INSIGHT ENTERPRISES INC
Form 4
November 08, 2004

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
CROWN TIMOTHY A
(Last) (First) (Middle)
1305 WEST AUTO DRIVE
(Street)
TEMPE, AZ 85284
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
INSIGHT ENTERPRISES INC [NSIT]

3. Date of Earliest Transaction (Month/Day/Year)
11/05/2004

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	11/05/2004		S		15,000	D	$ 19.11	529,236	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CROWN TIMOTHY A 1305 WEST AUTO DRIVE TEMPE, AZ 85284	X		CEO	

Signatures

Karen McGinnis, by Power of Attorney, for Timothy A. Crown	11/08/2004
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. rate swaps) to assist in its interest rate risk management. All derivatives are measured and reported at fair value on the Company's consolidated balance sheet as other assets or other liabilities. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. As of December 31, 2012, the Company had only cash flow hedging relationships, which are derivatives to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions. To qualify for hedge accounting, the Company must comply with the detailed rules and documentation requirements at the inception of the hedge, and hedge effectiveness is assessed at inception and on a quarterly basis throughout the life of each hedging relationship. Hedge ineffectiveness, if any, is measured periodically throughout the life of the hedging relationship. The Company does not use derivatives for trading or speculative purposes.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income, net of deferred taxes, and subsequently reclassified to interest income or expense when the hedged transaction affects earnings, while the ineffective portion of changes in the fair value of the derivative, if any, is recognized immediately in other noninterest income. The Company assesses the effectiveness of each hedging relationship by comparing the cumulative changes in cash flows of the derivative hedging instrument with the cumulative changes in cash flows of the designated hedged item or transaction.

Preferred stock: On December 23, 2008, the stockholders of the Company approved a proposal to amend the Company's Restated Articles of Incorporation to authorize 50 million shares of preferred stock.

On December 31, 2008, the Company issued 36,000 shares of perpetual cumulative senior preferred stock to the U.S. Department of the Treasury (Treasury) under the Capital Purchase Program (CPP). The preferred stock had a par value of $0.01 per share and a liquidation preference of $1,000 per share, or $36,000. Dividends were payable quarterly at the rate of five percent per annum computed on the basis of a 360-day year. The proceeds from the issuance of preferred stock and a common stock warrant were allocated between the two based upon the proportionate fair value of each at the time of receipt. The resulting discount on preferred stock was accreted to par using an effective yield method using a five-year life. The accretion resulted in an adjustment directly to retained earnings and reduced the income available to common stockholders.

On June 29, 2011, the Company redeemed all 36,000 shares of the outstanding preferred stock issued under the CPP with a payment to the Treasury of $36,220, consisting of $36,000 of principal and $220 of dividends. The preferred stock had a carrying value of $34,752 on the redemption date. Upon redemption, the remaining $1,248 preferred stock discount was recorded as a reduction to net income available to common stockholders.

Common stock warrants: In connection with the CPP described above, a common stock warrant exercisable for 474,100 shares of common stock was issued to the Treasury and was exercisable on or before December 31, 2018. The warrant entitled the Treasury to purchase 474,100 shares of common stock at $11.39 per share. The warrant was repurchased by the Company for $700 on August 31, 2011.

Common stock: At the Company's annual meeting of stockholders on April 26, 2012, the West Bancorporation, Inc. 2012 Equity Incentive Plan (the 2012 Plan) was approved by the stockholders, replacing the West Bancorporation, Inc. Restricted Stock Compensation Plan. The 2012 Plan is administered by the Compensation Committee of the Board of Directors. As of December 31, 2012, restricted stock units (RSUs) totaling 66,793 shares had been granted under the 2012 Plan.

Stock-based compensation: Compensation expense for stock-based awards is recognized on a straight-line basis over the vesting period using the fair value of the award at the time of the grant. The fair value of nonvested RSUs granted under the 2012 Plan is equal to the fair market value of the underlying common stock at the grant date. Because the RSU participant does not have dividend rights prior to vesting, the initial unamortized expense amount is the discounted value of future cash flows omitting projected dividends during the vesting period. The Company currently assumes no projected forfeitures on its stock-based compensation, since all RSUs are expected to vest and no forfeitures have occurred as of December 31, 2012.

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

Deferred compensation: On October 24, 2012, the the Company's Board of Directors adopted the West Bancorporation, Inc. Deferred Compensation Plan (the Plan). The Plan is an unfunded, nonqualified deferred compensation plan intended to conform to the requirements of Section 409A of the Internal Revenue Code. The Plan is effective as of January 1, 2013, and provides an opportunity for eligible participants, including directors and key officers of the Company, to voluntarily defer receipt of a portion of their respective cash compensation. The amount of compensation to be deferred by each individual participating in the Plan, if any, is determined in accordance with the Plan based on each participant's election. Additionally, the Company has the right to make discretionary contributions under the Plan on behalf of participants, though the Company has no intention at this time of making such Company contributions. Deferred compensation under the Plan is payable on a date or dates selected by each participant at the time of enrollment, subject to change in certain specified circumstances. In the event of a change in control of the Company, any amounts deferred by a participant will be distributed to the participant in a lump sum upon the change in control, and any Company contributions will be distributed in accordance with the participant's elections. As of December 31, 2012, no individuals had chosen to participate in the Plan.

Transfer of financial assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Income taxes: The Company files a consolidated federal income tax return. Income tax expense is generally allocated as if the Company and its subsidiary file separate income tax returns. Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences, capital loss, operating loss, and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

When tax returns are filed, it is highly certain that some tax positions taken will be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the positions taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. The evaluation of a tax position taken is considered by itself and is not offset or aggregated with other positions. Tax positions that meet the more likely than not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. Management does not believe the Company has any material uncertain tax positions to disclose.

Interest and penalties related to income taxes are recorded as other noninterest expense in the consolidated income statements.

Earnings per common share: Basic earnings per common share are computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Income available to common stockholders is net income less preferred stock dividends and accretion of discount on preferred stock treated as preferred stock dividends. Diluted earnings per common share for past periods reflected the potential dilution that could have occurred if the Company's stock warrant issued to the Treasury was exercised prior to its redemption and the potential dilution that could occur if the Company's outstanding RSUs were vested. The dilutive effect was computed using the treasury stock method, which assumes all outstanding warrants were exercised during the time period they were outstanding and assumes all stock-based awards are exercised and the hypothetical proceeds from exercise are used by the Company to purchase common stock at the average market price during the period. The incremental shares, to the extent they would have been dilutive, were included in the denominator of the diluted earnings per common share calculation.

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

Current accounting developments: In April 2011, the FASB issued guidance to improve the accounting for repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. This guidance removes from the assessment of effective control in the accounting for repurchase agreements (a) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (b) the collateral maintenance implementation guidance related to that criterion. The guidance was effective for the first interim and annual periods beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In May 2011, the FASB issued amended guidance to improve the comparability of fair value measurements presented and disclosed in financial statements made in accordance with GAAP and International Financial Reporting Standards. The guidance does not extend the use of fair value accounting, but provides guidance on how it should be applied in situations where it was already required or permitted. The guidance is included in the Codification as part of ASC 820. The guidance was effective for public companies during interim and annual periods beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In February 2013, the FASB issued Accounting Standards Update No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, to improve the transparency of reporting reclassifications out of accumulated other comprehensive income. The amendments in the Update do not change the current requirements for reporting net income or other comprehensive income in financial statements. The new amendments will require an organization to present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. Additionally, for other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP to provide additional detail about those amounts. For public companies, the amendments are effective for reporting periods beginning after December 15, 2012. The Company does not expect that the adoption of this guidance will have a material impact on the consolidated financial statements.

Note 2. Securities

For securities available for sale, the following tables show the amortized cost, unrealized gains and losses (pretax) included in accumulated other comprehensive income, and estimated fair value by security type as of December 31, 2012 and 2011.

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agencies and corporations	$12,614	$420	$—	$13,034
State and political subdivisions	54,075	2,754	(68)	56,761
Collateralized mortgage obligations [1]	170,557	3,140	(103)	173,594
Mortgage-backed securities [1]	36,965	1,459	—	38,424
Trust preferred securities	5,913	—	(3,818)	2,095

Corporate notes and other investments	8,341	69	(4)	8,406
	$288,465	$7,842	$(3,993)	$292,314

67

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

	2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agencies and corporations	$12,644	$371	$(12)	$13,003
State and political subdivisions	50,172	2,398	(53)	52,517
Collateralized mortgage obligations (1)	173,438	2,301	(241)	175,498
Mortgage-backed securities (1)	34,967	706	(37)	35,636
Trust preferred securities	6,105	—	(4,094)	2,011
Corporate notes and other investments	4,764	—	(284)	4,480
	$282,090	$5,776	$(4,721)	$283,145

(1) All collateralized mortgage obligations and mortgage-backed securities consist of residential mortgage pass-through securities guaranteed by GNMA or issued by FNMA and real estate mortgage investment conduits guaranteed by FHLMC or GNMA.

Securities with an amortized cost of approximately $72,367 and $96,062 as of December 31, 2012 and 2011, respectively, were pledged as collateral for the securities sold under agreements to repurchase, interest rate swaps, and for other purposes as required or permitted by law or regulation. Securities sold under agreements to repurchase are held in safekeeping on behalf of the Company.

The amortized cost and fair value of securities available for sale as of December 31, 2012, by contractual maturity are shown below. Certain securities have call features which allow the issuer to call the securities prior to maturity. Expected maturities may differ from contractual maturities for collateralized mortgage obligations and mortgage-backed securities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Therefore, collateralized mortgage obligations and mortgage-backed securities are not included in the maturity categories in the following maturity summary.

	2012	
	Amortized Cost	Fair Value
Due in one year or less	$765	$767
Due after one year through five years	22,473	23,136
Due after five years through ten years	19,433	20,481
Due after ten years	36,800	34,424
	79,471	78,808
Collateralized mortgage obligations and mortgage-backed securities	207,522	212,018
Equity securities	1,472	1,488
	$288,465	$292,314

The details of the sales of securities for the years ended December 31, 2012, 2011, and 2010 are summarized in the following table.

	2012	2011	2010
Proceeds from sales	$16,121	$—	$78,704
Gross gains on sales	288	—	411
Gross losses on sales	42	—	371

68

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

The following tables show the fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position, as of December 31, 2012 and 2011.

	2012					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
State and political subdivisions	$5,617	$(62)	$305	$(6)	$5,922	$(68)
Collateralized mortgage obligations	19,477	(103)	—	—	19,477	(103)
Trust preferred securities	—	—	2,095	(3,818)	2,095	(3,818)
Corporate notes and other investments	1,032	(4)	—	—	1,032	(4)
	$26,126	$(169)	$2,400	$(3,824)	$28,526	$(3,993)

	2011					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government agencies and corporations	$4,988	$(12)	$—	$—	$4,988	$(12)
State and political subdivisions	—	—	3,090	(53)	3,090	(53)
Collateralized mortgage obligations	38,175	(241)	—	—	38,175	(241)
Mortgage-backed securities	17,898	(37)	—	—	17,898	(37)
Trust preferred securities	—	—	2,011	(4,094)	2,011	(4,094)
Corporate notes and other investments	—	—	3,708	(284)	3,708	(284)
	$61,061	$(290)	$8,809	$(4,431)	$69,870	$(4,721)

See Note 1 for a discussion of financial reporting for securities with unrealized losses. As of December 31, 2012, the available for sale investment portfolio included one municipal security and two TPSs with unrealized losses that have existed for longer than one year.

All of the Company's municipal obligations are with Iowa communities, and all are considered to have acceptable credit risks. During the first quarter of 2013, the Company purchased securities originated by municipalities in states other than Iowa, due to their somewhat higher yields compared to Iowa municipalities with similar credit risks. The Company believes the unrealized losses on investments in state and political subdivisions, collateralized mortgage obligations, and corporate notes are due to market conditions, not reduced estimated cash flows. The Company does not have the intent to sell these securities, does not anticipate that these securities will be required to be sold before anticipated recovery, and expects full principal and interest to be collected. Therefore, the Company does not consider these investments to have OTTI at December 31, 2012.

The Company believes the unrealized loss of $981 on an investment in one single-issuer TPS issued by Heartland Financial, USA, Inc. is due to market conditions, not reduced estimated cash flows. The Company does not have the intent to sell this security, does not anticipate that this security will be required to be sold before anticipated recovery, and expects full principal and interest will be collected. Therefore, the Company does not consider this investment to have OTTI at December 31, 2012.

69

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

As of December 31, 2012, the Company had one pooled TPS, ALESCO Preferred Funding X, Ltd., it considered to have OTTI. The Company engaged an independent consulting firm to assist in the valuation of this security. Based on that valuation, management determined the security had an estimated fair value of $1,334 at December 31, 2012. The consulting firm first evaluated the credit quality of each of the 77 underlying issuers within the pool by reviewing a comprehensive database of financial information and/or publicly-filed financial statements. On the basis of this information and a review of historical industry default data and current and near-term operating conditions, default and recovery probabilities for each underlying issuer within the asset were estimated. For issuers who had already defaulted, no recovery was assumed. For deferring issuers, an assumption was made that the majority of deferring issuers will continue to defer and will eventually default. Each deferring issuer is reviewed on a case-by-case basis and, in some instances, a probability is assigned that the deferral will ultimately be cured. The issuer-specific assumptions are then aggregated into cumulative weighted-average default, recovery, and prepayment probabilities. The collateral prepayment assumptions were affected by the view that the terms and pricing of TPS and subordinated debt issued by banks and insurance companies were so aggressive that it is unlikely that such financing will become available in the foreseeable future. However, the forthcoming phase-out of TPS from Tier 1 Capital of financial institutions whose consolidated assets exceed $15 billion may affect potential prepayments. An assumption was made that those institutions will have a 40 percent prepayment rate in years two and three of the projections and an annual prepayment rate of 2 percent thereafter, unless the coupon on the TPS is 7 percent or greater, then immediate prepayment is assumed. The remaining institutions are not likely to prepay as the issuance rates are less than current market debt yield thus making refinancing prohibitively expensive. In light of generally weak collateral credit performance and a challenging U.S. credit and real estate environment, the assumptions generally imply more issuer defaults during the next two to three years than those that had been experienced historically and a gradual leveling off of defaults thereafter.

In accordance with ASC 325, a discounted cash flow model was used to determine the estimated fair value of this security. The methodology for determining the appropriate discount rate for a TPS for purposes of determining fair value combines an evaluation of current market yields for comparable corporate and structured credit products with an evaluation of the risks associated with the TPS cash flows. As a result of this analysis and due to the fixed rate nature of the instrument's contractual interest cash flows, a discount rate of three-month LIBOR plus 14 percent (a lifetime average all-in discount rate of approximately 17 percent) was used for determination of fair value as of December 31, 2012, and a discount rate of three-month LIBOR plus 15 percent (a lifetime average all-in discount rate of approximately 18 percent) was used for determination of fair value as of December 31, 2011. For purposes of determining any credit loss, projected cash flows were discounted using a rate of three-month LIBOR plus 1.25 percent. Future fair value estimates for this security may vary due to changes in market interest rates and credit performance of the underlying collateral. Any additional deferrals or defaults of the underlying issuers will have a negative impact on the value of the pooled TPS, because there is no excess collateral to absorb any future defaults.

Based on the valuation work performed, credit losses of $203, $99, and $117 were recognized for the years ended December 31, 2012, 2011, and 2010, respectively. As of December 31, 2012, the unrealized loss of $2,837 is reflected in accumulated other comprehensive income, net of taxes of $1,078. The Company will continue to periodically estimate the present value of cash flows expected to be collected over the life of the security.

During the third quarter of 2010, a single-issuer TPS, which was issued by Old Second Bancorp, Inc., was sold with a realized loss of $304. A previously announced exchange offer for this security was withdrawn by the issuer during the third quarter of 2010. Management made the decision to eliminate future potential losses on this security by selling West Bank's entire investment. The security had been considered to have OTTI and an impairment loss of $188 was recognized during the second quarter of 2010.

The following table provides a roll forward of the amount of credit-related losses recognized in earnings for the pooled TPS for which a portion of OTTI has been recognized in other comprehensive income for the years ended December 31, 2012 and 2011.

	2012	2011	2010
Balance at beginning of period	$526	$427	$310
Current period credit loss recognized in earnings	203	99	117
Reductions for securities sold during the period	—	—	—
Reductions for securities where there is an intent to sell or requirement to sell	—	—	—
Reductions for increases in cash flows expected to be collected	—	—	—
Balance at end of period	$729	$526	$427

70

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

Note 3. Loans and Allowance for Loan Losses

Loans consist of the following segments as of December 31, 2012 and 2011.

	2012	2011
Commercial	$282,124	$255,702
Real estate:		
Construction, land, and land development	121,911	101,607
1-4 family residential first mortgages	49,280	63,218
Home equity	25,536	26,423
Commercial	441,857	386,137
Consumer and other loans	7,099	6,155
	927,807	839,242
Net unamortized fees and costs	406	283
	$927,401	$838,959

The loan portfolio includes $625,201 and $501,418 of fixed rate loans and $302,606 and $337,824 of variable rate loans as of December 31, 2012 and 2011, respectively.

Real estate loans of approximately $397,000 and $337,000 were pledged as security for FHLB advances as of December 31, 2012 and 2011, respectively.

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, executive officers, their immediate families, affiliated companies in which they are principal stockholders, and five percent stockholders (commonly referred to as related parties), all of which have been originated, in the opinion of management, on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. Loan transactions with related parties were as follows for the years ended December 31, 2012 and 2011.

	2012	2011
Balance, beginning of year	$18,834	$17,934
New loans	18,881	7,474
Repayments	(12,409)	(6,574)
Change in classification	(90)	—
Balance, end of year	$25,216	$18,834

In January 2013, one related party paid off $13,320 of the loans included in the December 31, 2012 total shown above.

71

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

The following table sets forth the recorded investment in nonperforming loans, disaggregated by segment, held by the Company as of December 31, 2012 and 2011. The recorded investment represents principal balances net of any partial charge-offs. The related accrued interest and net unamortized fees and costs are immaterial and are excluded from the table.

	2012	2011
Nonaccrual loans:		
Commercial	$655	$800
Real estate:		
Construction, land, and land development	3,356	4,220
1-4 family residential first mortgages	406	923
Home equity	—	—
Commercial	1,983	2,629
Consumer and other loans	—	—
Total nonaccrual loans	6,400	8,572
Loans past due 90 days and still accruing interest:		
Commercial	—	—
Real estate:		
Construction, land, and land development	—	—
1-4 family residential first mortgages	—	—
Home equity	—	—
Commercial	—	—
Consumer and other loans	—	—
Total loans past due 90 days and still accruing interest	—	—
Troubled debt restructured loans [1]:		
Commercial	20	—
Real estate:		
Construction, land, and land development	470	1,094
1-4 family residential first mortgages	273	171
Home equity	—	—
Commercial	93	856
Consumer and other loans	—	—
Total troubled debt restructured loans	856	2,121
Total nonperforming loans	$7,256	$10,693

(1) While TDR loans are commonly reported by the industry as nonperforming, those not classified in the nonaccrual category are accruing interest due to payment performance. TDR loans on nonaccrual status, if any, are included in the nonaccrual category. As of December 31, 2012, there was one TDR loan for $810 that was in the nonaccrual category.

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

The following tables show the pre- and post-modification recorded investment in TDR loans by type of modification and loan segment that have occurred during the years ended December 31, 2012 and December 31, 2011.

	December 31, 2012		
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Lengthened amortization:			
Commercial	1	$28	$28
Real estate:			
Construction, land, and land development	—	—	—
1-4 family residential first mortgages	1	74	74
Home equity	—	—	—
Commercial	1	94	94
Consumer and other loans	—	—	—
	3	196	196
Reduced interest rate:			
Commercial	—	—	—
Real estate:			
Construction, land, and land development	—	—	—
1-4 family residential first mortgages	1	106	106
Home equity	—	—	—
Commercial	—	—	—
Consumer and other loans	—	—	—
	1	106	106
	4	$302	$302

	December 31, 2011		
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Lengthened amortization:			
Commercial	—	$—	$—
Real estate:			
Construction, land, and land development	—	—	—
1-4 family residential first mortgages	—	—	—
Home equity	1	164	164
Commercial	2	971	971
Consumer and other loans	—	—	—
	3	1,135	1,135
Reduced interest rate:			
Commercial	—	—	—
Real estate:			
Construction, land, and land development	—	—	—
1-4 family residential first mortgages	1	175	175
Home equity	—	—	—
Commercial	—	—	—

Consumer and other loans	—	—	—
	1	175	175
	4	$1,310	$1,310

73

West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

The financial impact for specific reserves or from charge-offs for the modified loans included in the previous table was $4 for the year ended December 31, 2012.
The following table shows the recorded investment in TDR loans by segment that have been modified within the previous twelve months and have subsequently had a payment default during the years ended December 31, 2012 and December 31, 2011.

	December 31, 2012		December 31, 2011	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Commercial	—	$—	—	$—
Real estate:				
Construction, land, and land development	—	—	—	—
1-4 family residential first mortgages	1	74	1	175
Home equity	—	—	—	—
Commercial	1	820	1	116
Consumer and other loans	—	—	—	—
Total	2	$894	2	$291

West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

The following tables summarize the recorded investment in impaired loans by segment, broken out by loans with no related allowance and loans with a related allowance and the amount of that allowance as of December 31, 2012 and 2011, and the average recorded investment and interest income recognized on these loans for the years ended December 31, 2012 and 2011.

	December 31, 2012			December 31, 2011		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Commercial	$282	$292	N/A	$800	$800	N/A
Real estate:						
Construction, land, and land development	3,825	5,292	N/A	—	—	N/A
1-4 family residential first mortgages	679	679	N/A	1,094	1,094	N/A
Home equity	—	—	N/A	—	—	N/A
Commercial	2,077	3,046	N/A	3,484	4,678	N/A
Consumer and other	—	—	N/A	—	—	N/A
	6,863	9,309	N/A	5,378	6,572	N/A
With an allowance recorded:						
Commercial	3,615	3,615	$1,297	4,577	4,577	$100
Real estate:						
Construction, land, and land development	4,441	4,441	3,000	17,359	17,359	2,630
1-4 family residential first mortgages	—	—	—	283	283	84
Home equity	458	458	86	156	156	156
Commercial	1,574	1,574	523	1,278	1,278	200
Consumer and other	—	—	—	42	42	12
	10,088	10,088	4,906	23,695	23,695	3,182
Total:						
Commercial	3,897	3,907	1,297	5,377	5,377	100
Real estate:						
Construction, land, and land development	8,266	9,733	3,000	17,359	17,359	2,630
1-4 family residential first mortgages	679	679	—	1,377	1,377	84
Home equity	458	458	86	156	156	156
Commercial	3,651	4,620	523	4,762	5,956	200
Consumer and other	—	—	—	42	42	12
Total impaired loans	$16,951	$19,397	$4,906	$29,073	$30,267	$3,182

N/A - Not applicable

75

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

	December 31, 2012		December 31, 2011	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:				
Commercial	$463	$80	$1,752	$—
Real estate:				
Construction, land, and land development	2,712	9	126	6
1-4 family residential first mortgages	1,024	5	1,021	2
Home equity	24	—	62	3
Commercial	3,373	55	4,120	65
Consumer and other	—	—	11	1
	7,596	149	7,092	77
With an allowance recorded:				
Commercial	1,075	38	5,419	264
Real estate:				
Construction, land, and land development	12,440	583	13,568	671
1-4 family residential first mortgages	314	15	190	21
Home equity	239	15	12	2
Commercial	1,290	88	98	8
Consumer and other	11	1	43	3
	15,369	740	19,330	969
Total:				
Commercial	1,538	118	7,171	264
Real estate:				
Construction, land, and land development	15,152	592	13,694	677
1-4 family residential first mortgages	1,338	20	1,211	23
Home equity	263	15	74	5
Commercial	4,663	143	4,218	73
Consumer and other	11	1	54	4
Total impaired loans	$22,965	$889	$26,422	$1,046

The following table reconciles the balance of nonaccrual loans with impaired loans as of December 31, 2012 and 2011.

	2012	2011
Nonaccrual loans	$6,400	$8,572
Troubled debt restructured loans	856	2,121
Other impaired loans still accruing interest	9,695	18,380
Total impaired loans	$16,951	$29,073

The balance of impaired loans at December 31, 2012, was comprised of 22 different borrowers, and the balance of impaired loans at December 31, 2011, was comprised of 16 different borrowers. West Bank has no commitments to advance additional funds on any of the impaired loans.

The average recorded investments in impaired loans during 2012, 2011, and 2010, totaled $22,965, $26,422, and $38,552, respectively. Interest income forgone on impaired loans was $513 during 2012, $450 during 2011, and $664 during 2010. Interest income recognized on impaired loans was $889 in 2012, $1,046 in 2011, and $1,467 in 2010.

76

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

The following tables provide an analysis of the payment status of the recorded investment in loans as of December 31, 2012 and 2011.

	December 31, 2012						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Past Due 90 Days and Still Accruing
Commercial	$146	$—	$331	$477	$281,647	$282,124	$—
Real estate:							
Construction, land, and land development	—	—	3,356	3,356	118,555	121,911	—
1-4 family residential first mortgages	89	143	152	384	48,896	49,280	—
Home equity	279	27	—	306	25,230	25,536	—
Commercial	38	236	1,744	2,018	439,839	441,857	—
Consumer and other	195	—	—	195	6,904	7,099	—
Total	$747	$406	$5,583	$6,736	$921,071	$927,807	$—
Nonaccrual loans included above	$74	$236	$5,583	$5,893	$507	$6,400	

	December 31, 2011						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Past Due 90 Days and Still Accruing
Commercial	$179	$1	$—	$180	$255,522	$255,702	$—
Real estate:							
Construction, land, and land development	4,220	—	—	4,220	97,387	101,607	—
1-4 family residential first mortgages	703	6	809	1,518	61,700	63,218	—
Home equity	47	75	—	122	26,301	26,423	—
Commercial	—	60	2,434	2,494	383,643	386,137	—
Consumer and other	1	—	—	1	6,154	6,155	—
Total	$5,150	$142	$3,243	$8,535	$830,707	$839,242	$—
Nonaccrual loans included above	$4,235	$60	$3,243	$7,538	$1,034	$8,572	

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

The following tables show the recorded investment in loans by credit quality indicator and loan segment as of December 31, 2012 and 2011.

	December 31, 2012				
	Pass	Watch	Substandard	Doubtful	Total
Commercial	$258,677	$17,234	$6,213	$—	$282,124
Real estate:					
Construction, land, and land development	94,855	15,030	12,026	—	121,911
1-4 family residential first mortgages	47,392	861	1,027	—	49,280
Home equity	24,659	105	772	—	25,536
Commercial	420,888	8,101	12,868	—	441,857
Consumer and other	7,063	36	—	—	7,099
Total	$853,534	$41,367	$32,906	$—	$927,807

	December 31, 2011				
	Pass	Watch	Substandard	Doubtful	Total
Commercial	$227,088	$10,458	$18,156	$—	$255,702
Real estate:					
Construction, land, and land development	78,402	2,087	21,118	—	101,607
1-4 family residential first mortgages	60,474	664	2,080	—	63,218
Home equity	25,987	280	156	—	26,423
Commercial	367,094	6,209	12,834	—	386,137
Consumer and other	6,029	72	54	—	6,155
Total	$765,074	$19,770	$54,398	$—	$839,242

All loans are subject to the assessment of a credit quality indicator. Risk ratings are assigned for each loan at the time of approval and change as circumstances dictate during the term of the loan. The Company utilizes a 9-point risk rating scale as shown below, with ratings 1 - 5 included in the Pass column, rating 6 included in the Watch column, ratings 7 - 8 included in the Substandard column, and rating 9 included in the Doubtful column. The Substandard column includes all loans classified as impaired, which are included in the specific evaluation of the allowance for loan losses.

Risk rating 1: The loan is fully secured by cash equivalent collateral.

Risk rating 2: The loan is fully secured by properly margined marketable securities, bonds, or cash surrender value of life insurance.

Risk rating 3: The borrower is in strong financial condition and has strong debt service capacity. The loan is performing as agreed and the financial characteristics and trends of the borrower exceed industry statistics.

Risk rating 4: The borrower is in satisfactory financial condition and has satisfactory debt service capacity. The loan is performing as agreed and the financial characteristics and trends of the borrower fall in line with industry statistics.

Risk rating 5: The borrower's financial condition is less than satisfactory. The loan is still generally paying as agreed, but strained cash flow may cause some slowness in payments. Collateral values adequately preclude loss. Financial characteristics and trends lag industry statistics. There may be noncompliance with loan covenants.

Risk rating 6: The borrower's financial condition is deficient. Payment delinquencies may be more common. Collateral values still protect from loss, but margins are narrow. Payment of the loan may be reliant on secondary sources of repayment, including liquidation of collateral and guarantor support.

Risk rating 7: The loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Well-defined weaknesses exist that jeopardize the liquidation of the debt. The Company is inadequately protected by the valuation or paying capacity of the collateral pledged. If deficiencies are not corrected, there is a distinct possibility that a loss will be sustained.

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

Risk rating 8: All the characteristics of rating 7 exist with the added condition that the loan is past due more than 90 days or there is reason to believe the Company will not receive its principal and interest according to the terms of the loan agreement.

Risk rating 9: All of the weaknesses inherent in risk ratings 7 and 8 exist with the added condition that collection or liquidation, on the basis of currently known facts, conditions, and values is highly questionable and improbable. A loan reaching this category would most likely be at least partially charged off.

Credit quality indicators for all loans and the Company's risk rating process are dynamic and updated on a continuous basis. Risk ratings are updated as circumstances that could affect the repayment of an individual loan are brought to management's attention through an established monitoring process. Individual lenders initiate changes as appropriate for ratings 1 through 5 and changes for ratings 6 through 9 are initiated via communications with management. The likelihood of loss increases as the risk rating increases and is generally preceded by a loan appearing on the Watch List, which consists of all loans with a risk rating of 6 or worse. Written action plans with firm target dates for resolution of identified problems are maintained and reviewed on a quarterly basis for all segments of criticized loans.

In addition to the Company's internal credit monitoring practices and procedures, an outsourced independent credit review function is in place to further assess assigned internal risk classifications and monitor compliance with internal lending policies and procedures.

In all portfolio segments, the primary risks are that a borrower's income stream diminishes to the point they are not able to make scheduled principal and interest payments and any collateral securing the loan has declined in value. The risk of declining collateral values is present for most types of loans.

Commercial loans consist primarily of loans to businesses for various purposes, including revolving lines to finance current operations, inventory and accounts receivable, and capital expenditure loans to finance equipment and other fixed assets. These loans generally have short maturities, have either adjustable or fixed interest rates, and are either unsecured or secured by inventory, accounts receivable, and/or fixed assets. For commercial loans the primary source of repayment is from the operation of the business.

Real estate loans include various types of loans for which the Company holds real property as collateral, and consist of loans on commercial properties and single and multifamily residences. Real estate loans are typically structured to mature or reprice every 5 years with payments based on up to 30-year amortization periods. The majority of construction loans are to contractors and developers for construction of commercial buildings or residential real estate. These loans typically have maturities of up to 24 months. The Company's loan policy includes minimum appraisal and other credit guidelines.

Consumer loans include loans extended to individuals for household, family, and other personal expenditures not secured by real estate. The majority of West Bank's consumer lending is for vehicles, consolidation of personal debts, and household improvements.
For consumer loans, including 1-4 family residential and home equity loans, the source of repayment typically consists of wages.

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

The following tables detail changes in the allowance for loan losses by segment for the years ended December 31, 2012, 2011, and 2010.

2012							
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Beginning balance	$4,409	$3,572	$ 1,215	$832	$6,667	$83	$16,778
Charge-offs	(402)	(1,508)	(301)	(343)	(5)	(25)	(2,584)
Recoveries	354	—	98	22	206	30	710
Provision (1)	(245)	2,552	(375)	57	(1,304)	(60)	625
Ending balance	$4,116	$4,616	$ 637	$568	$5,564	$28	$15,529

2011							
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Beginning balance	$7,940	$3,787	$ 647	$658	$5,823	$232	$19,087
Charge-offs	(2,976)	(2)	(946)	(97)	(722)	(21)	(4,764)
Recoveries	1,809	2	42	29	1	22	1,905
Provision (1)	(2,364)	(215)	1,472	242	1,565	(150)	550
Ending balance	$4,409	$3,572	$ 1,215	$832	$6,667	$83	$16,778

2010							
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Beginning balance	$7,988	$3,260	$ 649	$654	$6,438	$137	$19,126
Charge-offs	(5,785)	(209)	(371)	(266)	(53)	(234)	(6,918)
Recoveries	716	10	33	16	10	44	829
Provision (1)	5,021	726	336	254	(572)	285	6,050
Ending balance	$7,940	$3,787	$ 647	$658	$5,823	$232	$19,087

(1) The negative provisions for the various segments are primarily related to the decline in each of those portfolio segments during the time periods disclosed or improvement in the credit quality factors related to those portfolio segments.

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

The following tables show a breakdown of the allowance for loan losses disaggregated on the basis of impairment analysis method by segment as of December 31, 2012 and 2011.

	December 31, 2012						
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Ending balance:							
Individually evaluated for impairment	$1,297	$3,000	$—	$86	$523	$—	$4,906
Collectively evaluated for impairment	2,819	1,616	637	482	5,041	28	10,623
Total	$4,116	$4,616	$637	$568	$5,564	$28	$15,529

	December 31, 2011						
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Ending balance:							
Individually evaluated for impairment	$100	$2,630	$84	$156	$200	$12	$3,182
Collectively evaluated for impairment	4,309	942	1,131	676	6,467	71	13,596
Total	$4,409	$3,572	$1,215	$832	$6,667	$83	$16,778

The following tables show the recorded investment in loans, exclusive of unamortized fees and costs, disaggregated on the basis of impairment analysis method by segment as of December 31, 2012 and 2011.

	December 31, 2012						
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Ending balance:							
Individually evaluated for impairment	$3,897	$8,266	$679	$458	$3,651	$—	$16,951
Collectively evaluated for impairment	278,227	113,645	48,601	25,078	438,206	7,099	910,856
Total	$282,124	$121,911	$49,280	$25,536	$441,857	$7,099	$927,807

	December 31, 2011						
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Ending balance:							
Individually evaluated for impairment	$5,377	$17,359	$1,377	$156	$4,762	$42	$29,073

Collectively evaluated for impairment	250,325	84,248	61,841	26,267	381,375	6,113	810,169
Total	$255,702	$101,607	$ 63,218	$26,423	$386,137	$6,155	$839,242

81

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

Note 4. Premises and Equipment, Net

Premises and equipment consisted of the following as of December 31, 2012 and 2011.

	2012	2011
Land	$1,244	$1,244
Buildings	1,391	1,084
Leasehold improvements	2,971	2,915
Furniture and equipment	4,908	4,983
	10,514	10,226
Accumulated depreciation	4,905	4,830
	$5,609	$5,396

Note 5. Deposits

The scheduled maturities of time deposits were as follows as of December 31, 2012.

2013	$116,878
2014	24,685
2015	21,158
2016	10,285
2017	4,834
	$177,840

Time deposits as of December 31, 2012, included $47,824 of Certificate of Deposit Account Registry Service deposits, which is a program that coordinates, on a reciprocal basis, a network of banks to spread deposits exceeding the FDIC insurance coverage limits out to numerous institutions in order to provide insurance coverage for all participating deposits.

Note 6. Subordinated Notes

On July 18, 2003, the Company issued $20,619 in junior subordinated debentures to the Company's subsidiary trust, West Bancorporation Capital Trust I. The junior subordinated debentures are senior to the Company's common stock. As a result, the Company must make payments on the junior subordinated debentures (and the related TPS) before any dividends can be paid on its common stock and, in the event of the Company's bankruptcy, dissolution, or liquidation, the holders of the debentures must be satisfied before any distribution can be made to the holders of the common stock. The Company has the right to defer distributions on the junior subordinated debentures (and the related TPS) for up to five years, during which time no dividends may be paid to holders of the Company's common stock. The junior subordinated debentures have a 30-year term, do not require any principal amortization, and are callable at the issuer's option. The interest rate was fixed at 6.975 percent until October 1, 2010, when it changed to a variable rate based on the three-month LIBOR plus 3.05 percent. At December 31, 2012, the interest rate was 3.41 percent. Interest is payable quarterly, unless deferred. The effective cost of the junior subordinated debentures at December 31, 2012, including amortization of the discount fee, was 3.53 percent. Holders of the TPS associated with the junior subordinated debentures have no voting rights, are unsecured, and rank junior in priority to all of the Company's indebtedness and senior to the Company's common stock.

82

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

Note 7. Federal Home Loan Bank Advances

The following table presents the terms of all FHLB advances as of December 31, 2012:

Maturity Date	Interest Rate	Variable/Fixed	Effective rate (1)	Balance
1/29/2018	2.70%	Fixed (2)	2.70%	$25,000
12/23/2019	0.60%	Variable	2.44%	25,000
6/22/2020	0.62%	Variable	2.46%	25,000
9/21/2020	0.62%	Variable	2.54%	30,000
				105,000
Discount for modification				(11,110)
Total FHLB advances, net of discount				$93,890

(1) The effective interest rate for the variable rate advances includes the effects of amortization of the discount fee.
(2) Callable quarterly.

Three of the FHLB advances held at December 31, 2011, totaling $80,000, were modified on December 21, 2012, to extend the term and to convert the borrowings to a variable rate which is tied to three-month LIBOR. Two of the modifications were in amounts of $25,000 each and previously bore fixed interest rates of 4.01 and 4.23 percent, respectively. The third modification was in the amount of $30,000 and previously bore a fixed interest rate of 4.32 percent. In connection with these modifications, the Company paid a prepayment fee of $11,152, which is disclosed on the consolidated balance sheet netted against the FHLB advances and is being amortized and recognized as interest expense over the remaining terms of the advances. For the year ended December 31, 2012, the Company amortized $42 of interest expense related to the discount. The Company has also entered into three forward-starting interest rate swap contracts that effectively convert the new variable rate advances to fixed rate advances at future dates. Interest is payable quarterly on the modified borrowings until maturity. See Note 8 for additional information on the interest rate swaps.

FHLB advances at December 31, 2011, totaled $105,000 with a weighted-average interest rate of 3.89 percent.
The FHLB advances are collateralized by FHLB stock and real estate loans, as required by the FHLB's collateral policy. West Bank also had additional borrowing capacity of approximately $69,533 at the FHLB as of December 31, 2012.

At December 31, 2012, West Bank had arrangements to borrow approximately $57,000 in unsecured and $10,000 in secured federal funds lines of credit at correspondent banks which are available under the correspondent banks' normal terms. The lines have no stated expiration date. As of December 31, 2012, no balance was outstanding under these arrangements.

Note 8. Derivatives

The Company uses interest rate swap agreements to assist in its interest rate risk management. The notional amount of the interest rate swaps does not represent amounts exchanged by the counterparties. The notional amount of a derivative is used to determine, along with other terms of the derivative, the amounts to be exchanged between the counterparties.

83

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

The Company has variable rate funding which creates exposure to variability in interest payments due to changes in interest rates. In December 2012, to manage the interest rate risk related to the variability of interest payments, the Company entered into three forward-starting interest rate swap transactions with a total notional amount of $80,000 to effectively convert $80,000 of its variable rate FHLB advances to fixed interest rate debt as of the forward-starting date of the swap transactions. The three swap transactions were designated as cash flow hedges of the changes in cash flows attributable to changes in LIBOR, the benchmark interest rate being hedged, associated with the interest payments made on $80,000 of the Company's FHLB advances with quarterly interest rate reset dates. At inception, the Company asserted that the underlying principal balance would remain outstanding throughout the hedge transaction making it probable that sufficient LIBOR-based interest payments would exist through the maturity date of the swaps. The cash flow hedges were determined to be fully effective during the remaining terms of the swaps. Therefore, the aggregate fair value of the swaps is recorded in other assets or other liabilities with changes in market value recorded in other comprehensive income, net of deferred taxes. See Note 16 for additional fair value information and disclosures. The amounts included in accumulated other comprehensive income will be reclassified to interest expense should the hedge no longer be considered effective. No amount of ineffectiveness was included in net income for the year ended December 31, 2012, and the Company expects there will be no reclassification from accumulated other comprehensive income to interest expense through December 31, 2013. The Company will continue to assess the effectiveness of the hedges on a quarterly basis.

The Company is exposed to credit risk in the event of nonperformance by the interest rate swap counterparty. The Company minimizes this risk by entering into derivative contracts with only large, stable financial institutions and the Company has not experienced, and does not expect, any losses from counterparty nonperformance on the interest rate swaps. The Company monitors counterparty risk in accordance with the provisions of ASC 815. In addition, the interest rate swap agreements contain language outlining collateral pledging requirements for each counterparty. Collateral must be posted when the market value exceeds certain threshold limits. The Company was required to pledge investment securities totaling $770 at December 31, 2012. There was no collateral pledged from the counterparty to the Company as of December 31, 2012. There is the possibility that the Company may need to pledge additional collateral in the future.

The swap transactions above were executed on December 21, 2012, on an aggregate notional amount of $80,000 with effective dates ranging from December 2014 to December 2015 and maturity dates ranging from December 2019 to September 2020. Under these interest rate swap contracts, the Company will pay a fixed rate of from 2.10 to 2.52 percent and receive a variable rate equal to three-month LIBOR plus 0.29 to 0.31 percent.

The table below identifies the balance sheet category and fair values of the Company's derivative instruments designated as cash flow hedges as of December 31, 2012.

	Notional Amount	Fair Value		Balance Sheet Category	Weighted Average Receive Rate		Weighted Average Pay Rate		Maturity
Interest rate swap	$25,000	$(239	)	Other Liabilities	0.60	%	2.10	%	12/23/2019
Interest rate swap	25,000	(238	)	Other Liabilities	0.62	%	2.34	%	6/22/2020
Interest rate swap	30,000	(267	)	Other Liabilities	0.62	%	2.52	%	9/21/2020

The table below identifies the pretax losses recognized on the Company's derivative instruments designated as cash flow hedges as of December 31, 2012.

Effective Portion		Ineffective Portion
Amount of	Reclassified from AOCI into	Recognized in Income on

	Pretax Loss Recognized in OCI		Income Category	Amount of Gain (Loss)	Derivatives Category	Amount of Gain (Loss)
Interest rate swap	$(239	)	Interest Expense	$—	Other Income	$—
Interest rate swap	(238	)	Interest Expense	—	Other Income	—
Interest rate swap	(267	)	Interest Expense	—	Other Income	—

84

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

Note 9. Income Taxes

The Company files income tax returns in the U.S. federal and various state jurisdictions. Income tax returns for the years 2009 through 2012 remain open to examination by federal and state taxing authorities.

During the years ended December 31, 2012, 2011, and 2010, the Company recognized no material interest or penalties. No accrued interest or penalties are included in accrued tax expenses in the balance sheets as of December 31, 2012 and 2011.

The components of income tax expenses consisted of the following for the years ended December 31, 2012, 2011, and 2010.

	2012	2011	2010
Current:			
Federal	$5,129	$4,441	$4,036
State	996	900	655
Deferred:			
Federal	548	630	563
State	91	101	76
Income taxes	$6,764	$6,072	$5,330

Total income tax expenses for the years ended December 31, 2012, 2011, and 2010, differed from the amounts computed by applying the U.S. federal income tax rate of 35 percent to income before income taxes as a result of the following:

	2012		2011		2010	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
Computed expected tax expense	$7,971	35.0 %	$7,469	35.0 %	$6,550	35.0 %
State income tax expense, net of federal income tax benefit	639	2.8	557	2.6	502	2.7
Tax-exempt interest income	(1,095)	(4.8)	(1,328)	(6.2)	(1,647)	(8.8)
Nondeductible interest expense to own tax-exempts	42	0.2	54	0.3	90	0.5
Tax-exempt increase in cash value of life insurance and gains	(553)	(2.4)	(532)	(2.5)	(452)	(2.4)
Valuation allowance	98	0.4	227	1.1	666	3.6
New market tax credit	(273)	(1.2)	(273)	(1.3)	(273)	(1.5)
Other, net	(65)	(0.3)	(102)	(0.5)	(106)	(0.6)
Income taxes	$6,764	29.7 %	$6,072	28.5 %	$5,330	28.5 %

85

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

Net deferred tax assets consist of the following components as of December 31, 2012 and 2011.

	2012	2011
Deferred tax assets:		
Allowance for loan losses	$5,901	$6,376
Investment security impairment	106	35
Net unrealized losses on interest rate swaps	283	—
Intangibles	1,695	2,004
Other real estate owned	1,475	1,472
Accrued expenses	766	526
State net operating loss carryforward	529	442
Capital loss carryforward	4,065	4,125
Other	288	109
	15,108	15,089
Deferred tax liabilities:		
Net deferred loan fees and costs	272	252
Net unrealized gains on securities available for sale	1,463	401
Premises and equipment	513	590
Loans	878	718
Other	291	117
	3,417	2,078
Net deferred tax assets before valuation allowance	11,691	13,011
Valuation allowance for deferred tax assets	(4,700)	(4,602)
Net deferred tax assets	$6,991	$8,409

The Company has approximately $8,812 of state net operating loss carryforwards available to the Company to offset future state taxable income. The Company has approximately $9,903 of federal capital loss carryforwards and $10,035 of state capital loss carryforwards available to offset future capital gains. The Company has recorded a valuation allowance against the tax effect of the state net operating loss carryforwards, federal and state capital loss carryforwards, and investment security impairment as management believes it is more likely than not that such carryforwards will expire without being utilized. The state net operating loss carryforwards expire in 2019 and thereafter, and the capital loss carryforwards expire in 2013 through 2016.

Note 10. Stock Compensation Plans

At the Company's annual meeting of stockholders on April 26, 2012, the West Bancorporation, Inc. 2012 Equity Incentive Plan (the 2012 Plan) was approved by the stockholders, replacing the West Bancorporation, Inc. Restricted Stock Compensation Plan, which had never been used and therefore had no awards outstanding. The 2012 Plan is administered by the Compensation Committee of the Board of Directors. All employees and directors of and service providers to the Company and its subsidiary are eligible to become participants in the 2012 Plan, except that nonemployees may not be granted incentive stock options. Under the terms of the 2012 Plan, the Company may grant a total of 800,000 shares of the Company's common stock as nonqualified and incentive stock options, stock appreciation rights, and stock awards. The Compensation Committee will determine the specific individuals who will be granted awards under the 2012 Plan and the type and amount of any such awards.

86

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

Under the 2012 Plan, the Company may grant RSU awards, as determined by the Compensation Committee, that vest upon the completion of future service requirements or specified performance criteria. On May 17, 2012, there were 21,706 RSUs granted to certain executive officers and other employees that entirely vest on the second anniversary of the grant. On August 1, 2012, an additional 25,663 RSUs with a five-year vesting period were granted to certain executive officers. The five-year RSUs vest 20 percent annually on the anniversary of the grant date. On September 5, 2012, 19,424 RSUs were granted to certain directors and employees. Of the 19,424 RSU's granted, 6,174 RSUs were granted to directors and will vest on April 25, 2013, while the remaining 13,250 RSUs were granted to employees and vest 20 percent annually on the anniversary of the grant date. All RSUs were granted at no cost to the participants and the participants will not be entitled to dividends until the RSUs have vested. Each RSU entitles the participant to receive one share of common stock on the vesting date or upon the participant's termination due to death or disability or upon a change in control of the Company if the RSUs are not fully assumed or if the RSUs are assumed and the participant's employment is terminated by the Company without cause or by the participant for good reason. If a participant terminates employment prior to the end of the continuous service period other than due to death, disability, or retirement, the award is forfeited. If a participant terminates service due to retirement, the RSUs will continue to vest, subject to provisions of the 2012 Plan.

The following is a summary of nonvested RSU activity for the year ended December 31, 2012.

(actual amounts, not in thousands)	Shares	Weighted Average Grant-Date Fair Value Per Share
Nonvested shares, beginning of period	—	
Granted	66,793	$9.74
Vested	—	—
Forfeited	—	—
Nonvested shares, end of period	66,793	$9.74

Total compensation costs recorded for the RSUs were $118 for the year ended December 31, 2012. As of December 31, 2012, there was $465 of unrecognized compensation cost related to nonvested RSUs, and the weighted average period over which these remaining costs are expected to be recognized is approximately 3.2 years.

Note 11. Employee Savings and Stock Ownership Plan

The Company has an employee savings and stock ownership plan covering substantially all of its employees. The plan consists of two components. One component is an employee stock ownership plan. The other component is a discretionary contribution plan. Both components have a qualified cash or deferred arrangement under Internal Revenue Code Section 401(k). The purpose of the plan is to offer participants a systematic program for the accumulation of retirement and savings income, as well as a means by which to obtain beneficial interest of ownership in Company stock. The stock ownership component of the plan, which is optional, is intended to invest exclusively in common stock of the Company.

The contributions made by the Company to the discretionary contribution component are determined annually by the Board of Directors. Total expense for the years ended December 31, 2012, 2011, and 2010, totaled $338, $437, and $215, respectively.

The plan allows eligible employees to defer a portion of their compensation ranging from one percent to the maximum dollar amount allowed by current law. The Company is required to match a portion of the employees' contributions. Effective January 1, 2012, the Company's match is 100 percent of the first six percent of employee deferrals. Prior to January 1, 2012, the Company's match was 100 percent of the first three percent of employee deferrals and 50 percent of the next two percent of employee deferrals. Forfeitures are used to reduce employer contributions. Expense for the years ended December 31, 2012, 2011, and 2010, totaled $503, $315, and $275, respectively.

As of December 31, 2012 and 2011, the plan held 280,456 and 261,573 shares, respectively, of the Company's common stock. These shares are included in the computation of earnings per share. Dividends on shares held in the plan may be reinvested in Company common stock or paid in cash to the participants, at the election of the participants.

87

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

Note 12. Earnings per Common Share

The calculation of earnings per common share and diluted earnings per common share for the years ended December 31, 2012, 2011, and 2010, is presented below. See Note 1 for a discussion on the calculation of earnings per common share.

(in thousands, except per share information)	2012	2011	2010
Net income	$16,011	$15,268	$13,383
Preferred stock dividends	—	(895)	(1,800)
Preferred stock discount accretion	—	(1,492)	(484)
Net income available to common stockholders	$16,011	$12,881	$11,099
Weighted average common shares outstanding	17,404	17,404	17,404
Restricted stock units	40	—	—
Common stock warrant (1)	—	—	—
Diluted weighted average common shares outstanding	17,444	17,404	17,404
Basic earnings per common share	$0.92	$0.74	$0.64
Diluted earnings per common share	$0.92	$0.74	$0.64

(1) The average closing price of the Company's common stock for the years ended December 31, 2011 and 2010 was $8.31 and $6.68, respectively. These were less than the $11.39 exercise price of the common stock warrant to purchase 474,100 shares of common stock; therefore, the warrant was not dilutive. The warrant was repurchased by the Company on August 31, 2011.

Note 13. Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income consists of the net change in unrealized gains and losses on the Company's securities available for sale, including the noncredit-related portion of unrealized losses of OTTI securities, and the effective portion of the change in value of derivative instruments.

The following table summarizes the changes in the balances of each component of accumulated other comprehensive income, net of tax, for the years ended December 31, 2012, 2011, and 2010.

	Noncredit-related Unrealized Gains (Losses) on Securities with OTTI	Unrealized Gains (Losses) on Securities without OTTI	Unrealized Losses on Derivatives	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2009	$(2,141)	$(2,170)	$—	$(4,311)
Current period, other comprehensive income	198	1,466	—	1,664
Balance, December 31, 2010	(1,943)	(704)	—	(2,647)
Current period, other comprehensive income	3	3,298	—	3,301
Balance, December 31, 2011	(1,940)	2,594	—	654
Current period, other comprehensive income	181	1,552	(461)	1,272
Balance, December 31, 2012	$(1,759)	$4,146	$(461)	$1,926

88

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

The following tables show the tax effects allocated to each component of other comprehensive income for the years ended December 31, 2012, 2011, and 2010.

	2012		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Unrealized noncredit-related gains on securities with OTTI:			
Unrealized holding gains arising during period	$89	$(34)	$55
Less: reclassification adjustment for losses realized in net income	203	(77)	126
Net unrealized holding gains for securities with OTTI	292	(111)	181
Unrealized gains on securities without OTTI:			
Unrealized holding gains arising during period	2,749	(1,045)	1,704
Less: reclassification adjustment for net gains realized in net income	(246)	94	(152)
Net unrealized gains on securities without OTTI	2,503	(951)	1,552
Unrealized (losses) on derivatives:			
Unrealized (losses) on derivatives arising during period	(744)	283	(461)
Other comprehensive income	$2,051	$(779)	$1,272

	2011		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Unrealized noncredit-related gains on securities with OTTI:			
Unrealized holding losses arising during period	$(94)	$36	$(58)
Less: reclassification adjustment for losses realized in net income	99	(38)	61
Net unrealized holding gains for securities with OTTI	5	(2)	3
Unrealized gains on securities without OTTI:			
Unrealized holding gains arising during period	5,320	(2,022)	3,298
Less: reclassification adjustment for net gains realized in net income	—	—	—
Net unrealized gains on securities without OTTI	5,320	(2,022)	3,298
Other comprehensive income	$5,325	$(2,024)	$3,301

	2010		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Unrealized noncredit-related gains on securities with OTTI:			
Unrealized holding gains arising during period	$15	$(6)	$9
Less: reclassification adjustment for losses realized in net income	305	(116)	189
Net unrealized holding gains for securities with OTTI	320	(122)	198
Unrealized gains on securities without OTTI:			
Unrealized holding gains arising during period	2,404	(913)	1,491
Less: reclassification adjustment for net gains realized in net income	(40)	15	(25)
Net unrealized gains on securities without OTTI	2,364	(898)	1,466
Other comprehensive income	$2,684	$(1,020)	$1,664

Table of Contents
West Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

Note 14. Regulatory Capital Requirements

The Company and West Bank are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators which, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and West Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and West Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and West Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets. Management believes the Company and West Bank met all capital adequacy requirements to which they were subject as of December 31, 2012. Prompt corrective action provisions are not applicable to the Company. During 2012, the federal bank regulatory agencies recently issued joint proposed rules that would increase minimum capital ratios, add a new minimum common equity ratio, add a new capital conservation buffer, and would change the risk-weightings of certain assets. As of December 31, 2012, the proposed rules had been put on hold due to concerns about the additional regulatory burdens for community banks.

The Company's and West Bank's capital amounts and ratios are presented in the following table.

	Actual			To Be Well-Capitalized For Capital Adequacy Purposes			To Be Well-Capitalized Under Prompt Corrective Action Provisions		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
As of December 31, 2012:									
Total Capital (to Risk-Weighted Assets)									
Consolidated	$165,995	15.56	%	$85,331	8.0	%	N/A	N/A	
West Bank	145,252	14.03		82,844	8.0		$103,555	10.0	%
Tier 1 Capital (to Risk-Weighted Assets)									
Consolidated	152,635	14.31		42,666	4.0		N/A	N/A	
West Bank	132,276	12.77		41,422	4.0		62,133	6.0	
Tier 1 Capital (to Average Assets)									
Consolidated	152,635	11.23		54,387	4.0		N/A	N/A	
West Bank	132,276	9.85		53,722	4.0		67,153	5.0	
As of December 31, 2011:									
Total Capital (to Risk-Weighted Assets)									
Consolidated	$154,728	16.27	%	$76,075	8.0	%	N/A	N/A	
West Bank	138,508	15.09		73,433	8.0		$91,791	10.0	%
Tier 1 Capital (to Risk-Weighted Assets)									

Consolidated	142,781	15.01	38,037	4.0	N/A	N/A
West Bank	126,969	13.83	36,716	4.0	55,075	6.0
Tier 1 Capital (to Average Assets)						
Consolidated						