Support.com, Inc.
Form 8-K
April 29, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of report (Date of earliest event reported): April 29, 2010

SUPPORT.COM, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware	000-30901	94-3282005
(State or Other Jurisdiction of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

1900 Seaport Blvd., Third Floor, Redwood City, CA

(Address of Principal Executive Offices) (Zip Code)

Registrant s telephone number, including area code:

(650) 556-9440

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.
On April 29, 2010, Support.com, Inc. issued the press release attached hereto as Exhibit 99.1 announcing its results of operations for the first quarter of 2010.

The information contained in this Current Report on Form 8-K and Exhibit 99.1 hereto shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 (the Exchange Act) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference to any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.
(d) Exhibits

Exhibit No.	Description
99.1	Press Release dated April 29, 2010

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 29, 2010

SUPPORT.COM, INC.

By:	/s/ SHELLY SCHAFFER
Name:	**Shelly Schaffer**
Title:	**Executive Vice President and Chief Financial Officer**

Exhibit	
No.	**Description**
99.1	Press Release dated April 29, 2010

11 INVESTMENT PORTFOLIO The investments below are presented at carrying value and reported by contractual maturity. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without prepayment penalties. December 31, 2003 (dollars in thousands) After one year After five years Within one but within five but within ten year years years After ten years Total -- U.S. Government agencies and corporations $ 11,094 $ 51,154 $ 54,724 $ 21,101 $138,073 States of the United States and political subdivisions 13,152 20,700 6,625 8,170 48,647 Corporate notes and other investments 47,092 27,717 - 8,186 82,995 -- Total $ 71,338 $ 99,571 $ 61,349 $ 37,457 $269,715 == Weighted average yield: U.S. Government agencies and corporations 3.77% 3.78% 3.64% 5.04% States of the United States and political subdivisions (1) 4.03% 3.85% 5.81% 8.06% Corporate notes and other investments 3.23% 3.34% - 7.50% --- Total 3.46% 3.67% 3.88% 6.24% === 1 Yields on tax-exempt obligations have been computed on a tax-equivalent basis using an incremental tax rate of 35% and are adjusted to reflect the effect of the nondeductible interest expense associated with owning tax-exempt investments. Investments in States of the United States and political subdivisions represent purchases of municipal bonds issued by municipalities located in the State of Iowa. Investments in corporate notes and other investments include corporate debt obligations of companies located and doing business throughout the United States. The debt obligations were all within the credit ratings acceptable under West Bank's investment policy. As of December 31, 2003, the Company did not have securities from a single issuer, except for the United States government or its agencies, which exceeded 10 percent of consolidated stockholders' equity. 12 LOAN PORTFOLIO Types of Loans The following table sets forth the composition of the Company's loan portfolio for the past five years ending December 31, 2003 (dollars in thousands). As of December 31 --- 2003 2002 2001 2000 1999 --- Commercial $ 244,173 $ 235,985 $ 226,183 $ 234,089 $ 227,887 Real Estate Construction, land and land development 44,200 27,827 33,954 16,250 10,121 1-4 family residential 76,853 56,939 71,628 81,983 79,581 Commercial 204,673 143,560 138,409 138,705 125,518 Consumer and other loans 30,166 24,263 23,333 29,221 31,224 --- Total loans 600,065 488,574 493,507 500,248 474,331 Deferred loan fees, net 710 121 108 169 255 --- Total loans, net of deferred fees $ 599,355 $ 488,453 $ 493,399 $ 500,079 $ 474,076 === The Company's loan portfolio primarily consists of commercial loans, commercial real estate, real estate construction, land and land development, residential real estate, and consumer loans. As of December 31, 2003, gross loans totaled approximately $600 million, which equals approximately 85 percent of total deposits and 60 percent of total assets. As of December 31, 2003, almost all of the loans were originated directly by West Bank to borrowers within the Bank's principal market areas. There were no foreign loans outstanding during the years presented. Commercial loans consist primarily of loans to businesses for various purposes including revolving lines to finance current operations, inventory and accounts receivable; capital expenditure loans to finance equipment and other fixed assets; and letters of credit. These loans generally have short maturities, have either adjustable or fixed rates and are unsecured or secured by inventory, accounts receivable, equipment and/or real estate. Real estate loans include various types of loans for which West Bank holds real property as collateral and consist of loans primarily on commercial properties, and single and multi-family residences. Real estate loans typically have fixed rates for up to seven years with the bank's loan policy having a maximum fixed maturity of up to 25 years. The majority of construction loan volume is to contractors to construct commercial buildings and generally have maturities of up to 12 months. West Bank originates residential real estate loans for its portfolio and for sale in the secondary market for a fee. 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. The interest

rates charged on loans vary with the degree of risk, the amount of the loan and the maturity of the loan. Competitive pressures, market interest rates, the availability of funds and government regulation further influence the rate charged on a loan. West Bank follows a loan policy that has been approved by the Bank's Board of Directors and is administered by West Bank's management. This policy establishes lending limits, review criteria and other guidelines such as loan administration and allowance for loan losses. Loans are approved by the Bank's Board of Directors and/or designated officers in accordance with respective guidelines and underwriting policies of the Bank. Loans to any one borrower are limited by applicable state banking laws. Loan officer credit limits generally vary according to the individual loan officer's experience. Maturities of Loans The contractual maturities of the Company's loan portfolio are as shown below. Actual maturities may differ from contractual maturities because individual borrowers may have the right to prepay loans with or without prepayment penalties. 13 Loans as of December 31, 2003 (dollars in thousands) After one but Within one within five After five year years years Total --- Commercial $ 135,908 $ 90,090 $ 18,175 $ 244,173 Real Estate Construction, land and land development 37,756 6,276 168 44,200 1-4 family residential 14,727 47,670 14,456 76,853 Commercial 20,758 118,002 65,913 204,673 Consumer and other loans 20,482 8,958 726 30,166 --- Total Loans $ 229,631 $ 270,996 $ 99,438 $ 600,065 === After one but within five After five years years ------------------------- Loan maturities after one year with: Fixed rates $ 207,429 $ 45,841 Variable rates 63,567 53,597 ------------------------- $ 270,996 $ 99,438 ========================= Risk Elements The following table sets forth information concerning the Company's nonperforming assets for the past five years ending December 31, 2003 (dollars in thousands). Years Ended December 31 --- 2003 2002 2001 2000 1999 --- Nonaccrual loans $ 1,668 $ 1,354 $ 878 $ 705 $ 582 Loans past due 90 days and still accruing interest 125 545 396 466 437 --- Total nonperforming loans 1,793 1,899 1,274 1,171 1,019 Other real estate owned 441 529 1,089 1,363 2,194 --- Total nonperforming assets $ 2,234 $ 2,428 $ 2,363 $ 2,534 $ 3,213 === Nonperforming loans to total loans 0.30% 0.39% 0.26% 0.23% 0.21% Nonperforming assets to total loans 0.37% 0.50% 0.48% 0.51% 0.68% Nonperforming assets to total assets 0.22% 0.27% 0.29% 0.31% 0.41% The accrual of interest on past due and other impaired loans is discontinued at 90 days or when, in the opinion of management, the borrower may be unable to make payments as they become due. When the interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received. Interest income on restructured loans is recognized pursuant to the terms of the new loan agreement. Interest income on other impaired loans is monitored and based upon the terms of the underlying loan agreement. However, the recorded net investment in impaired loans, including accrued interest, is limited to the present value of the expected cash flows of the impaired loan or the observable fair market value of the loan's collateral. 14 Outstanding loans of approximately $1,910,000 were placed on nonaccrual status during 2003 with total nonaccrual loans equaling $1,668,000 as of December 31, 2003. The average balance of nonaccrual loans during 2003 was approximately $1,255,000. The total amount of loans on nonaccrual status as of December 31, 2002 was $1,354,000. Loans are placed on nonaccrual status when there is doubt as to the borrower's ability to make scheduled principal and interest payments. A loan may be removed from nonaccrual status when payments have resumed and it is reasonable to expect continued payment performance. For the years ended December 31, 2003, 2002 and 2001, interest income, which would have been recorded under the original terms of such loans, was approximately $102,000 in 2003, $85,000 in 2002 and was an immaterial amount in 2001. For the periods shown above, there were no restructured loans. As of December 31, 2003, there were no additional potential problem loans and leases identified that are not included in the amounts reported above. SUMMARY OF THE ALLOWANCE FOR LOAN LOSSES The provision for loan losses represents charges made to earnings to maintain an adequate allowance for loan losses. The allowance for loan losses is management's best estimate of probable losses inherent in the loan portfolio as of the balance sheet date. Factors considered in establishing an appropriate allowance include: an assessment of the financial condition of the borrower; a realistic determination of value and adequacy of underlying collateral; the condition of the local economy and the condition of the specific industry of the borrower; an analysis of the levels and trends of loan categories; and a review of delinquent and classified loans. The adequacy of the allowance for loan losses is evaluated quarterly by management and reviewed by the Bank's Board of Directors. This evaluation focuses on specific loan reviews, changes in the type and volume of the loan portfolio given the current and forecasted economic conditions and historical loss experience. Any one of the following conditions may result in the review of a specific loan: concern about whether the customer's cash flow or net worth is sufficient to repay the loan; delinquency status; criticism of the loan in a regulatory examination; the suspension of interest accrual; or other reasons including when the loan has other special or unusual characteristics which suggest special monitoring is warranted. While management uses available information to recognize losses on loans, further reduction in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Company to recognize additional losses based on their judgment about information available to them at the time of their examination. Change in the Allowance for Loan Losses The Company's policy is to charge-off loans when, in management's opinion, the loan is deemed uncollectable, although concerted efforts are made to maximize future recoveries. The following table sets forth information regarding changes in the Company's allowance for loan losses for the most recent five years (dollars in thousands): 15 Analysis of the Allowance for Loan Losses for the Years Ended December 31 -- 2003 2002 2001 2000 1999 -- Balance at beginning of period $ 4,494 $ 4,240 $ 4,194 $ 4,040 $ 3,872 Charge-offs: Commercial 302 943 926 1,027 108 Real Estate Construction, land and land development - - - - - 1-4 family residential 4 56 - 2 31 Commercial - - - - - Consumer and other loans 179 195 157 147 61 -- 485 1,194 1,083 1,176 200 -- Recoveries: Commercial 145 499 40 85 64 Real Estate Construction, land and land development - - - - - 1-4 family residential - - - - - Commercial - - - - - Consumer and other loans 60 39 26 55 14 -- 205 538 66 140 78 -- Net charge-offs 280 656 1,017 1,036 122 Allowance related to acquisition 911 - - - - Provision for loan losses charged to operations 850 910 1,063 1,190 290 -- Balance at end of period $ 5,975 $ 4,494 $ 4,240 $ 4,194 $ 4,040 == Average loans outstanding $531,033 $ 482,013 $ 495,825 $489,598 $434,131 == Ratio of net charge-offs during the period to average loans outstanding 0.05% 0.14% 0.21% 0.21% 0.03% == Ratio of allowance for loan losses to average loans outstanding 1.13% 0.93% 0.86% 0.86% 0.93% == As the previous table indicates, the provision for loan losses and the allowance acquired in the Hawkeye State Bank transaction are the most significant change in the reserve level for the five-year period presented. Net charge-offs as a percent of average loans outstanding for 1999 were .03 percent, which is very low when compared to peer group averages. In the year 2000, the charge-off of one specific commercial loan caused an increase in this ratio to .21 percent. The net charge-off ratio in 2001 was also .21 percent, but was caused by loans with individually smaller loan balances. The net charge-off ratio for 2002 dropped to .14 percent because of higher amounts recovered on loans that had been charged off in prior years. The net charge-off ratio for 2003 was .05 percent, which is credited to the close monitoring of the loan portfolio and active collection efforts after a loan has been charged off. It is felt that the increase in the amount of loans charged off from 2000 through 2002 was attributable to the economic slow down experienced during that time frame. Factors that are considered when determining the adequacy of the allowance include loan concentrations, loan growth, the economic outlook and historical losses. The Company's concentration risks include geographic concentration in central Iowa. The local economy is comprised primarily of service industries and state and county governments. The local economy is beginning to show signs of improvement; however, the State of Iowa will need to reduce spending or increase taxes to avoid a current year budget deficit. These conditions may have an undeterminable impact on the Bank. 16 Breakdown of Allowance for Loan Losses by Category The following table sets forth information concerning the Company's allocation of the allowance for loan losses (dollars in thousands): 2003 2002 2001 -- Amount % * Amount % * Amount % * -- Balance at end of period applicable to: Commercial $3,659 40.69% $2,934 48.30% $2,315 45.83% Real Estate Construction, land and land development 341 7.37% 279 5.70%

286 6.88% 1-4 family residential 179 12.81% 106 11.65% 130 14.51% Commercial 1,211 34.11% 646 29.38% 856 28.05% Consumer and other loans 585 5.03% 529 4.97% 653 4.73% --- $5,975 100.00% $4,494 100.00% $4,240 100.00% ====== ====== ====== ====== ====== ====== 2000 1999 -- Amount % * Amount % * --- Balance at end of period applicable to: Commercial $2,154 46.79% $2,056 48.05% Real Estate Construction, land and land development 141 3.25% 85 2.13% 1-4 family residential 134 16.39% 178 16.78% Commercial 980 27.73% 863 26.46% Consumer and other loans 785 5.84% 858 6.58% --- $4,194 100.00% $4,040 100.00% ====== ====== ====== ====== * Percent of loans in each category to total loans. DEPOSITS Type of Deposits The Company's primary source of funds is customer deposits. The Company attempts to attract noninterest-bearing deposits, which are a low cost funding source. In addition, West Bank offers a variety of interest-bearing accounts designed to attract both short-term and longer-term deposits from customers. Interest-bearing accounts earn interest at rates established by Bank management based on competitive market factors and the Company's need for funds. While approximately 73 percent of the Bank's certificates of deposit mature in the next year, it is anticipated that a majority of these certificates will be renewed. Rate sensitive certificates of deposits in excess of $100,000 experience somewhat higher volatility with regard to renewal volume as the Bank adjusts rates based upon funding needs. In the event a substantial volume of certificates are not renewed, the Company has sufficient liquid assets and borrowing lines to fund significant runoff. A sustained reduction in deposit volume would have a significant negative impact on the Company's operations and liquidity. The following table sets forth the average balances for each major category of deposits and the weighted average interest rate paid for deposits during the years ended December 31, 2003, 2002 and 2001 (dollars in thousands). Average Deposits by Type --- 2003 2002 2001 -- Amount Rate Amount Rate Amount Rate -- Noninterest-bearing demand deposits $ 148,648 - $ 140,977 - $ 131,731 - Interest-bearing demand deposits 41,078 0.27% 32,388 0.42% 28,752 0.77% Money market deposits 225,811 1.02% 174,923 1.50% 161,815 3.20% Savings deposits 79,097 0.83% 74,996 1.32% 62,726 1.32% Time certificates 113,910 2.34% 145,341 3.50% 162,223 5.55% --------- --------- --------- $ 608,544 $ 568,625 $ 547,247 ========= ========= ========= 17 Certificates of Deposit The following table shows the amounts and remaining maturities of time certificates of deposit with balances of $100,000 or more at December 31, 2003, 2002 and 2001 (in thousands). As of December 31 -------------------------------------- 2003 2002 2001 -------------------------------------- 3 months or less $ 23,804 $ 14,690 $ 31,253 Over 3 through 6 months 11,396 17,590 10,956 Over 6 through 12 months 14,495 5,897 7,673 Over 12 months 13,768 50,416 52,997 -------------------------------------- $ 63,463 $ 88,593 $102,879 ====================================== BORROWED FUNDS The following table summarizes the outstanding amount of and the average rate on borrowed funds as of December 31, 2003, 2002 and 2001 (in thousands). As of December 31 --- 2003 2002 2001 --- Balance Rate Balance Rate Balance Rate --- Trust preferred securities $ 20,000 7.04% $ - -% $ - -% Long-term borrowings 86,024 4.30% 51,600 5.56% 48,000 5.57% Federal funds purchased and securities sold under agreements to repurchase 85,443 0.68% 127,419 1.08% 107,832 1.51% Short-term borrowings 9,142 1.04% 5,097 0.99% 6,000 1.41% --- $ 200,609 2.88% $ 184,116 2.33% $ 161,832 2.71% === Long-term borrowings consisted of Federal Home Loan Bank (FHLB) advances and an installment note payable to VMF Capital, L.L.C. The short-term borrowings as of the end of each year are Treasury, Tax and Loan option notes and at December 31, 2003 included an FHLB overnight advance. Average balances for short-term borrowings for the years shown below also include an occasional borrowing from the Federal Reserve Bank discount window and overnight borrowings from the Federal Home Loan Bank. The following tables set forth the average amount of, the average rate paid and maximum outstanding balance on borrowed funds for the years ended December 31, 2003, 2002 and 2001 (in thousands). Years Ended December 31 --- 2003 2002 2001 --- Average Average Average Average Average Average Balance Rate Balance Rate Balance Rate --- Trust preferred securities $ 9,150 7.04% $ - - % $ - -% Long-term borrowings 68,398 4.72% 51,156 5.57% 50,466 5.58% Federal funds purchased and

securities sold under agreements to repurchase 153,237 0.98% 131,026 1.47% 157,800 3.78% Short-term borrowings 1,009 0.85% 2,042 1.45% 2,610 3.45% --- $ 231,794 2.32% $ 184,224 2.61% $ 210,876 4.21% === 18 2003 2002 2001 ---- ---- ---- Maximum amount outstanding during the year: Trust preferred securities $ 20,000 $ - $ - Long-term borrowings 90,215 51,600 58,000 Federal funds purchased and securities sold under 212,814 161,863 176,103 agreements to repurchase Short-term borrowings 9,142 6,000 6,000 OFF-BALANCE SHEET ARRANGEMENTS In the normal course of business, the Company commits to extend credit through vehicles such as loan commitments and standby letters of credit in order to meet the financing needs of its customers. These commitments expose the company to varying degrees of credit and market risk in excess of the amount recognized in the consolidated balance sheets. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on balance sheet instruments. As of December 31, 2003 and 2002, the Company had commitments to extend credit of approximately $166.9 million and $136.4 million, respectively, and standby letters of credit of approximately $20.0 million and $15.8 million, respectively. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the party. Collateral held varies, but may include accounts receivable, crops, livestock, inventory, property and equipment, residential real estate, and income-producing commercial properties. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies as specified above and is required in instances which the Company deems necessary. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Bank would be required to fund the commitment. The maximum potential amount of future payments the Bank could be required to make is represented by the contractual amount shown above. If the commitment was funded, the Bank would be entitled to seek recovery from the customer. At December 31, 2003 and 2002, no amounts had been recorded as liabilities for the Bank's potential obligations under these guarantees. CONTRACTUAL OBLIGATIONS The following tables set forth the balance of contractual obligations by maturity period as of December 31, 2003 (in thousands). Payments due by period --- Less than one One to three Three to five More than five Total year years years years -- Trust preferred securities $ 20,000 $ - $ - $ - $ 20,000 Long-term borrowings: Federal Home Loan Bank advances 84,474 13,905 900 36,537 33,132 Note payable, VMF Capital, L.L.C. (1) 1,550 - 1,050 500 - Operating lease commitments 4,375 760 1,333 541 1,741 -- Total $ 110,399 $ 14,665 $ 3,283 $ 37,578 $ 54,873 == 1 Three $500,000 installments payable to VMF Capital, L.L.C. are due and payable only if the amount of assets under management by VMF Capital on the last day of the calendar year immediately preceding the due date of the installment payments equal or exceed assets under management as of October 1, 2003. 19 LIQUIDITY AND CAPITAL RESOURCES The objective of liquidity management is to ensure the availability of sufficient cash flows to meet all financial commitments and to capitalize on opportunities for profitable business expansion. The Company's principal source of funds is deposits including demand, money market, savings and certificates of deposit. Other sources include principal repayments on loans, proceeds from the maturity and sale of investment securities, federal funds purchased, repurchase agreements, advances from the Federal Home Loan Bank and funds provided by operations. Liquid assets of cash on hand, balances due from other banks, federal funds sold, corporate demand notes, money market mutual funds and interest-bearing deposits in financial institutions declined from $181 million in 2002 to $82 million in 2003. The Company had additional borrowing capacity available from the Federal Home Loan Bank ("FHLB") of approximately $29 million at December 31, 2003 and has a $5 million unsecured line of credit through a large regional correspondent bank. In addition, the Bank has $80 million in borrowing capacity available through unsecured federal funds lines of credit with correspondent banks. Net cash from operating activities contributed $17.5

million, $17.2 million and $19.1 million to liquidity for the years 2003, 2002 and 2001, respectively. These cash flows from operations are expected to continue in the foreseeable future. The combination of high levels of potentially liquid assets, cash flows from operations and additional borrowing capacity provided strong liquidity for the Company at December 31, 2003. The Company's total stockholders' equity increased to $92,896,000 at December 31, 2003, from $85,824,000 at December 31, 2002. At December 31, 2003, stockholders' equity was 9.28 percent of total assets, compared to 9.69 percent at December 31, 2002. Total equity increased due to retention of earnings and from appreciation in West Bank's available for sale investment portfolio. No material capital expenditures or material changes in the capital resource mix are anticipated at this time. The capital levels of the Company exceed applicable regulatory guidelines as of December 31, 2003. In October of 2002, the Company's Board of Directors authorized the repurchase of the Company's common stock for a period of 12 months, in an amount not to exceed $5 million. No shares were repurchased prior to expiration of the authorization. INTEREST RATE RISK Interest rate risk refers to the exposure of earnings and capital arising from changes in interest rates. Management's objectives are to manage interest rate risk and to work for consistent growth of earnings and capital. Interest rate risk management focuses on fluctuations in net interest income identified through computer simulations used to evaluate volatility, interest rate, spread, and volume assumptions. This risk is quantified and compared against tolerance levels. The Company uses an in-house computer software simulation modeling program to measure its exposure to potential interest rate changes. For various assumed hypothetical changes in market interest rates, this analysis measures the estimated change in net interest income. Another measure of interest rate sensitivity is the gap ratio. This ratio indicates the amount of interest-earning assets repricing within a given period in comparison to the amount of interest-bearing liabilities repricing within the same period of time. A gap ratio of 1.0 indicates a matched position, in which case the effect on net interest income due to interest rate movements will be minimal. A gap ratio of less than 1.0 indicates that more liabilities than assets reprice within the time period and a ratio greater than 1.0 indicates that more assets reprice than liabilities. The simulation model process provides a dynamic assessment of interest rate sensitivity, whereas a static interest rate gap table is compiled as of a point in time. The model simulations differ from a traditional gap analysis because a traditional gap analysis does not reflect the multiple effects of interest rate movement on the entire range of assets and liabilities, and ignores the future impact of new business strategies. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK The Company's market risk is comprised primarily of interest rate risk arising from its core banking activities of lending and deposit taking. Interest rate risk is the risk that changes in market interest rates may adversely affect the Company's net interest income. Management continually develops and applies strategies to mitigate this risk. Management does not believe that the Company's primary market risk exposure and how that exposure was managed in 2003 changed compared to 2002. 20 The following table presents the estimated change in net interest income for the coming twelve months under several scenarios of assumed interest rate changes for the rate shock levels shown: Scenario % Change -------- -------- 200 basis points rising 3.14% 100 basis points rising 2.64% Base 100 basis points falling -1.64% As shown above, at December 31, 2003, the estimated effect of an immediate 200 basis point increase in interest rates would increase the Company's net interest income by 3.14 percent or approximately $1,100,000 in 2004. The estimated effect of an immediate 100 basis point decrease in rates would decrease the Company's net interest income by 1.64 percent or approximately $600,000. Because the majority of liabilities subject to interest rate movements in the short term are of the type that generally lag interest rate movements in the market, they do not change in the same magnitude in the short term as the change in market rates. Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions. Actual values may differ from those projections set forth above. Further, the computations do not contemplate any actions the Company may undertake in response to changes in interest rates. Current interest rates on certain liabilities are at a level that does not allow for significant re-pricing should market interest rates decline considerably. The following table sets forth the estimated maturity or re-pricing and the resulting interest sensitivity gap, of the Company's interest-earning assets and interest-bearing liabilities and the cumulative interest sensitivity gap at December 31, 2003. The expected maturities are presented on a contractual basis or, if more relevant, based on projected call dates. Actual maturities may differ from contractual maturities because of prepayment assumptions and early withdrawal of deposits. 21 Three Over 3 Over 1 Months Through 12 Through Over or Less Months 5 Years 5 Years Total --- Interest-earning assets: Loans $ 153,479 $ 110,036 $ 255,067 $ 81,483 $ 600,065 Investment securities: Available for sale 26,862 33,739 49,782 67,926 178,309 Held to maturity 2,785 19,263 43,661 25,697 91,406 Federal funds sold and other short-term investments 54,287 - - - 54,287

Federal Home Loan Bank stock - - - 5,198 5,198 --- Total interest-earning assets 237,413 163,038 348,510 180,304 929,265 --- Interest-bearing liabilities Interest-bearing deposits: Savings, money market and interest-bearing demand 403,061 - - - 403,061 Time 42,049 53,064 34,144 685 129,942 Federal funds purchased and securities sold under agreement to repurchase 85,443 - - - 85,443 Other short-term borrowings 9,142 - - - 9,142 Long-term borrowings 13,905 - 38,987 53,132 106,024 --- Total interest-bearing liabilities 553,600 53,064 73,131 53,817 733,612 --- Interest sensitivity gap per period $ (316,187) $ 109,974 $ 275,379 $ 126,487 $ 195,653 === Cumulative interest sensitivity gap $ (316,187) $ (206,213) $ 69,166 $ 195,653 $ 195,653 === Interest sensitivity gap ratio 0.43 3.07 4.77 3.35 1.27 === Cumulative interest sensitivity gap ratio 0.43 0.66 1.10 1.27 1.27 === Investments with maturities over 5 years include the market values of equity securities of $5,198,000. As of December 31, 2003, the Company's cumulative gap ratios for assets and liabilities re-pricing within three months and within one year were .43 and .66, respectively, meaning that the Company is liability sensitive, or in other words, more interest-bearing liabilities will be subject to repricing within those time frames than interest-earning assets. However, the majority of the interest-bearing liabilities subject to repricing within these time frames are savings, money market and interest - bearing demand deposits. These types of deposits generally do not reprice as quickly or with the same magnitude as non-deposit money market instruments. The effect of this relationship is that interest expense does not rise as quickly in times of increasing market interest rates. EFFECTS OF NEW STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS amends and clarifies accounting for derivative instruments and hedging activities under Statement 133. In addition, this Statement clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. This Statement is effective for contracts entered into or modified after June 30, 2003. The Company adopted this Statement as it relates to the Company's loan commitments and it did not have a material impact on the Company's financial statements. In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). SFAS 150 established standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or asset in some circumstances). The Company adopted SFAS 150 on July 1, 2003 and such adoption did not have a material effect on its financial position or results of operations. 22 FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, establishes accounting guidance for consolidation of variable interest entities (VIE) that function to support the activities of the primary beneficiary. Prior to the implementation of FIN 46, VIEs were generally consolidated by an enterprise when the enterprise had a controlling financial interest through ownership of a majority of voting interest in the entity. The provisions of FIN 46 were effective immediately for all arrangements entered into after January 31, 2003. In December 2003, the FASB issued a revision to FIN 46 (FIN 46R) which clarified certain implementation issues and revised implementation dates for VIEs created before January 31, 2003. Under the new guidance, special effective date provisions apply to enterprises that have fully or partially applied FIN 46 prior to issuance of the revised Interpretation. Otherwise, application of FIN 46R (or FIN 46) is required in financial statements of public entities that have interests in special-purpose entities for periods ending after December 15, 2003. Application by public entities, other than small business issuers, for all other types of VIEs is required in financial statements for periods ending after March 15, 2004. The Company adopted FIN 46 in connection with its consolidated financial statements for the year ending December 31, 2003. An unintended consequence of this standard is requiring some companies to conclude deconsolidation is necessary for certain transactions involving the issuance of trust preferred securities. Based upon its interpretation of FIN 46, the Company continues to consolidate its wholly-owned subsidiary trust entity involved with the issuance of its trust preferred securities, but will deconsolidate for the quarter ending March 31, 2004. Such deconsolidation will have no effect on reported earnings or stockholders' equity. These securities qualify for treatment as Tier 1 capital for the Company. In July 2003, the Board of Governors of the Federal Reserve System issued a supervisory letter instructing bank holding companies to continue to include the trust preferred securities in Tier 1 capital for regulatory capital purposes until notice is given to the contrary. There can be no assurance that the Federal Reserve will continue to permit institutions to include trust preferred securities in Tier 1 capital for regulatory capital purposes. As of December 31, 2003, assuming the Company was not permitted to include the $20 million in trust preferred securities issued by the trust in its Tier 1 capital, the Company would still exceed the regulatory required minimums for capital adequacy purposes (see Note 12 of Notes to Consolidated Financial Statements). If the trust preferred securities were no longer permitted to be included in Tier 1 capital, the Company would also be permitted to redeem the capital securities without penalty. The interpretations of FIN 46 and its application to various transaction types and structures are evolving. Management continuously monitors emerging issues related to FIN 46, some of which could potentially impact the Company's financial statements. The Accounting Standards Executive Committee has issued Statement of Position 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer. This Statement applies to all loans acquired in a transfer, including those acquired in the acquisition of a bank or a branch, and provides that such loans be accounted for at fair value with no allowance for loan losses, or other valuation allowance, permitted at the time of acquisition. The difference between cash flows expected at the acquisition date and the investment in the loan should be recognized as interest income over the life of the loan. If contractually required payments for principal and interest are less than expected cash flows, this amount should not be recognized as a yield adjustment, a loss accrual, or a valuation allowance. For the Company, this Statement is effective for calendar year 2005 and, early adoption, although permitted, is not planned. No significant impact is expected on the consolidated financial statements at the time of adoption. INFLATION The primary impact of inflation on the Company's operation is increased asset yields, deposit costs and operating overhead. Unlike most industries, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than they would on non-financial companies. Although interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services, increases in inflation generally have resulted in increased interest rates. The effects of inflation can magnify the growth of assets and, if significant, require that equity capital increase at a faster rate than would be otherwise necessary. 23 [MCGLADREY & PULLEN LOGO] Certified Public Accountants INDEPENDENT AUDITOR'S REPORT To the Board of Directors West Bancorporation, Inc. West Des Moines, Iowa We have audited the accompanying consolidated balance sheets of West Bancorporation, Inc. and subsidiaries, as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of West Bancorporation, Inc. and subsidiaries, as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. /s/ MCGLADREY & PULLEN, LLP Des Moines, Iowa January 9, 2004 McGladrey & Pullen, LLP is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms. 24 WEST BANCORPORATION, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2003 AND 2002 ASSETS 2003 2002 ------ ---- ---- Cash and due from banks (Note 13) $ 27,786,795 $ 23,022,298 Federal funds sold and other short-term investments 54,287,004 158,191,770 -------------------------- CASH AND CASH EQUIVALENTS 82,073,799 181,214,068 Securities available for sale (Notes 3, 8 and 10) 178,308,941 70,862,435 Securities held to maturity (Notes 3, 8 and 10) 91,406,205 138,299,566 Federal Home Loan Bank stock, at cost (Note 10) 5,197,600 3,129,700 Loans, net of allowance for loan losses (Notes 4, 8 and 10) 593,379,820 483,959,328 Premises and equipment, net (Note 5) 3,683,020 1,394,649 Accrued interest receivable 5,878,880 5,204,203 Goodwill and other intangible assets (Note 6) 16,900,487 47,730 Bank-owned life insurance

20,386,714 - Other assets (Note 11) 3,396,145 2,004,384 -------------- -------------- $1,000,611,611 $ 886,116,063 ============== ============== LIABILITIES AND STOCKHOLDERS' EQUITY LIABILITIES Deposits: Noninterest bearing demand $ 172,070,832 $ 145,208,492 Savings and interest bearing demand 403,060,980 338,775,544 Time, in excess of $100,000 (Note 7) 63,463,030 88,592,994 Other time (Note 7) 66,479,171 40,521,470 -------------- -------------- TOTAL DEPOSITS 705,074,013 613,098,500 Federal funds purchased and securities sold under agreements to repurchase 85,442,675 127,418,671 Other short-term borrowings (Notes 3 and 8) 9,141,973 5,096,872 Accrued expenses and other liabilities 2,032,291 3,077,858 Trust preferred securities (Note 9) 20,000,000 - Long-term borrowings (Note 3, 4 and 10) 86,024,315 51,600,000 -------------- -------------- TOTAL LIABILITIES 907,715,267 800,291,901 -------------- -------------- COMMITMENTS AND CONTINGENCIES (Note 13) STOCKHOLDERS' EQUITY (Note 12) Common stock, no par value; authorized 50,000,000 shares; shares issued and outstanding; 16,060,271 3,000,000 3,000,000 Additional paid-in capital 32,000,000 32,000,000 Retained earnings 56,796,771 49,792,716 Accumulated other comprehensive income 1,099,573 1,031,446 -------------- -------------- TOTAL STOCKHOLDERS' EQUITY 92,896,344 85,824,162 -------------- -------------- $1,000,611,611 $ 886,116,063 ============== ============== See Notes to Consolidated Financial Statements. 25 WEST BANCORPORATION, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 2003 2002 2001 ---- ---- ---- Interest income: Loans $32,633,401 $33,035,194 $39,322,663 Securities: U.S. Treasury, government agencies and corporations 4,727,838 6,764,475 9,945,440 States and political subdivisions 1,725,250 1,625,568 1,570,671 Other 3,111,436 1,404,173 394,246 Federal funds sold and other short-term investments 1,263,190 1,810,348 3,381,198 ---------- ----------- ----------- TOTAL INTEREST INCOME 43,461,115 44,639,758 54,614,218 ---------- ----------- ----------- Interest expense: Demand and savings deposits 3,084,033 3,755,205 7,069,318 Time deposits 2,665,970 5,084,437 9,007,791 Federal funds purchased and securities sold under agreements to repurchase 1,503,051 1,929,097 5,971,626 Other short-term borrowings 8,564 29,622 90,122 Trust preferred securities 649,280 - - Long-term borrowings 3,228,493 2,851,210 2,813,531 ---------- ----------- ----------- TOTAL INTEREST EXPENSE 11,139,391 13,649,571 24,952,388 ---------- ----------- ----------- NET INTEREST INCOME 32,321,724 30,990,187 29,661,830 Provision for loan losses (Note 4) 850,000 910,000 1,062,500 ---------- ----------- ----------- NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES 31,471,724 30,080,187 28,599,330 ---------- ----------- ----------- Noninterest income: Service charges on deposit accounts 4,811,335 4,527,170 4,463,921 Trust services 507,000 569,634 531,495 Investment advisory fees 503,899 - - Increase in cash value of bank-owned life insurance 666,785 - - Proceeds from bank-owned life insurance 821,254 - - Net realized gains from sales of securities available for sale 299,562 115,939 - Other income 1,695,386 1,401,459 1,318,640 ---------- ----------- ----------- TOTAL NONINTEREST INCOME 9,305,221 6,614,202 6,314,056 ---------- ----------- ----------- Noninterest expenses: Salaries and employee benefits 7,700,608 6,408,438 5,981,699 Occupancy 1,582,660 1,310,971 1,225,553 Data processing 1,130,131 1,006,272 993,274 Charitable contributions 1,483,516 106,552 117,648 Other expenses 2,797,331 2,388,294 2,161,733 ---------- ----------- ----------- TOTAL NONINTEREST EXPENSES 14,694,246 11,220,527 10,479,907 ---------- ----------- ----------- INCOME BEFORE INCOME TAXES 26,082,699 25,473,862 24,433,479 Income taxes (Note 11) 8,800,071 9,098,059 8,697,039 ---------- ----------- ----------- NET INCOME $17,282,628 $16,375,803 $15,736,440 =========== =========== =========== Earnings per share, basic $ 1.08 $ 1.02 $ 0.98 =========== =========== =========== See Notes to Consolidated Financial Statements. 26 WEST BANCORPORATION, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 2003 2002 2001 ---- ---- ---- Common stock Beginning of year balance $ 3,000,000 $ 3,000,000 $ 3,000,000 ------------ ------------ ------------ End of year balance 3,000,000 3,000,000 3,000,000 ------------ ------------ ------------ Additional paid-in capital Beginning of year balance 32,000,000 32,000,000 32,000,000 ------------ ------------ ------------ End of year balance 32,000,000 32,000,000 32,000,000 ------------ ------------ ------------ Retained earnings Beginning of year balance 49,792,716 43,374,281 37,274,004 Net income 17,282,628 16,375,803 15,736,440 Dividends on common stock; per share amounts 2003 $0.64; 2002 $0.62; 2001 $0.60 (10,278,573) (9,957,368) (9,636,163) ------------ ------------ ------------ End of year balance 56,796,771 49,792,716 43,374,281 ------------ ------------ ------------ Accumulated other comprehensive income (loss) Beginning of year balance 1,031,446 637,980 (1,428,660) Other comprehensive income, unrealized gains on securities, net of reclassification adjustment, net of tax (Note 3) 68,127 393,466 2,066,640 ------------ ------------ ------------ End of year balance 1,099,573 1,031,446 637,980 ------------ ------------ ------------ TOTAL STOCKHOLDERS' EQUITY $ 92,896,344 $ 85,824,162

$ 79,012,261 ============ ============ ============ CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 2003 2002 2001 ---- ---- ---- Net income $ 17,282,628 $ 16,375,803 $ 15,736,440 Other comprehensive income, unrealized gains on securities, net of reclassification adjustment, net of tax (Note 3) 68,127 393,466 2,066,640 ------------- ------------ ------------ COMPREHENSIVE INCOME $ 17,350,755 $ 16,769,269 $ 17,803,080 ============= ============ ============ See Notes to Consolidated Financial Statements. 27 WEST BANCORPORATION, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 2003 2002 2001 ---- ---- ---- CASH FLOWS FROM OPERATING ACTIVITIES Net income $ 17,282,628 $ 16,375,803 $ 15,736,440 Adjustments to reconcile net income to net cash provided by operating activities: Provision for loan losses 850,000 910,000 1,062,500 Amortization and accretion 1,833,470 570,344 99,592 Loss on disposition of fixed assets - 28,665 - Net (gains) from sales of securities available for sale and loans held for sale (657,029) (290,802) - Proceeds from sales of loans held for sale 34,940,846 11,135,193 9,724,283 Originations of loans held for sale (34,626,996) (10,972,180) (10,018,283) Depreciation 252,164 171,791 153,429 Deferred income taxes (265,517) (20,179) (145,943) Change in assets and liabilities: Decrease (increase) in accrued interest receivable (674,677) (101,611) 3,159,216 (Decrease) in accrued expenses and other liabilities (1,483,171) (559,056) (623,003) ------------- ------------- ------------- NET CASH PROVIDED BY OPERATING ACTIVITIES 17,451,718 17,247,968 19,148,231 ------------- ------------- ------------- CASH FLOWS FROM INVESTING ACTIVITIES Proceeds from sales, calls, and maturities of securities available for sale 48,649,704 12,827,854 171,795,782 Purchases of securities available for sale (147,154,163) (51,171,184) - Proceeds from maturities and calls of securities held to maturity 70,566,334 149,242,544 76,955,000 Purchases of securities held to maturity (16,755,419) (133,505,723) (151,012,328) Cash effect of Hawkeye State Bank and VMF Capital transactions 19,124,018 - - Acquisition of Federal Home Loan Bank stock (446,900) - - Proceeds from redemption of Federal Home Loan Bank stock 191,400 - 8,002,200 Net decrease (increase) in loans (26,501,634) 4,300,974 5,957,502 Purchases of premises and equipment (180,406) (447,955) (240,939) Purchase of bank-owned life insurance (20,000,000) - - Change in other assets (312,423) 574,900 420,241 ------------- ------------- ------------- NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES (72,819,489) (18,178,590) 111,877,458 ------------- ------------- ------------- CASH FLOWS FROM FINANCING ACTIVITIES Net increase (decrease) in deposits (10,343,765) 41,368,210 24,447,179 Net change in federal funds purchased and securities sold under agreements to repurchase (43,321,061) 19,586,736 (46,285,160) Net change in other short-term borrowings 4,045,101 (903,128) 2,387,939 Proceeds from issuing trust preferred securities 20,000,000 - - Proceeds from long-term borrowings 1,550,000 3,600,000 10,000,000 Principal payments on long-term borrowings (5,424,200) - (10,000,000) Cash dividends (10,278,573) (9,957,368) (9,636,163) ------------- ------------- ------------- NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES (43,772,498) 53,694,450 (29,086,205) ------------- ------------- ------------- NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (99,140,269) 52,763,828 101,939,484 CASH AND CASH EQUIVALENTS Beginning 181,214,068 128,450,240 26,510,756 ------------- ------------- ------------- Ending $ 82,073,799 $ 181,214,068 $ 128,450,240 ============= ============= ============= (Continued) 28 WEST BANCORPORATION, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 2003 2002 2001 ---- ---- ---- SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION Cash payments for: Interest $ 11,523,793 $ 14,305,494 $ 26,416,081 Income taxes 9,747,183 9,198,986 8,393,795 See Notes to Consolidated Financial Statements. 29 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOTE 1. ORGANIZATION AND NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Organization and nature of business: West Bancorporation, Inc. (the Holding Company), is a holding company which has three wholly-owned subsidiaries, West Bank (the Bank), WB Capital Management Inc. (WB Capital) and West Bancorporation Capital Trust I which has formed in 2003 for the purpose of issuing trust preferred securities (referred to collectively as the Company). The Bank is state chartered and has its main office in West Des Moines, Iowa, with seven branches located in the Des Moines metropolitan area and two branches located in Iowa City. WB Capital was formed in 2003 and is an investment advisory firm with offices located in Clive and Cedar Rapids, Iowa. Significant accounting policies: Accounting estimates and assumptions: The consolidated financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expense for the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term is the allowance for loan losses. Consolidation policy: The consolidated financial statements include the accounts of the Holding Company and the subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Other comprehensive income: The Financial Accounting Standards Board (FASB) Statement No. 130 requires unrealized gains and losses on the Company's securities available for sale to be included in comprehensive income. Cash and cash equivalents: For the statement of cash flow purposes, the Company considers cash due from banks, federal funds sold and short term investments, including money market mutual funds, to be cash and cash equivalents. Securities: Securities available for sale are reported at fair value, with unrealized gains and losses reported as a separate component of accumulated other comprehensive income, net of deferred income taxes. Available for sale securities may be sold for general liquidity needs, response to market interest rate fluctuations, implementation of asset-liability management strategies, funding increased loan demand, changes in securities prepayment risk, or other similar factors. Realized gains and losses on sales are computed on a specific identification basis. Securities held to maturity consist of debt securities for which the Company has the positive intent and the ability to hold to maturity. They are stated at cost, net of premium amortization and discount accretion. Declines in the fair value of individual securities, classified as either held to maturity or available for sale below their amortized cost, that are determined to be other than temporary result in write-downs of the individual securities to their fair value with the resulting write-downs included in current earnings as realized losses. Loans held for sale: Loans held for sale are those loans held with the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or market value. Sales are made without recourse and any gain or loss is recognized at the settlement date. 30 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Loans: Loans are stated at the principal amounts outstanding reduced by the allowance for loan losses, unearned discount, and unearned loan fees with interest income recognized on the interest method based upon those outstanding loan balances. A loan is impaired when it is probable the Bank will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses. Allowance for loan losses: The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb probable losses on existing loans, based on an evaluation of the collectibility of loans and prior loss experience. This evaluation also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses, and may require the Bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations. Premises and equipment: Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Trust assets: Assets held by the Bank in fiduciary or agency capacities are not included in the consolidated financial statements. Investment advisory assets under management: Assets managed by WB Capital are not included in the consolidated financial statements. Intangible assets: The price paid over the net fair value of the acquired businesses ("goodwill") is not amortized. Other intangible assets are amortized over their estimated useful lives, using straight-line and accelerated methods. The recoverability of goodwill and other intangible assets is evaluated annually, at a minimum, or on an interim basis if events or circumstances indicate a possible inability to realize the carrying amount. Bank-owned life insurance: The carrying amount of bank-owned life insurance consists of the initial premium paid plus increases in cash value less the carrying amount associated with any death benefit received. Death benefits paid in excess of the applicable carrying amount are recognized as income which is exempt from income taxes. During 2003, the Bank made two purchases of bank-owned life insurance with the initial premium totaling $20,000,000. During the fourth quarter of 2003 income from a death benefit claim totaled approximately $821,000. It was decided to contribute the tax-equivalent amount of the death benefit to a newly formed charitable foundation to benefit worthwhile charities for years to come. The amount of the contribution was $1,330,000. 31 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Income taxes: The Company files a consolidated federal income tax return. Income tax expense is generally allocated as if the Holding Company and its subsidiaries file separate income tax returns. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the changes 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. Current accounting developments: In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS amends and clarifies accounting for derivative instruments and hedging activities under Statement 133. In addition, this Statement clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. This Statement is effective for contracts entered into or modified after June 30, 2003. The Company adopted this Statement as it relates to the Company's loan commitments and it did not have a material impact on the Company's financial statements. In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). SFAS 150 established standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or asset in some circumstances). The Company adopted SFAS 150 on July 1, 2003 and such adoption did not have a material effect on its financial position or results of operations. FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, (FIN 46) establishes accounting guidance for consolidation of variable interest entities (VIE) that function to support the activities of the primary beneficiary. Prior to the implementation of FIN 46, VIEs were generally consolidated by an enterprise when the enterprise had a controlling financial interest through ownership of a majority of voting interest in the entity. The provisions of FIN 46 were effective immediately for all arrangements entered into after January 31, 2003. In December 2003, the FASB issued a revision to FIN 46 (FIN 46R) which clarified certain implementation issues and revised implementation dates for VIEs created before January 31, 2003. Under the new guidance, special effective date provisions apply to enterprises that have fully or partially applied FIN 46 prior to issuance of the revised Interpretation. Otherwise, application of FIN 46R (or FIN 46) is required in financial statements of public entities that have interests in special-purpose entities for periods ending after December 15, 2003. Application by public entities, other than small business issuers, for all other types of VIEs is required in financial statements for periods ending after March 15, 2004. 32 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS The Company adopted FIN 46 in connection with its consolidated financial statements for the year ending December 31, 2003. An unintended consequence of this standard is requiring some companies to conclude deconsolidation is necessary for certain transactions involving the issuance of trust preferred securities. Based upon its interpretation of FIN 46, the Company continues to consolidate its wholly-owned subsidiary trust entity involved with the issuance of its trust preferred securities, but will deconsolidate for the quarter ending March 31, 2004. Such deconsolidation will have no effect on reported earnings or stockholders' equity. These securities qualify for treatment as Tier 1 capital for the Company. In July 2003, the Board of Governors of the Federal Reserve System issued a supervisory letter instructing bank holding companies to continue to include the trust preferred securities in Tier 1 capital for regulatory capital purposes until notice is given to the contrary. There can be no assurance that the Federal Reserve will continue to permit institutions to include trust preferred securities in Tier 1 capital for regulatory capital purposes. As of December 31, 2003, assuming the Company was not permitted to include the $20 million in trust preferred securities issued by the trust in its Tier 1 capital, the Company would still exceed the regulatory required minimums for capital adequacy purposes (see Note 12 of Notes to Consolidated Financial Statements). If the trust preferred securities were no longer permitted to be included in Tier 1 capital, the Company would also be permitted to redeem the capital securities without penalty. The interpretations of FIN 46 and its application to various transaction types and structures are evolving. Management continuously monitors emerging issues related to FIN 46, some of which could potentially impact the Company's financial statements. The Accounting Standards Executive Committee has issued Statement of

Position 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer. This Statement applies to all loans acquired in a transfer, including those acquired in the acquisition of a bank or a branch, and provides that such loans be accounted for at fair value with no allowance for loan losses, or other valuation allowance, permitted at the time of acquisition. The difference between cash flows expected at the acquisition date and the investment in the loan should be recognized as interest income over the life of the loan. If contractually required payments for principal and interest are less than expected cash flows, this amount should not be recognized as a yield adjustment, a loss accrual, or a valuation allowance. For the Company, this Statement is effective for calendar year 2005 and, early adoption, although permitted, is not planned. No significant impact is expected on the consolidated financial statements at the time of adoption. Reclassification: Certain items on the consolidated Statements of Income as of December 31, 2002 and 2001 were reclassified with no effect on net income, to be consistent with the classifications used in the December 31, 2003 statement. Earnings per share: Earnings per share represents income available to common shareholders divided by the weighted average number of shares outstanding during the period. 33 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Presented below is the numerator and denominator used in the computations for earnings per common share for the years ended December 31: (The Company has no common equivalent shares that could cause dilution.) 2003 2002 2001 ---- ---- ---- Numerator, income available to common stockholders $ 17,282,628 $ 16,375,803 $ 15,736,440 ============ =========== ============= Denominator, weighted-average shares outstanding 16,060,271 16,060,271 16,060,271 ============ =========== ============= Basic earnings per common share $ 1.08 $ 1.02 $ 0.98 ============ =========== ============= NOTE 2. ACQUISITIONS On July 18, 2003, the Company, through its wholly-owned bank subsidiary, West Bank, purchased the assets and assumed certain liabilities of Hawkeye State Bank in Iowa City, Iowa. In conjunction with this acquisition, the Company issued $20,000,000 in company obligated mandatorily redeemable preferred securities (commonly known as trust preferred securities) through a pooled transaction. Goodwill of $13,375,000 and a core deposit intangible of $1,680,000 were recorded as a result of the transaction. The core deposit intangible is being amortized over an estimated average life of approximately seven years. On October 1, 2003, the Company, through a newly formed subsidiary, WB Capital Management Inc., purchased the assets and assumed certain liabilities of VMF Capital, L.L.C. The new company will do business as VMF Capital. The purchase price was paid for by a combination of cash and a note payable. The payment of the note is contingent upon maintaining a certain amount of assets under management, which is expected to occur. Additional payments are contingent based upon the attainment of certain profitability measures. The probability of attaining those profitability measures is not determinable. Goodwill of $1,144,000 and identifiable intangible assets of $824,000 were recorded with this transaction. The identifiable intangible assets are being amortized over estimated lives of 6 - 10 years. 34 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS The operations of Hawkeye State Bank and VMF Capital are included in the consolidated Statements of Income, Comprehensive Income and Cash Flows from the date of acquisition. The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed, and the resulting cash impact of the transactions: Hawkeye VMF State Bank Capital, L.L.C. Total ---------- -------------- ----- Assets and (liabilities) received in conjunction with the specified transactions: Cash $ 22,701,753 $ - $ 22,701,753 Investment securities 17,424,813 - 17,424,813 Federal Home Loan Bank stock 1,812,400 - 1,812,400 Loans, net 83,725,241 - 83,725,241 Premises and equipment 2,156,244 203,885 2,360,129 Goodwill 13,374,563 1,144,022 14,518,585 Core deposit and other intangibles 1,679,655 824,327 2,503,982 Other assets 1,173,349 33,216 1,206,565 Deposits (102,319,278) - (102,319,278) Federal Home Loan Bank advances (38,614,630) - (38,614,630) Securities sold under agreements to repurchase (1,345,065) - (1,345,065) Other liabilities (362,300) (34,460) (396,760) ------------- ------------ ------------- 1,406,745 2,170,990 3,577,735 Less cash acquired (22,701,753) - (22,701,753) ------------- ------------ ------------- NET CASH (PROVIDED BY) USED IN TRANSACTIONS $ (21,295,008) $ 2,170,990 $ (19,124,018) ============= =========== ============ NOTE 3. SECURITIES Securities available for sale are as follows as of December 31, 2003 and 2002: 2003 -- GROSS GROSS AMORTIZED UNREALIZED UNREALIZED FAIR COST GAINS (LOSSES) VALUE ---- ----- -------- ----- U.S. Government agencies and corporations $ 98,032,442 $ 1,038,983 $ (191,298) $ 98,880,127 State and political subdivisions 11,384,712 373,553 (5,931) 11,752,334 Corporate notes and other investments 67,119,191 638,896 (81,607) 67,676,480 ------------- ----------- ------------- ------------- $ 176,536,345 $ 2,051,432 $ (278,836) $ 178,308,941 ============= ===========

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AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 2002 -- Gross Gross Amortized Unrealized Unrealized Fair Cost Gains (Losses) Value ---- ----- -------- ----- U.S. Government agencies and corporations $ 37,569,677 $ 1,393,062 $ - $ 38,962,739 State and political subdivisions 2,869,229 201,539 (81) 3,070,687 Corporate notes and other investments 28,759,967 119,729 (50,687) 28,829,009 ------------ ------------ ------------ ------------ $ 69,198,873 $ 1,714,330 $ (50,768) $ 70,862,435 ============ ============ ============ ============ Securities held to maturity are as follows as of December 31, 2003 and 2002: 2003 -- GROSS GROSS AMORTIZED UNREALIZED UNREALIZED FAIR COST GAINS (LOSSES) VALUE ---- ----- -------- ----- U.S. Government agencies and corporations $ 39,192,519 $ 925,543 $ - $ 40,118,062 State and political subdivisions 36,894,510 874,988 (39,163) 37,730,335 Corporate notes and other investments 15,319,176 309,296 - 15,628,472 ------------ ------------ ------------ ------------ $ 91,406,205 $ 2,109,827 $ (39,163) $ 93,476,869 ============ ============ ============ ============ 2002 -- Gross Gross Amortized Unrealized Unrealized Fair Cost Gains (Losses) Value ---- ----- -------- ----- U.S. Government agencies and corporations $ 87,110,127 $ 1,841,585 $ - $ 88,951,712 State and political subdivisions 32,753,419 778,279 (77,502) 33,454,196 Corporate notes and other investments 18,436,020 439,070 (13,795) 18,861,295 ------------ ----------- ---------- ------------- $138,299,566 $ 3,058,934 $ (91,297) $ 141,267,203 ============ ============ ========== ============ 36 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS The following table shows the gross fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position, at December 31, 2003. 2003 --- LESS THAN 12 MONTHS 12 MONTHS OR LONGER TOTAL -------------------------- --------------------- ------------------------ FAIR UNREALIZED FAIR UNREALIZED FAIR UNREALIZED VALUE (LOSSES) VALUE (LOSSES) VALUE (LOSSES) ----- -------- ----- -------- ----- -------- U.S. Government agencies and corporations $ 22,817,468 $ (191,298) $ - $ - $ 22,817,468 $ (191,298) State and political subdivisions 8,814,323 (25,854) 903,389 (19,240) 9,717,712 (45,094) Corporate notes and other investments 10,284,607 (81,607) - - 10,284,607 (81,607) ------------ ----------- --------- -------- ------------ ---------- $ 41,916,398 $ (298,759) $ 903,389 $(19,240) $ 42,819,787 $ (317,999) ============ ============ ========= ======== ============ ========== As of December 31, 2003, the investment portfolio included two municipal securities with a current unrealized loss which has existed for longer than one year. Both securities reside in the Bank's held to maturity portfolio and are obligations with Iowa communities considered to be acceptable credit risks. The carrying amount of these two securities is not considered permanently impaired as of December 31, 2003 due to the Bank's intent and ability to hold them until final maturity and the perceived credit-worthiness of the municipalities. The amortized cost and fair value of securities available for sale as of December 31, 2003 and 2002, by contractual maturity are shown below: 2003 2002 -------------------------- -------------------------- AMORTIZED FAIR Amortized Fair COST VALUE Cost Value -------------------------- -------------------------- Due in one year or less $ 49,040,785 $ 49,290,174 $ 14,054,257 $ 14,157,955 Due after one year through five years 55,103,846 55,909,990 34,471,104 35,322,440 Due after five years through ten years 52,052,317 52,306,727 12,073,007 12,356,875 Due after ten years 20,339,397 20,802,050 8,600,505 9,025,165 ------------ ------------- ------------ ------------ $176,536,345 $ 178,308,941 $ 69,198,873 $ 70,862,435 ============ ============= ============ ============ 37 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS The amortized cost and fair value of securities held to maturity as of December 31, 2003 and 2002, by contractual maturity are shown below: 2003 2002 -------------------------- ------------------------- AMORTIZED FAIR Amortized Fair COST VALUE Cost Value -------------------------- ------------------------- Due in one year or less $ 22,048,507 $ 22,322,211 $ 12,495,500 $ 12,590,181 Due after one year through five years 43,660,928 44,597,553 85,755,067 87,545,720 Due after five years through ten years 9,042,035 9,252,782 21,551,996 21,823,387 Due after ten years 16,654,735 17,304,323 18,497,003 19,307,915 ------------ ------------ ------------ ------------ $ 91,406,205 $ 93,476,869 $138,299,566 $141,267,203 ============ ============ ============ ============ For the years ended December 31, 2003, 2002 and 2001, proceeds from sales of securities available for sale amounted to $23,310,427, $9,437,287 and $0, respectively. Security gains of $363,881, $115,939 and $0, were realized for the years ended December 31, 2003, 2002 and 2001, respectively. Security losses of $64,319, $0 and $0 were realized for the years ended December 31, 2003, 2002 and 2001, respectively. Securities with an amortized cost of approximately

$103,863,000 and $93,899,000 as of December 31, 2003 and 2002, respectively, were pledged as collateral on the treasury tax and loan option notes, securities sold under agreements to repurchase, federal funds purchased, FHLB notes payable, and for other purposes as required or permitted by law or regulation. The components of other comprehensive income, unrealized gains (losses) on securities, net of tax for the years ended December 31, 2003, 2002 and 2001, are as follows: 2003 2002 2001 ---- ---- ---- Unrealized holding gains arising during the period $ 408,535 $ 750,502 $ 3,333,292 Less reclassification adjustment for (gains) realized in net income (299,562) (115,939) - ---------- ---------- ----------- OTHER COMPREHENSIVE INCOME, NET UNREALIZED GAINS ON SECURITIES AVAILABLE FOR SALE BEFORE TAX (EXPENSE) 108,973 634,563 3,333,292 Tax (expense) (40,846) (241,097) (1,266,652) ---------- ---------- ----------- OTHER COMPREHENSIVE INCOME, NET UNREALIZED GAINS ON SECURITIES AVAILABLE FOR SALE, NET OF TAX $ 68,127 $ 393,466 $ 2,066,640 ========== ========== =========== 38 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOTE 4. LOANS Loans are as follows, as of December 31, 2003 and 2002: 2003 2002 ---- ---- Commercial $244,172,603 $235,985,080 Real estate: Construction, land and land development 44,199,507 27,827,337 1-4 family residential 76,852,982 56,938,380 Commercial 204,673,438 143,560,219 Consumer and other loans 30,166,472 24,263,262 ------------ ------------ 600,065,002 488,574,278 ------------ ------------ Allowance for loan losses 5,975,587 4,493,583 Unearned discount and loan fees 709,595 121,367 ------------ ------------ 6,685,182 4,614,950 ------------ ------------ $593,379,820 $483,959,328 ============ ============ The loan portfolio includes approximately $324,207,000 and $269,896,000 of fixed rate loans and $275,858,000 and $218,678,000 of variable rate loans as of December 31, 2003 and 2002, respectively. Loans of approximately $472,000 and $955,000 as of December 2003 and 2002, respectively, were pledged as collateral on the treasury tax and loan option notes and for other purposes as required or permitted by regulation. Changes in the allowance for loan losses were as follows for the years ended December 31, 2003, 2002 and 2001: 2003 2002 2001 ---- ---- ---- Balance, at beginning of year $ 4,493,583 $ 4,239,990 $ 4,194,498 Increase in allowance related to acquisition 911,000 - - Provision for loan losses 850,000 910,000 1,062,500 Recoveries 205,057 537,902 66,316 Charge-offs (484,053) (1,194,309) (1,083,324) ----------- ----------- ----------- Balance, at end of year $ 5,975,587 $ 4,493,583 $ 4,239,990 =========== =========== =========== Impaired loans (nonaccrual loans) were approximately $1,668,000 and $1,354,000 as of December 31, 2003 and 2002, respectively. The total allowance for loan losses related to these loans was approximately $166,800 and $135,400 as of December 31, 2003 and 2002, respectively. The average recorded investment in impaired loans during 2003 and 2002 was approximately $1,255,000 and $1,355,000, respectively. Interest income foregone on impaired loans was approximately $102,000 during 2003 and $85,000 in 2002. 39 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 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, and affiliated companies in which they are principal stockholders (commonly referred to as related parties), all of which have been, 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, 2003 and 2002: 2003 2002 ---- ---- Balance, beginning of year $ 17,852,354 $ 15,287,428 New loans 17,537,995 13,476,126 Repayments (16,615,166) (10,911,200) Reduction in reported amounts due to director retirements (811,208) - ------------ ------------ Balance, end of year $ 17,963,975 $ 17,852,354 ============ ============ NOTE 5. PREMISES AND EQUIPMENT Premises and equipment are as follows as of December 31, 2003 and 2002: 2003 2002 ---- ---- Land $ 1,306,816 $ 56,000 Building 949,976 195,793 Equipment 3,258,926 2,866,848 Leasehold improvements 952,078 823,790 ------------ ------------ 6,467,796 3,942,431 Accumulated depreciation 2,784,776 2,547,782 ------------ ------------ $ 3,683,020 $ 1,394,649 ============ ============ NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS Goodwill is the excess of the cash paid over the net fair value of assets acquired and liabilities assumed in an acquisition, less the amount of identifiable intangible assets. Goodwill is not amortized, but is tested for impairment on an annual basis. The Company has determined that there is no impairment of goodwill. Other intangible assets are those that can be separately identified and assigned a value. Other intangible assets are amortized over their estimated life using an appropriate amortization method. The Company is using the straight-line method to amortize the core deposit intangible and employment/non-compete contracts and accelerated methods to amortize the intangible assets associated with client lists. The value of the core deposit intangible was determined according to four major deposit categories; non-interest-bearing demand deposits, interest-bearing demand deposits, savings deposits and money market deposits. A separate estimated life was determined for each component. 40 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Goodwill and other intangible assets primarily result from the acquisition of Hawkeye State Bank and VMF Capital, L.L.C. The composition of goodwill and other intangible assets is as follows: Employee/ Core Deposit Noncompete Goodwill Intangible Client Base Contracts Total -- Balance December 31, 2001 $ - $ 79,997 $ - $ - $ 79,997 Amortization - 2002 - 32,267 - - 32,267 -- Balance December 31, 2002 - 47,730 - - 47,730 Additions - 2003 14,518,585 1,679,655 499,082 325,245 17,022,567 Amortization - 2003 - 129,842 23,706 16,262 169,810 -- BALANCE DECEMBER 31, 2003 $ 14,518,585 $ 1,597,543 $ 475,376 $ 308,983 $ 16,900,487 == The future scheduled amortization as of December 31, 2003 is as follows: Employee/ Core Deposit Noncompete Intangible Client Base Contracts Total --- 2004 $ 216,726 $ 71,306 $ 53,736 $ 341,768 2005 216,726 68,692 53,736 339,154 2006 216,726 65,399 53,736 335,861 2007 216,726 61,083 53,736 331,545 2008 237,608 55,423 53,736 346,767 Thereafter 493,031 153,473 40,303 686,807 --- $ 1,597,543 $ 475,376 $ 308,983 $2,381,902 === NOTE 7. DEPOSITS At December 31, 2003, the scheduled maturities of time deposits are as follows: 2004 $ 95,570,599 2005 18,448,129 2006 9,471,067 2007 3,558,553 2008 and thereafter 2,893,853 ------------- $ 129,942,201 ============= 41 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOTE 8. SHORT-TERM BORROWINGS Short-term borrowings as of December 31, 2003, and the related interest expense for the year 2003 consisted of Treasury, Tax, and Loan option notes and an FHLB overnight advance. Short-term borrowings as of December 31, 2002, and the related interest expense for the years 2002 and 2001 consisted of Treasury, Tax and Loan option notes. The notes are collateralized by certain loans and investment securities. NOTE 9. TRUST PREFERRED SECURITIES On July 18, 2003, the Company obtained $20,000,000 in trust preferred securities from its participation in the issuance of a pooled trust preferred security. The security has a 30 year maturity, does not require any principal amortization and is callable in seven years at par at the issuer's option. The interest rate is fixed for seven years at 6.975% and then becomes variable based on the three month LIBOR rate plus 3.05 percent. Interest is payable quarterly. Holders of the Trust Preferred Securities 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. NOTE 10. LONG-TERM BORROWINGS At December 31, 2003, long-term borrowings consist of the following Federal Home Loan Bank (FHLB) advances and a note payable to VMF Capital, L.L.C.: Interest Amount Rate Maturity --- FHLB advances $ 13,905,454 1.19% 2004 900,000 4.06 2005 - - 2006 3,056,170 3.32 2007 33,481,155 4.88 2008 (a) 2,004,567 4.15 2009 25,463,747 5.48 2010 (a) 5,663,222 3.46 2011 --------------- TOTAL FHLB ADVANCES 84,474,315 --------------- Note payable, VMF Capital, L.L.C. 50,000 - % 2005 500,000 6.00 2005 500,000 6.00 2006 500,000 6.00 2007 --------------- TOTAL NOTE PAYABLE, VMF CAPITAL, L.L.C. 1,550,000 --------------- TOTAL LONG-TERM BORROWINGS $ 86,024,315 =============== (a) These advances are callable on a quarterly basis. 42 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS The FHLB advances are collateralized by FHLB stock, investment securities, and real estate loans as required by the FHLB's collateral policy. Certain advances listed above were assumed in the Hawkeye State Bank transaction. Balances shown and the indicated interest rate reflect purchase accounting adjustments. The three $500,000 installments payable to VMF Capital, L.L.C. are due and payable only if the amount of assets under the management of WB Capital Management Inc. on the last day of the calendar year immediately preceding the due date of the installment payments equal or exceed assets under management as of October 1, 2003. In the second quarter of 2003, the Company obtained a $5 million unsecured line of credit through a large regional correspondent bank. The interest rate is variable and tied to LIBOR. The line was not used during 2003. At December 31, 2003, the Bank had arrangements to borrow $80 million in unsecured federal funds lines of credit at correspondent banks which are available under the correspondent bank's normal terms. Two of these lines expire at various times through December 2004. The others have no stated expiration date. There were no amounts outstanding under these arrangements at December 31, 2003. NOTE 11. INCOME TAXES The components of income tax expense are as follows for the years ended December 31, 2003, 2002 and

2001: 2003 2002 2001 -- Current: Federal $ 7,757,894 $ 7,820,938 $ 7,603,709 State 1,307,694 1,297,300 1,239,273 Deferred (265,517) (20,179) (145,943) -- $ 8,800,071 $ 9,098,059 $ 8,697,039 == 43 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Total income tax expense differed from the amounts computed by applying the U.S. Federal income tax rate of 35% to income before income taxes as a result of the following: Years Ended December 31, -- 2003 2002 2001 ---------------------- ---------------------- ---------------------- PERCENT Percent Percent OF PRETAX of Pretax of Pretax AMOUNT INCOME Amount Income Amount Income -- Computed "expected" tax expense $ 9,128,944 35.0% $ 8,915,852 35.0% $ 8,551,719 35.0% State income tax, net of federal income tax benefit 825,336 3.2 843,245 3.3 796,055 3.3 Tax-exempt interest income (698,784) (2.7) (746,284) (2.9) (784,765) (3.2) Nondeductible interest expense to own tax-exempts 53,921 0.2 66,678 0.3 121,249 0.5 Tax-exempt life insurance proceeds and increase in cash value (520,814) (2.0) - - - - Other, net 11,468 - 18,568 - 12,781 - -- $ 8,800,071 33.7% $ 9,098,059 35.7% $ 8,697,039 35.6% == Net deferred tax assets consist of approximately the following as of December 31, 2003 and 2002: 2003 2002 --------------------------- Deferred tax assets: Allowance for loan losses $ 2,270,723 $ 1,707,562 Purchase accounting on borrowings 887,501 - State net operating loss carryforward 83,700 53,300 Other 60,447 64,579 --------------------------- 3,302,371 1,825,441 --------------------------- Deferred income tax liabilities: Deferred loan fees 206,667 287,783 Net unrealized gain on securities available for sale 673,022 632,177 Intangibles 1,173,750 - Other 327,615 239,237 --------------------------- 2,381,054 1,159,197 --------------------------- Net deferred tax asset before valuation allowance 921,317 666,244 Valuation allowance for deferred tax asset (83,700) (53,300) --------------------------- NET DEFERRED TAX ASSET $ 837,617 $ 612,944 =========================== 44 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS The Company has approximately $1,395,000 of operating loss carryforwards available to the Holding Company and WB Capital to offset future state taxable income. The Company has recorded a valuation allowance against the tax effect of those net operating loss carryforwards as management believes it is more likely than not that such carryforwards will expire without being utilized. The state operating loss carryforwards expire as follows: Year expiring: 2004 $ 209,000 2005 84,000 2006 42,000 2007 12,000 2008 and thereafter 1,048,000 ----------- $ 1,395,000 =========== NOTE 12. REGULATORY CAPITAL REQUIREMENTS The Company and Bank are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and Bank's capital amounts and classification 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 to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital to risk-weighted assets and of Tier I capital to average assets. Management believes as of December 31, 2003, the Company and Bank met all capital adequacy requirements to which it is subject. As of December 31, 2003, the most recent notification from regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios similar to those set forth in the following table. There are no conditions or events since that notification that management believes have changed the institution's category. 45 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS The Holding Company's capital amounts and ratios are as follows: To Be Well Capitalized Under For Capital Prompt Corrective Actual Adequacy Purposes Action Provisions --- Amount Ratio Amount Ratio Amount Ratio --- AS OF DECEMBER 31, 2003: TOTAL CAPITAL (TO RISK- WEIGHTED ASSETS) $ 100,868,000 13.1% $ 61,713,000 8.0% $ 77,142,000 10.0% TIER I CAPITAL (TO RISK- WEIGHTED ASSETS) 94,893,000 12.3 30,857,000 4.0 46,285,000 6.0 TIER I CAPITAL (TO

AVERAGE ASSETS) 94,893,000 9.6 39,725,000 4.0 49,656,000 5.0 As of December 31, 2002: Total Capital (to Risk- Weighted Assets) $ 89,239,000 13.8% $ 51,681,000 8.0% $ 64,601,000 10.0% Tier I Capital (to Risk-Weighted Assets) 84,745,000 13.1 25,840,000 4.0 38,760,000 6.0 Tier I Capital (to Average Assets) 84,745,000 9.7 35,119,000 4.0 43,898,000 5.0 The Bank is restricted as to the amount of dividends which may be paid to the Company without prior regulatory approval. The Bank may not pay dividends that would result in its capital levels being reduced below the minimum requirements. As of December 31, 2003, the Bank had approximately $7 million of retained earnings available for dividends. NOTE 13. COMMITMENTS AND CONTINGENCIES AND RELATED-PARTY LEASES The Company leases real estate under several noncancelable operating lease agreements. Rent expense was approximately $773,000, $726,000 and $666,000 for the years ended December 31, 2003, 2002 and 2001, respectively. The Company leases certain real estate from two directors of the Company. Terms of two noncancelable operating leases were consummated prior to one of the directors being named by the Company in 1996. Terms of another noncancelable operating lease were consummated on terms deemed to be at arm's-length. Rent expense to the related parties was approximately $187,000, $183,000 and $183,000 for the years ended December 31, 2003, 2002 and 2001, respectively. 46 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS The approximate total minimum rental commitments as of December 31, 2003, are as follows: Related Party Total ---------------------------- 2004 $ 127,000 $ 760,000 2005 59,000 684,000 2006 59,000 649,000 2007 59,000 343,000 2008 59,000 198,000 Thereafter 577,000 1,741,000 ---------------------------- $ 940,000 $ 4,375,000 ============================ Required reserve balances: The Bank is required to maintain an average reserve balance with the Federal Reserve Bank. Required reserve balances were approximately $1,948,000 and $1,073,000 as of December 31, 2003 and 2002, respectively. Financial instruments with off-balance-sheet risk: The Company is party to financial instruments with off-balancesheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as they do for on balance sheet instruments. The Company's commitments as of December 31, 2003 and 2002 are approximately as follows: 2003 2002 --------------------------------- Commitments to extend credit $ 166,945,000 $ 136,424,000 Standby letters of credit 19,974,000 15,804,000 --------------------------------- $ 186,919,000 $ 152,228,000 ================================= Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the party. Collateral held varies, but may include accounts receivable, crops, livestock, inventory, property and equipment, residential real estate, and income-producing commercial properties. 47 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies as specified above and is required in instances which the Company deems necessary. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Bank would be required to fund the commitment. The maximum potential amount of future payments the Bank could be required to make is represented by the contractual amount shown in the summary above. If the commitment is funded, the Bank would be entitled to seek recovery from the customer. At December 31, 2003 and 2002 no amounts have been recorded as liabilities for the Bank's potential obligations under these guarantees. Concentrations of credit risk: Substantially all of the Company's loans, commitments to extend credit, and standby letters of credit have been granted to customers in the Company's market area (a 50-mile radius of the greater Des Moines, Iowa, metropolitan area and a 30-mile radius of the Iowa City, Iowa, metropolitan area). Securities issued by state and political subdivisions involve governmental entities within the state of Iowa. The concentrations of credit by type of loan are set forth in Note 4. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Standby letters of credit were granted primarily to commercial borrowers. Contingencies: In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the consolidated financial statements. NOTE 14. PROFIT SHARING PLAN The Company sponsors a profit sharing plan covering substantially all of its employees. The plan provides for contributions the Board of Directors determines annually. Profit sharing expense for the years ended December 31, 2003, 2002, and 2001, was approximately $323,000, $252,000 and $224,000, respectively. The profit sharing plan also has a 401(k) feature. The plan allows eligible employees to defer a portion of their compensation ranging from 1% to 12%. The Company is required to match a portion of the employees' contribution. The Company's match is 100% of the first 2% of employee deferral and 50% of the next 2% of employee deferral. Expense for the years ended December 31, 2003, 2002 and 2001 was approximately $133,000, $104,000 and $98,000, respectively. NOTE 15. ESTIMATED FAIR VALUES OF FINANCIAL INSTRUMENTS SFAS No. 107, Disclosures About Fair Value of Financial Instruments, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, are not necessarily indicative of the amounts that the Company could realize in a current market exchange. SFAS No. 107 excludes all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. 48 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments: Cash and due from banks: The carrying amount approximates fair value. Federal funds sold and other short-term investments: The carrying amount approximates fair value. Securities: Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable financial instruments. Federal Home Loan Bank stock: The fair value of this untraded stock is estimated at its carrying value and redemption price of $100 per share. Loans: Fair values of loans are estimated using discounted cash flow analysis based on interest rates currently being offered for loans with similar terms to borrowers with similar credit quality. Deposits: The carrying amounts for demand and savings deposits, which represents the amount payable on demand, approximates their fair values. Fair values for fixed-rate and variable-rate certificates of deposit are estimated using discounted cash flow analysis based on interest rates currently being offered on certificates with similar terms. Accrued interest receivable and payable: The fair values of both accrued interest receivable and payable approximate their carrying amounts. Federal funds purchased and securities sold under agreements to repurchase and other borrowings: The carrying amount of federal funds purchased and securities sold under agreements to repurchase and certain other borrowings approximate their fair values. Fair values of FHLB term borrowings and trust preferred securities are estimated using discounted cash flow analysis based on interest rates currently being offered with similar terms. Commitments to extend credit and standby letters of credit: The approximate fair values of commitments and standby letters of credit are considered equal to their notional values, based on the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and credit worthiness of the counterparties. 49 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS The approximate carrying amounts and fair values are as follows as of December 31, 2003 and 2002: 2003 2002 -------------------------------- -------------------------------- CARRYING APPROXIMATE Carrying Approximate AMOUNT FAIR VALUE Amount Fair Value -------------------------------- -------------------------------- Financial assets: Cash and due from banks $ 27,787,000 $ 27,787,000 $ 23,022,000 $ 23,022,000 Federal funds sold and other short-term investments 54,287,000 54,287,000 158,192,000 158,192,000 Securities available for sale 178,309,000 178,309,000 70,862,000 70,862,000 Securities held to maturity 91,406,000 93,477,000 138,300,000 141,267,000 Federal Home Loan Bank stock 5,198,000 5,198,000 3,130,000 3,130,000 Loans, net 593,380,000 601,568,000 483,959,000 495,736,000 Accrued interest receivables 5,879,000 5,879,000 5,204,000 5,204,000 Financial liabilities: Deposits 705,074,000 706,256,000 613,098,000 614,848,000 Federal funds purchased and securities sold under agreements to repurchase 85,443,000 85,443,000 127,419,000 127,419,000 Other short-term borrowings 9,142,000 9,142,000 5,097,000 5,097,000 Accrued interest payable 616,000 616,000 1,004,000 1,004,000 Trust preferred securities 20,000,000 19,929,000 - - Long-term borrowings 86,024,000 88,993,000 51,600,000 56,572,000 Off-balance-sheet financial instruments: Commitments to extend credit - - - - Standby letters of credit - - - - 50 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOTE 16. WEST BANCORPORATION, INC. (PARENT COMPANY ONLY) CONDENSED FINANCIAL STATEMENTS BALANCE SHEETS DECEMBER 31, 2003 AND 2002 ASSETS 2003 2002 -- Cash $ 4,308,070 $ 489,542 Investment in common stock, available for sale 189,750 - Investment in West Bank 86,796,310 85,326,906 Investment in WB Capital Management Inc. 1,418,384 - Intercompany debentures from West Bank 20,000,000 - Other assets 420,177 22,464 --------------------------------- TOTAL ASSETS $ 113,132,691 $ 85,838,912 ================================= LIABILITIES AND EQUITY LIABILITIES Accrued expenses and other liabilities $ 236,347 $ 14,750 Trust preferred securities 20,000,000 - --------------------------------- 20,236,347 14,750 --------------------------------- EQUITY Common stock 3,000,000 3,000,000 Additional paid-in capital 32,000,000 32,000,000 Retained earnings 56,796,771 49,792,716 Accumulated other comprehensive income 1,099,573 1,031,446 --------------------------------- TOTAL EQUITY 92,896,344 85,824,162 --------------------------------- TOTAL LIABILITIES AND EQUITY $ 113,132,691 $ 85,838,912 ================================= 51 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 2003 2002 2001 -- Operating income: Equity in net income of West Bank $ 17,782,998 $ 16,516,279 $ 15,753,812 Equity in net (loss) of WB Capital Management Inc. (81,616) - - Interest and dividend income 433,637 1,269 1,806 Gain on sale of investment securities 160,277 - - -- 18,295,296 16,517,548 15,755,618 -- Operating expenses: Interest on trust preferred securities 649,280 - - Salaries and employee benefits 409,668 - 15,537 Other 178,899 217,386 12,997 -- 1,237,847 217,386 28,534 -- INCOME BEFORE INCOME TAXES 17,057,449 16,300,162 15,727,084 Income tax (credits) (225,179) (75,641) (9,356) -- NET INCOME $ 17,282,628 $ 16,375,803 $ 15,736,440 == 52 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 2003 2002 2001 -- CASH FLOWS FROM OPERATING ACTIVITIES Net income $ 17,282,628 $ 16,375,803 $ 15,736,440 Adjustments to reconcile net income to net cash provided by operating activities: Equity in net income of West Bank (17,782,998) (16,516,279) (15,753,812) Equity in net loss of WB Capital Management Inc. 81,616 - - Dividends received from West Bank 16,369,500 10,515,551 9,636,163 Gains from sale of securities available for sale (160,277) - - Amortization 6,030 - - Deferred income taxes (2,355) - - Changes in assets and liabilities: Increase in other assets (403,743) (13,092) (6,238) Increase in accrued expenses and other liabilities 217,373 14,750 - -- NET CASH PROVIDED BY OPERATING ACTIVITIES 15,607,774 10,376,733 9,612,553 -- CASH FLOWS FROM INVESTING ACTIVITIES Proceeds from sales of securities available for sale 491,977 - - Purchases of securities available for sale (502,650) - - Capitalization of WB Capital Management Inc. (1,500,000) - - Issuance of debentures to subsidiary (20,000,000) - - -- NET CASH (USED IN) INVESTING ACTIVITIES (21,510,673) - - -- CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from issuance of trust preferred securities 20,000,000 - - Dividends paid (10,278,573) (9,957,368) (9,636,163) -- NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES 9,721,427 (9,957,368) (9,636,163) -- NET INCREASE (DECREASE) IN CASH 3,818,528 419,365 (23,610) CASH Beginning 489,542 70,177 93,787 -- Ending $ 4,308,070 $ 489,542 $ 70,177 == 53 WEST BANCORPORATION, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOTE 17. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) 2003 -- THREE MONTHS ENDED MARCH 31 JUNE 30 SEPTEMBER 30 DECEMBER 31 --

Interest income $ 10,374 $ 10,340 $ 11,325 $ 11,422 Interest expense 2,716 2,664 2,817 2,942 -- NET INTEREST INCOME 7,658 7,676 8,508 8,480 Provision for loan losses 200 175 250 225 -- NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES 7,458 7,501 8,258 8,255 Noninterest income 1,704 1,939 2,157 3,505 Noninterest expense 2,906 2,878 3,393 5,517 -- INCOME BEFORE INCOME TAXES 6,256 6,562 7,022 6,243 Income taxes 2,205 2,311 2,458 1,826 -- NET INCOME $ 4,051 $ 4,251 $ 4,564 $ 4,417 == Net income per common share - basic $ 0.25 $ 0.26 $ 0.28 $ 0.28 == 2002 -- Three months ended March 31 June 30 September 30 December 31 --- Interest income $ 11,030 $ 11,264 $ 11,119 $ 11,227 Interest expense 3,609 3,481 3,398 3,162 -- NET INTEREST INCOME 7,421 7,783 7,721 8,065 Provision for loan losses 230 230 250 200 -- NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES 7,191 7,553 7,471 7,865 Noninterest income 1,486 1,575 1,812 1,741 Noninterest expense 2,774 2,902 2,794 2,750 -- INCOME BEFORE INCOME TAXES 5,903 6,226 6,489 6,856 Income taxes 2,084 2,217 2,319 2,478 -- NET INCOME $ 3,819 $ 4,009 $ 4,170 $ 4,378 == Net income per common share - basic $ 0.24 $ 0.25 $ 0.26 $ 0.27 == 54 STOCK INFORMATION West Bancorporation, Inc. common stock is traded on the Nasdaq National Market and quotations are furnished by the Nasdaq System. There were 337 common stockholders of record on December 31, 2003, and an estimated 600 additional beneficial holders whose stock was held in street name by brokerage houses. MARKET AND DIVIDEND INFORMATION High Low Dividends --------- --------- ---------- 2003 1st quarter $ 17.54 $ 14.35 $ 0.16 2nd quarter 19.61 15.77 0.16 3rd quarter 18.82 16.56 0.16 4th quarter 18.54 17.05 0.16 ---------- $ 0.64 ========== 2002 1st quarter $ 14.00 $ 11.50 $ 0.15 2nd quarter 18.00 13.15 0.15 3rd quarter 16.50 14.38 0.16 4th quarter 15.63 14.40 0.16 ---------- $ 0.62 ========== The prices shown above 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. NASDAQ SYMBOL: WTBA MARKET MAKERS Wall Street Journal and Citgroup Global Markets Other Newspapers: WestBcp Goldman, Sachs & Co. Hill, Thompson, Magid & Co. TRANSFER AGENT/DIVIDEND PAYING AGENT Howe Barnes Investments, Inc. Illinois Stock Transfer Company Keefe, Bruyette & Woods, Inc. 209 West Jackson Boulevard, Suite 903 Knight Equity Markets, L.P. Chicago, Illinois 60606-6905 Sandler O'Neill & Partners 800-757-5755 Schwab Global Markets www.illinoisstocktransfer.com Wachovia Securities FORM 10-K Copies 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 written request. Such written request should be directed to, Chief Financial Officer, West Bancorporation, Inc., 1601 22nd Street, West Des Moines, Iowa 50266. It will also be available on the Securities and Exchange Commission's website at http://www.sec.gov/edgar/searchedgar/webusers.htm and through a link on the Company's investor relations web page at www.westbankiowa.com. 55 [WEST BANCORPORATION LOGO] West Bancorporation, Inc. PLEASE COMPLETE BOTH SIDES OF THE PROXY CARD, DETACH AND RETURN IN THE ENCLOSED ENVELOPE. DETACH PROXY CARD HERE This Proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder. IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED (I) FOR THE ELECTION OF THE NOMINEES LISTED IN PROPOSAL 1; AND (II) IN THE DISCRETION OF THE NAMED PROXIES UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING. Dated , 2004 ----------------------------------- --- --- (PLEASE SIGN HERE) Please sign exactly as name appears above. When shares are held by joint tenants, both should sign. When signing as administrator, attorney, executor, guardian or trustee, please give full title as such. If a corporation, authorized officer please sign full corporate name and indicate office held. DETACH ATTENDANCE CARD HERE AND MAIL WITH PROXY CARD West Bancorporation, Inc. If you plan to personally attend the Annual Meeting of Shareholders, please check the box below and list names of attendees on reverse side. Return this stub in the enclosed envelope with your completed proxy card. I do plan to

attend the 2004 meeting [ ] NAMES OF PERSONS ATTENDING

-- WEST BANCORPORATION, INC. WEST DES MOINES, IOWA PROXY PROXY FOR ANNUAL MEETING OF SHAREHOLDERS ON APRIL 15, 2004 The undersigned hereby appoints Thomas E. Stanberry and David R. Milligan, or either of them, the undersigned's attorneys and proxies, with full power of substitution, to vote all shares of Common Stock of West Bancorporation, Inc. which the undersigned is entitled to vote, as fully as the undersigned could do if personally present, at the Annual Meeting of Shareholders of said corporation to be held in the conference room at the headquarters of the Iowa Independent Bankers, located at 1603 22nd Street, Suite 202, West Des Moines, Iowa, on Thursday, April 15, 2004 at 4:30 p.m., Central Time, and at any and all adjournments thereof. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 1. 1. Election of Directors: 01 Frank W. Berlin 04 Orville E. Crowley 07 Thomas E. Stanberry 02 Steven G. Chapman 05 David R. Milligan 08 Jack G. Wahlig 03 Michael A. Coppola 06 Robert G. Pulver 09 Connie Wimer [ ] Vote FOR all nominees listed above [ ] Vote WITHHELD from all nominees (except as marked to the contrary below) (INSTRUCTIONS: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDICATED NOMINEE, WRITE THE NUMBER(S) OF THE NOMINEE(S) IN THE SPACE PROVIDED TO THE RIGHT.) ---------------------------- 2. In accordance with their discretion, upon all other matters that may properly come before said meeting and any adjournments or postponements thereof. (Continued and to be signed and dated, on other side)