSETS | | |
| Cash and due from banks | \$ 27,923 | \$ 23,712 |
| Federal funds sold and other short-term investments | 103,572 | 173,257 |
| Cash and cash equivalents | 131,495 | 196,969 |
| Securities available for sale | 340,478 | 181,384 |
| Federal Home Loan Bank stock, at cost | 10,791 | 8,174 |
| Loans held for sale | 332 | 1,018 |
| Loans | 1,020,710 | 1,100,735 |
| Allowance for loan losses | (19,126) | (15,441) |
| Loans, net | 1,001,584 | 1,085,294 |
| Premises and equipment, net | 5,290 | 4,639 |
| Accrued interest receivable | 5,502 | 6,415 |
| Goodwill | - | 13,376 |
| Bank-owned life insurance | 25,400 | 25,277 |
| Other real estate owned | 25,350 | 4,352 |
| Deferred tax assets | 12,823 | 6,203 |
| Other assets | 16,009 | 7,200 |
| Assets of discontinued operations held for sale | - | 13,975 |
| Total assets | \$ 1,575,054 | \$ 1,554,276 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities | | |
| Deposits: | | |
| Noninterest-bearing demand | \$ 206,412 | \$ 174,980 |
| Interest-bearing demand | 162,305 | 97,853 |
| Savings | 442,137 | 238,058 |
| Time of \$100,000 or more | 271,145 | 274,825 |
| Other time | 164,618 | 369,416 |
| Total deposits | 1,246,617 | 1,155,132 |
| Federal funds purchased and securities sold under agreements to repurchase | 40,342 | 93,111 |
| Other short-term borrowings | 2,553 | 245 |
| Subordinated notes and FHLB advances | 145,619 | 145,619 |
| Accrued expenses and other liabilities | 6,864 | 8,783 |
| Liabilities of discontinued operations held for sale | - | 1,323 |
| Total liabilities | 1,441,995 | 1,404,213 |
| Stockholders' Equity | | |
| Preferred stock, \$0.01 par value, with a liquidation preference of \$1,000 per share; authorized 50,000,000 shares; 36,000 shares issued and outstanding at December 31, 2009 and 2008, respectively | 34,024 | 33,548 |
| Common stock, no par value; authorized 50,000,000 shares; 17,403,882 | 3,000 | 3,000 |

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shares issued and outstanding at December 31, 2009 and 2008,
respectively

| | | | | |
|--|---------|-----------|---------|-----------|
| Additional paid-in capital | 34,387 | | 34,452 | |
| Retained earnings | 65,959 | | 82,793 | |
| Accumulated other comprehensive (loss) | (4,311 |) | (3,730 |) |
| Total stockholders' equity | 133,059 | | 150,063 | |
| Total liabilities and stockholders' equity | \$ | 1,575,054 | \$ | 1,554,276 |

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West Bancorporation, Inc., and Subsidiaries

| | YEARS ENDED DECEMBER 31, | | |
|--|--------------------------|-----------|-----------|
| | 2009 | 2008 | 2007 |
| Interest Income: | | | |
| Loans | \$ 59,309 | \$ 63,525 | \$ 70,155 |
| Securities: | | | |
| U.S. Treasury, government agencies and corporations | 2,436 | 2,903 | 5,834 |
| States and political subdivisions | 4,322 | 4,152 | 3,742 |
| Other | 1,142 | 1,485 | 1,544 |
| Federal funds sold and other short-term investments | 521 | 467 | 752 |
| Total interest income | 67,730 | 72,532 | 82,027 |
| Interest Expense: | | | |
| Demand deposits | 2,481 | 1,223 | 1,830 |
| Savings deposits | 4,157 | 3,812 | 7,118 |
| Time deposits | 12,910 | 16,486 | 21,203 |
| Federal funds purchased and securities sold under agreements to repurchase | 320 | 2,788 | 6,769 |
| Other short-term borrowings | - | 39 | 345 |
| Other borrowings | 6,768 | 7,083 | 6,558 |
| Total interest expense | 26,636 | 31,431 | 43,823 |
| Net interest income | 41,094 | 41,101 | 38,204 |
| Provision for Loan Losses: | 24,500 | 16,600 | 2,350 |
| Net interest income after provision for loan losses | 16,594 | 24,501 | 35,854 |
| Noninterest Income: | | | |
| Service charges on deposit accounts | 4,021 | 4,832 | 4,794 |
| Trust services | 786 | 789 | 758 |
| Gains and fees on sales of residential mortgages | 1,114 | 544 | 161 |
| Increase in cash value of bank-owned life insurance | 776 | 936 | 890 |
| Proceeds from bank-owned life insurance | 840 | - | - |
| Other income | 2,095 | 1,866 | 1,822 |
| Total noninterest income | 9,632 | 8,967 | 8,425 |
| Investment securities gains (losses), net: | | | |
| Total other-than-temporary impairment losses | (3,444) | (4,739) | - |
| Portion of loss recognized in other comprehensive income (loss) before taxes | 832 | - | - |
| Net impairment losses recognized in earnings | (2,612) | (4,739) | - |
| Realized securities gains, net | 1,884 | 73 | 5 |
| Investment securities gains (losses), net | (728) | (4,666) | 5 |

- continued -

West Bancorporation, Inc., and Subsidiaries

| | YEARS ENDED DECEMBER 31, | | |
|---|--------------------------|---------|----------|
| | 2009 | 2008 | 2007 |
| Noninterest Expense: | | | |
| Salaries and employee benefits | \$9,938 | \$9,257 | \$9,187 |
| Occupancy | 3,451 | 2,992 | 2,916 |
| Data processing | 1,761 | 1,748 | 1,706 |
| FDIC insurance expense | 2,736 | 606 | 109 |
| Goodwill impairment | 13,376 | - | - |
| Other expenses | 6,643 | 5,502 | 3,952 |
| Total noninterest expense | 37,905 | 20,105 | 17,870 |
| Income (loss) before income taxes | (12,407) | 8,697 | 26,414 |
| Income Taxes (Benefits): | | | |
| Income (loss) from continuing operations | (7,356) | 1,386 | 8,062 |
| | (5,051) | 7,311 | 18,352 |
| Discontinued Operations: | | | |
| Income (loss) from discontinued operations before income taxes | (10,262) | 563 | 982 |
| Income taxes (benefits) | (696) | 238 | 414 |
| Income (loss) from discontinued operations | (9,566) | 325 | 568 |
| Net income (loss) | (14,617) | 7,636 | 18,920 |
| Preferred stock dividends and accretion of discount | (2,276) | - | - |
| Net income (loss) available to common stockholders | \$(16,893) | \$7,636 | \$18,920 |
| Earnings (Loss) per Common Share: | | | |
| Basic and diluted earnings (loss) per common share from continuing operations | \$(0.42) | \$0.42 | \$1.05 |
| Basic and diluted earnings (loss) per common share from discontinued operations | \$(0.55) | \$0.02 | \$0.03 |
| Basic and diluted earnings (loss) per common share | \$(0.97) | \$0.44 | \$1.08 |

The Board of Directors 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 subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows (not presented herein) for each of the three years in the period ended December 31, 2009, and in our report dated March 12, 2010, 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.

Des Moines, Iowa
March 12, 2010

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West Bancorporation, Inc., and Subsidiaries

| Years Ended | Comprehensive | Preferred | Common | Additional | Retained | Accumulated Other Comprehensive | |
|--|------------------|-----------|----------|-----------------|-----------|---------------------------------------|------------|
| December 31, 2009, 2008, and 2007 | Income (Loss) | Stock | Stock | Paid-in-Capital | Earnings | Income (Loss) | Total |
| Balance, December 31, 2006 | | \$ - | \$ 3,000 | \$ 32,000 | \$ 80,397 | \$ (1,585) | \$ 113,812 |
| Comprehensive Income | | | | | | | |
| Net income | \$ 18,920 | - | - | - | 18,920 | - | 18,920 |
| Other comprehensive income, unrealized gains on securities, net of reclassification adjustment, net of tax | 1,107 | - | - | - | - | 1,107 | 1,107 |
| Total Comprehensive Income | \$ 20,027 | | | | | | |
| Shares reacquired and retired under the common stock repurchase plan | | - | - | - | (974) | - | (974) |
| Cash dividends declared, \$0.64 per common share | | - | - | - | (11,224) | - | (11,224) |
| Other | | - | - | - | (35) | - | (35) |
| Balance, December 31, 2007 | | - | 3,000 | 32,000 | 87,084 | (478) | 121,606 |
| Comprehensive Income | | | | | | | |
| Net income | \$ 7,636 | - | - | - | 7,636 | - | 7,636 |
| Other comprehensive (loss), unrealized (losses) on securities, net of reclassification adjustment, net of tax | (3,252) | - | - | - | - | (3,252) | (3,252) |
| Total Comprehensive Income | \$ 4,384 | | | | | | |

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| | | | | | | | |
|--|--------------|-----------|----------|-----------|-----------|-------------|------------|
| Preferred shares and common stock warrant issued | | 33,548 | - | 2,452 | - | - | 36,000 |
| Shares reacquired and retired under the common stock repurchase plan | | - | - | - | (789) | - | (789) |
| Cash dividends declared, \$0.64 per common share | | - | - | - | (11,138) | - | (11,138) |
| Balance, December 31, 2008 | | 33,548 | 3,000 | 34,452 | 82,793 | (3,730) | 150,063 |
| Cumulative effect accounting adjustment, net of tax | | - | - | - | 1,625 | (1,625) | - |
| Comprehensive (Loss) | | | | | | | |
| Net (loss) | \$ (14,617) | - | - | - | (14,617) | - | (14,617) |
| Other comprehensive income, unrealized gains on securities, net of reclassification adjustment, net of tax | 1,044 | - | - | - | - | 1,044 | 1,044 |
| Total Comprehensive (Loss) | \$ (13,573) | | | | | | |
| Preferred stock discount accretion | | 476 | - | - | (476) | - | - |
| Preferred stock issuance costs | | - | - | (65) | - | - | (65) |
| Cash dividends declared, \$0.09 per common share | | - | - | - | (1,566) | - | (1,566) |
| Preferred stock dividends declared | | - | - | - | (1,800) | - | (1,800) |
| Balance, December 31, 2009 | | \$ 34,024 | \$ 3,000 | \$ 34,387 | \$ 65,959 | \$ (4,311) | \$ 133,059 |

FORM 10-K

A copy of the Company's annual report to the Securities and Exchange Commission on Form 10-K will be mailed when available without charge to shareholders upon request to Alice Jensen at 515-222-2300 or ajensen@westbankiowa.com. The annual report will also be available on the Securities and Exchange Commission's

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Web site at <http://www.sec.gov/edgar/searchedgar/webusers.htm> and through a link on the Company's Web site, www.westbankiowa.com, at Investor Relations, SEC Filings.

West Bancorporation, Inc. Board of Directors

(1) Audit Committee (2) Compensation Committee (3) Nominating & Corporate Governance Committee

| | | | |
|--|---|--|---|
| Frank W. Berlin (2, 3) President, Frank W. Berlin & Associates | Thomas A. Carlstrom Neurosurgeon | Joyce A. Chapman Executive Vice President, West Bank – Retired | Orville E. Crowley (2) President, Linden Lane Farms |
| Douglas R. Gulling Executive Vice President and Chief Financial Officer, West Bancorporation Chief Financial Officer, West Bank | Kaye R. Lozier Director of Development and Donor Relations, Greater Des Moines Community Foundation | David R. Milligan Chief Executive Officer, West Bancorporation and West Bank | George D. Milligan (1) President, The Graham Group, Inc. |
| | | | James W. Noyce (1) Senior Advisor and Major Gifts Officer, Drake University Athletics |
| | Robert G. Pulver (2, 3) President & CEO, All-State Industries, Inc. | Jack G. Wahlig (1) Chairman, West Bancorporation President, Integrus Financial, L.C. | Connie Wimer (1) Chairman, Business Publications Corporation |
| | | | Brad L. Winterbottom Executive Vice President, West Bancorporation President, West Bank |

West Bancorporation, Inc., common stock is traded on the NASDAQ Global Select Market and quotations are furnished by the NASDAQ System. There were 248 common stockholders of record on December 31, 2009, and an estimated 1,100 additional beneficial holders whose stock was held in street name by brokerage houses.

Market and Dividend Information (1)

| | High | Low | Dividends |
|-------------|----------|----------|-----------|
| 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 | - |
| 2008 | | | |
| 1st quarter | \$ 14.43 | \$ 11.71 | \$ 0.16 |
| 2nd quarter | 13.48 | 8.63 | 0.16 |
| 3rd quarter | 16.21 | 7.30 | 0.16 |
| 4th quarter | 13.50 | 8.67 | 0.16 |

(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.

Transfer Agent/Dividend Paying
Agent

Illinois Stock Transfer Company
209 West Jackson Boulevard,
Suite 903
Chicago, Illinois 60606-6905
800-757-5755
www.illinoisstocktransfer.com

General Counsel

Ahlers & Cooney, P.C.
100 Court Avenue

Suite 600
Des Moines, IA 50309

Independent Registered Public
Accounting Firm

McGladrey & Pullen, LLP
400 Locust Street

Suite 640
Des Moines, IA 50309

Forward Looking Statements – Certain statements in this report about the Company's future financial performance constitute "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Those statements include the words "believe," "hope to," "look forward," or similar references. These statements are based on underlying assumptions, risks, and uncertainties that may not materialize as expected. Actual results may differ significantly from the forward looking statements due to, among other things, changes in competition, economic conditions, regulatory requirements or costs, loan or investment performance, and interest rates. The Company undertakes no obligation to revise any statements to reflect future circumstances.
