WEST BANCORPORATION INC
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UNITED STATES
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WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement
[ ] CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14a-12

West Bancorporation, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

[X] No fee required.

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1) Amount Previously Paid:

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WEST BANCORPORATION, INC.

NOTICE OF ANNUAL MEETING
TO BE HELD APRIL 20, 2006

To the Shareholders of West Bancorporation, Inc.:

The Annual Meeting of Shareholders of West Bancorporation, Inc. (the "Company") will be held in the Conference Center at the headquarters of the Company, located at 1601 22nd Street, West Des Moines, Iowa, on Thursday, April 20, 2006, at 4:00 p.m., to consider and vote on:

1. The election of nine Directors to serve on the Company's Board of Directors until the next Annual Meeting and until their successors are elected and have qualified; and

2. Such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Company's Board of Directors has fixed the close of business on February 16, 2006, as the record date for determination of Shareholders entitled to notice of and to vote at the Annual Meeting and at any and all adjournments thereof. A list of eligible Shareholders will be maintained at the offices of the Company, at 1601 22nd Street, West Des Moines, Iowa, during the ten-day period preceding the Annual Meeting.

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE MARK, SIGN, DATE, AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED ENVELOPE, OR YOU MAY VOTE YOUR PROXY ELECTRONICALLY VIA THE INTERNET AS INSTRUCTED ON THE CARD. A PROMPT RESPONSE WOULD BE APPRECIATED.

WE HOPE YOU WILL ATTEND THE ANNUAL MEETING IN PERSON AND LOOK FORWARD TO SEEING YOU THERE.

For the Board of Directors
/s/ Thomas E. Stanberry

Thomas E. Stanberry
Chairman, President and Chief Executive Officer

March 10, 2006

WEST BANCORPORATION, INC.
1601 22nd Street
West Des Moines, IA 50266

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 20, 2006

This proxy statement is furnished in connection with the solicitation by the Board of Directors of West Bancorporation, Inc. (the "Board" and the "Company"), of proxies to be used at the Annual Meeting of Shareholders to be held in the conference center at the headquarters of the Company on April 20, 2006, at 4:00 o'clock p.m., local time, at 1601 22nd Street, West Des Moines, Iowa, and at any and all adjournments thereof (the "Annual Meeting"). A copy of the Company's 2005 summary annual report to Shareholders and appendix to the proxy statement, including financial statements, accompanies this proxy statement. This proxy statement, form of proxy, and other accompanying materials are first being mailed to Shareholders on or about March 10, 2006.

Only Shareholders of record at the close of business on February 16, 2006, are entitled to notice of and to vote at the Annual Meeting. There were 16,701,843 shares of the Company's Common Stock outstanding at the close of business on that date, all of which will be entitled to vote at the Annual Meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Holders of Common Stock are entitled to one vote per share standing in their names on the record date on all matters to properly come before the Annual Meeting. If a shareholder abstains from voting on any matter, or if shares are held by a broker who has indicated that it does not have discretionary authority to vote on a particular matter, those shares will be considered to be present for the purpose of determining whether a quorum is present, but will not be counted as votes cast with respect to any matter to come before the Annual Meeting and will not affect the outcome of any matter.

The Company is not aware of any matters to be presented at the Annual Meeting other than the election of the nine nominees described in this proxy statement. Election of any nominee for director will require the affirmative vote of a majority of those shares voting at the Annual Meeting in person or by proxy. If any matters not described in this proxy statement are properly presented at the Annual Meeting, the proxies will use their personal judgment to determine how to vote your shares. If the Annual Meeting is adjourned, the proxies can vote your common shares on the new meeting date as well, unless you have revoked your proxy instructions.

If you hold shares through a broker, follow the voting instructions provided by your broker. If you want to vote in person, a legal proxy must be obtained from your broker and brought to the Annual Meeting. If you do not submit voting instructions to your broker, generally your broker is permitted to vote your shares in its discretion.

Holders of Common Stock through the Company's Employee Savings and Stock Ownership Plan ("the Plan") can direct the Trustee of the Plan how to vote the number of shares held in the Plan for the benefit of the Holder as of the record date for any matter put to the vote of the Shareholders. If a Plan participant does not provide directions to the Trustee on how to vote, then the Trustee shall vote those shares in the same proportion as it votes the shares for which it received proper direction to vote.

A form of proxy is enclosed for use at the Annual Meeting. Before the Annual Meeting, you can appoint a proxy to vote your shares of Common Stock by completing and signing the enclosed proxy card and mailing it in time to be received before the Annual Meeting, or by using the internet (http://www.illinoisstocktransfer.com). The electronic proxy appointment procedures are designed to confirm your identity and to allow you to give your proxy voting instructions. If you wish to vote via the internet, please follow the instructions on the enclosed proxy card.

If the accompanying proxy is properly signed and returned and is not withdrawn or revoked, the shares represented thereby will be voted in accordance with the instructions indicated thereon. If the manner of voting such shares is not indicated on the proxy, the shares will be voted FOR the election of the nominees for directors named herein.

If the enclosed proxy is executed and returned, it may nevertheless be revoked at any time prior to the Annual Meeting. A person may revoke a proxy electronically by entering a new vote via the internet or the enclosed proxy may be revoked by filing with the Secretary of the Company at the Company's principal office at 1601 22nd Street, West Des Moines, Iowa 50266, Attn: Secretary, either a written revocation of the proxy or a duly executed proxy bearing a later date. A Shareholder may also withdraw a proxy by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting without voting in person will not serve as the revocation of a proxy.

The Company will bear the cost of solicitation of proxies. In addition to the use of the mails, proxies may be solicited by officers, directors and regular employees of the Company, without extra compensation, by telephone, e-mail, facsimile or personal contact. It will greatly assist the Company in limiting expense in connection with the Annual Meeting if any Shareholder who does not expect to attend the Annual Meeting in person will return a signed proxy promptly, or vote via the internet.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND EXECUTIVE OFFICERS

The following table sets forth the shares of Common Stock beneficially owned as of February 16, 2006, by each director, each executive officer listed in the Summary Compensation Table, and by all directors and executive officers of the Company (including the named executive officers) as a group.

	Shares Beneficially	Percent of Total

Name	Owned (1) (2)	Shares Outstanding
Frank W. Berlin	44,625	*
Steven G. Chapman	15,750	*
Michael A. Coppola	24,846	*
Orville E. Crowley (3)	126,913	*
George D. Milligan	-	*
Robert G. Pulver (4)	69,379	*
Thomas E. Stanberry (5)	12,182	*
Jack G. Wahlig	-	*
Connie Wimer	29,190	*
Joyce A. Chapman	63,811	*
Scott D. Eltjes	2,746	*
Douglas R. Gulling	4,171	*
Sharen K. Surber	30,437	*
Brad L. Winterbottom	8,181	*
Executive officers and directors as a group (15 persons)	433,252	2.59%

* Indicates less than 1% ownership of outstanding shares.

(1) Shares "beneficially owned" include shares owned by or for, among others, the spouse and/or minor children of the named individual and any other relative who has the same home address as such individual, as well as other shares with respect to which the named individual has or shares voting or investment power. Beneficial ownership may be disclaimed as to certain of the shares.

(2) Except as otherwise indicated in the following notes, each named individual owns his or her shares directly, or indirectly through a self-directed IRA or the Company's profit sharing plan, and has sole investment and voting power with respect to such shares.

(3) Mr. Crowley disclaims any beneficial ownership of 283,500 shares held in his spouse's name.

(4) Mr. Pulver disclaims any beneficial ownership of 6,300 shares held in his spouse's name.

(5) Mr. Stanberry disclaims any beneficial ownership of 472 shares held in his spouse's name.

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OTHER BENEFICIAL OWNERS

The following table sets forth certain information on each person who is known to the Company to be the beneficial owner as of February 16, 2006, of more than five percent of the Common Stock.

Name and Address	Shares Beneficially Owned	Percent of Total Shares Outstanding
Columbia Wanger Asset Management, L.P. 227 West Monroe Street, Suite 3000	928,600	5.56%

Chicago, Illinois 60606		
The Jay Newlin Trust 6165 NW 86th St., #114 Johnston, IA 50131	992,336	5.94%

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires that the Company's directors and executive officers and persons who own more than 10 percent of the Company's Common Stock file initial reports of ownership and reports of changes of ownership with the SEC and NASDAQ. Reporting persons are required by the SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. The Company has not received any Section 16(a) form indicating that any one person owns more than 10 percent of the Company's stock. The Company does not know of any one Shareholder who owns more than 10 percent of the Company's stock. Based solely on its review of the copies of Section 16(a) forms received from its directors and executive officers or written representations that no other reports were required, the Company believes that all Section 16(a) reports applicable to its directors and officers during 2005 were filed.

PROPOSAL 1

ELECTION OF DIRECTORS

The Board currently consists of nine members. The term for the persons elected as directors is until the next Annual Meeting of Shareholders and until their successors are duly elected and qualified or until their earlier resignation, removal from office, death, or incapacity.

The By-laws of the Company provide that the number of directors of the Company shall not be less than five and not greater than 15. The Board has set the number of directors for 2006 at nine. The Board has decided that nine directors are sufficient to conduct the business of the Company. Proxies cannot be voted for a greater number of persons than the number of nominees named herein.

The Board recommends a vote FOR the nominees listed in the table on the next page.

Proxies in the accompanying form will be voted FOR the election of these individuals, unless contrary instructions are given thereon. If any nominee or nominees shall become unavailable for election, it is intended that the proxies will be voted for the election of the substitute nominees as the Board may propose. Any Shareholder has the option to withhold authority to vote for all nominees for directors, or to withhold authority to vote for individual nominees for directors. The effect on the election of directors of casting votes against nominees or of withholding authority to vote for nominees is that the Shareholder is considered present at the Annual Meeting and considered for meeting quorum requirements, but the vote is not a vote in favor of the nominee for purposes of determining whether the nominee has received the favorable vote of a majority of shares present at the Annual Meeting needed for the election.

Information concerning the nominees for election, including their age, year first elected a director, and business experience of each during the previous five years as of February 16, 2006, is set forth in the following table. Each of the nominees is currently serving as a director of the Company and all nominees, except Mr. Crowley, also serve as a director of West Bank (the "Bank"). Of the nominees, only Mr. Stanberry is currently serving as a director of WB Capital Management Inc. and Investors Management Group, Ltd., subsidiaries of the Company.

NOMINEES

Name (Age)	Has Served as a Director Since	Position with Company and its Subsidiaries and/or Principal Occupation
Frank W. Berlin (Age 60)	1995	President, Frank W. Berlin & Associates, West Des Moines, Iowa
Steven G. Chapman (Age 54)	1994	Chairman, President and Chief Executive Officer, ITAGroup, Inc., West Des Moines, Iowa
Michael A. Coppola (Age 49)	1996	President, Coppola Enterprises, Inc., Des Moines, Iowa
Orville E. Crowley (Age 79)	1984	President and Chief Operating Officer, Linden Lane Farms Company, Cumming, Iowa
George D. Milligan (Age 49)	2005	President, The Graham Group, Inc., Des Moines, Iowa
Robert G. Pulver (Age 58)	1984	President and CEO, All State Industries, Inc., West Des Moines, Iowa
Thomas E. Stanberry (Age 51)	2003	Chairman, President and Chief Executive Officer of the Company Chairman and Chief Executive Officer of West Bank Chairman of WB Capital Management Inc. Chairman of Investors Management Group, Ltd.
Jack G. Wahlig (Age 73)	2001	President, Integrus Financial, L.C., West Des Moines, Iowa
Connie Wimer (Age 73)	1985	Owner/Publisher, Business Publications Corporation, Des Moines, Iowa

In addition to the positions listed above, the nominees were employed in the following capacities during the past five years. Prior to 2003, Mr. Stanberry served in a variety of capacities with U.S. Bancorp Piper Jaffray, most recently as Managing Director. Ms. Wimer served as President of Iowa Title Company until her retirement in November 2001.

With the exception of George D. Milligan, who is a director of United Fire & Casualty Company, none of the other above nominees hold a directorship in any other company with a class of securities registered pursuant to Section 12 or subject to Section 15(d) of the Securities Exchange Act or registered as an investment company under the Investment Company Act of 1940.

BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

During 2005, and until the Annual Meeting on April 20, 2006, the Board was and will be comprised of nine (9) members. Pursuant to NASD Rule 4200(a)(15), the Board has made an affirmative determination that the following members of the Board and the nominees are "independent" within the meaning of such rule: Frank W. Berlin, Steven G. Chapman, Michael A. Coppola, Orville E. Crowley, George D. Milligan, Robert G. Pulver, Jack G. Wahlig and Connie Wimer. The Board does not consider the relationship between the Company and Michael A. Coppola (as further described hereinafter under the heading "Loans to Directors and Officers and Other Transactions with Directors and Officers") to be material to either party, and therefore considers Mr. Coppola to be an independent director of the Company. As such, a majority of the members of the Board and all of the members of the Audit Committee are "independent" as so defined. Subsequent to the Annual Meeting, the Board will be comprised of nine (9) members, the majority of which shall be "independent." West Bank, WB Capital Management Inc. and Investors Management Group, Ltd. are "controlled companies" within the meaning of NASD Rule 4350(c)(5) and are therefore exempt from the requirements of NASD Rule 4350(c). The Board holds regular quarterly meetings and held four such meetings during 2005. The Board also held four special meetings during 2005. The Board requires that each member attend at least 75% of the scheduled meetings and, during 2005, each of the Directors attended at least 75% of all meetings of the Board and meetings of committees to which such Director was appointed, except George D. Milligan. Mr. Milligan was absent from one regular meeting and one special meeting of the Board. All of the members of the Board attended last year's Annual Shareholders' Meeting.

The Board has established the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee as standing committees. Each of the committees is governed by a written charter that is available for review in the investor relations section of the Company's website www.westbankiowa.com. The membership and primary responsibilities of the committees are described below.

AUDIT COMMITTEE. The current members of the Audit Committee are Jack G. Wahlig, as Chair, Michael A. Coppola and Connie Wimer, all of whom are independent directors under criteria established by the SEC and NASDAQ. Based on the attributes, education and experience requirements set forth in Section 407 of the Sarbanes-Oxley Act of 2002 and associated regulations; the Board has identified Jack G. Wahlig as the "Audit Committee Financial Expert", and has determined him to be "independent." The Audit Committee recommends independent auditors to the Board, reviews with the independent auditors the plan, scope and results of the auditors' services, approves their fees and reviews the Company's financial reporting and internal control functions. The Audit Committee also performs the duties set forth in its written charter, which has been adopted by the Board. The Audit Committee is also prepared to meet privately at any time at the request of the independent registered public accountants or members of management to review any special situation arising on any of the above subjects. The Audit Committee regularly reviews its written charter and recommends to the Board changes to the charter, when it deems necessary. Reference is also made to the "Report of the Audit Committee" contained herein. The Audit Committee met four times during 2005. None of the Audit Committee members serve on any other audit committee of a listed company.

COMPENSATION COMMITTEE. The current members of the Compensation Committee are Robert G. Pulver, as Chair, Frank W. Berlin, Michael A. Coppola and Orville E. Crowley, all of whom are independent directors under criteria established by the SEC and NASDAQ. The Compensation Committee reviews the Company's compensation and benefit policies, including the individual salaries of the executive officers, makes recommendations to the Board as to the salary of the Chief Executive Officer, makes recommendations to the Board as to incentive compensation plans and employment agreements between the Company, the Chief Executive Officer and other executive officers of the Company or any of its subsidiaries and makes recommendations to the Board with respect to compensation of directors. The Compensation Committee also has responsibility for administration of the Company's Restricted Stock Compensation Plan. It also performs the duties set forth in its written charter, which has been adopted by the Board. Reference is also made to the "Report of the Compensation Committee" contained herein. The Compensation Committee met one time during 2005.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE. The current members of the Nominating and Corporate Governance Committee are Steven G. Chapman, as Chair, Frank W. Berlin, George D. Milligan and Robert G. Pulver, all of whom are independent directors under criteria established by the SEC and NASDAQ. During 2005, the Nominating and Corporate Governance Committee met one time. This Committee makes recommendations to the Board regarding the composition and structure of the Board and nominations for elections of Directors and develops policies and processes regarding principles of corporate governance in order to ensure the Board's compliance with its fiduciary duties to the Company and its Shareholders, including establishment and periodic review of a code of ethics and conduct for all directors, officers, and employees of the Company and its subsidiaries. This Committee recommended the director-nominees proposed in this proxy statement for election by the Shareholders. The Committee reviews the qualifications of, and recommends to the Board, candidates to fill Board vacancies if any were to occur during the year. The Nominating and Corporate Governance Committee also performs the duties set forth in its written charter, which has been adopted by the Board. This Committee will consider, as part of its nomination process, any director candidate recommended by a Shareholder who follows the procedures shown under the heading "2007 Shareholder Proposals". The Nominating and Corporate Governance Committee (the "Committee") follows the processes below when identifying and evaluating nominees to the Board:

Procedures for identifying candidates:

a) Review current directors of the Company.

b) Review current directors of the Company's banking subsidiary, West Bank.

c) Solicit input from existing directors and executive officers.

d) Review submissions from Shareholders, if any.

The following criteria will be considered when evaluating nominee candidates:

a) Composition

The Board should be composed of:

1. Directors chosen with a view to bringing to the Board a variety of experiences and backgrounds.

2. Directors who have high level managerial experience or are accustomed to dealing with complex problems.

3. Directors who will represent the balanced, best interests of the Shareholders as a whole rather than special interest groups or constituencies, while also taking into consideration

the overall composition and needs of the Board.

A majority of the Board's directors shall be independent directors under the criteria for independence required by the SEC and NASDAQ.

b) Selection Criteria

In considering possible candidates for election as an independent outside director, the Committee and other directors should be guided by the foregoing general guidelines and by the following criteria:

1. Each director should be an individual of the highest character and integrity, have experience at or demonstrated understanding of strategy/policy-setting and a reputation for working constructively with others.

2. Each director should have sufficient time available to devote to the affairs of the Company in order to carry out the responsibilities of a director.

3. Each director should be free of any conflict of interest that would interfere with the proper performance of the responsibilities of a director.

4. The Chief Executive is expected to be a director. Other members of senior management may be considered, but Board membership is not necessary or a prerequisite to a higher management position.

During 2005, directors of the Company received an annual retainer of $2,400 plus $400 per meeting (board and committee) with the exception of the Audit Committee, which received $500 per meeting. If the Audit Committee meeting is on the same day as a regular board meeting, the fee paid directors attending the Audit Committee and attending the board meeting would be a total of $500. Directors of the Company who also served as directors of the Bank received fees during 2005 of $350 for each Bank board meeting attended (ten meetings held) plus an annual retainer of $2,400 per year, $400 for loan committee meetings attended and $300 for other committee meetings attended. Directors who are also officers of the Company do not receive director's fees.

Directors of the Company are eligible to receive grants of restricted stock under the Restricted Stock Compensation Plan. No awards of such restricted stock were made during 2005.

EXECUTIVE COMPENSATION

The following table sets forth all compensation earned or paid to the six most highly compensated executive officers for services rendered in the fiscal years ended December 31, 2005, 2004, and 2003. All compensation was paid by the Bank for services rendered as executive officers, except Scott D. Eltjes, who was paid by WB Capital Management Inc. No compensation was paid by the Company to any of the named executive officers. Bonus amounts are shown in the year accrued.

SUMMARY COMPENSATION TABLE

Name and Current Positions	Year	Base Salary	Bonus(1)	All Other Compensation
Thomas E. Stanberry, Chairman, President and Chief Executive Officer of the Company	2005	$200,000	$304,000	$ 20,738
Chairman and Chief Executive Officer of the Bank	2004	200,000	224,346	15,690
Chairman of WB Capital Management Inc.	2003	166,667	136,666	85,336
Chairman of Investors Management Group, Ltd.				
Brad L. Winterbottom, Vice President of the Company	2005	$180,000	$ 39,600	$ 18,477
Director and President of the Bank	2004	173,000	38,060	17,737
Director of WB Capital Management Inc.	2003	168,000	34,610	17,019
Director of Investors Management Group, Ltd.				
Douglas R. Gulling, Executive Vice President and Chief Financial Officer of the Company	2005	$161,000	$ 35,420	$ 16,742
Director and Chief Financial Officer of the Bank	2004	155,000	39,450	16,085
Director and Treasurer of WB Capital Management Inc.	2003	125,000	27,500	12,708
Director and Treasurer of Investors Management Group, Ltd.				
Scott D. Eltjes, Director and Head of WB Capital Management Inc.	2005	$150,000	$ 0	$ 4,710
Director of Investors Management Group, Ltd.	2004	150,000	0	15,690
	2003	38,077	0	3,808
Joyce A. Chapman, Vice President of the Company	2005	$111,000	$ 24,420	$ 12,282
Executive Vice President and Director of the Bank	2004	107,000	23,540	11,775
Director of WB Capital Management Inc.	2003	102,000	21,340	10,476
Director of Investors Management Group, Ltd.				
Sharen K. Surber, Executive Vice President of the Bank	2005	$111,000	$ 24,420	$ 12,282
	2004	107,000	23,540	11,775
	2003	104,000	21,780	10,687

(1) Includes a holiday bonus equal to two percent of annual salary, which is paid to all officers and employees of the Bank.

(2) Consists entirely of contributions made by the Company on behalf of the named executive officer to the Company's Employee Savings and Stock Ownership Plan except for the following amounts for 2005, 2004, and 2003, respectively, which represent premiums on group term life insurance coverage: Stanberry - $690, $690, and $61; Winterbottom - $446, $437, and $212; Gulling - $600, $585, and $207; Eltjes - $210, $189, and $18; Chapman - $1,105 , $1,075, and $268; and Surber $1,105, $1,075, and $279; and relocation expense reimbursement of $85,285 in 2003 for Stanberry.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee reviews the Company's compensation and benefit policies, including the salaries of the executive officers, and submits recommendations to the Board.

Executive Officer Compensation. The Compensation Committee has established a compensation program consisting of an annual base salary and the opportunity to earn incentive compensation. The base salaries are intended to be competitive and consistent with amounts paid to executives performing similar functions in comparable companies. The incentive compensation is contingent upon the attainment of targeted net income of the Company and personal performance objectives established early in the year.

Chief Executive Officer Compensation. The 2005 compensation arrangement for Mr. Stanberry consisted of a base salary of $200,000 plus a bonus. A $300,000 bonus was accrued in 2005 and paid in 2006. The bonus was determined based upon the attainment of certain financial performance goals as determined by the Compensation Committee. The financial performance goals included return on average assets and return on average equity as a multiple of the Company's peer group and the attainment of budgeted net income. In 2006, Mr. Stanberry's financial performance goals will be similar to those in 2005.

The Compensation Committee believes the Chief Executive Officer and other executive officers of the Company and the Bank receive appropriate compensation for their responsibilities and the resulting financial performance of the Company, based upon the review of published comparative data.

The undersigned members of the Compensation Committee have submitted this report.

Robert G. Pulver, Chair
Frank W. Berlin
Michael A. Coppola
Orville E. Crowley

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee are set forth in the preceding section. No members of the Committee have ever been officers or employees of the Company or any of its subsidiaries, or have ever had any relationship otherwise requiring disclosure hereunder.

EMPLOYMENT CONTRACTS.

The executive officers named in the Summary Compensation Table, with the exception of Messrs. Stanberry and Eltjes, have entered into employment contracts with the Bank. The provisions are similar for each executive, except for salary which is shown in the table above, and call for compensation in the event of a change in control of up to two year's salary, compensation in certain cases of termination by the Company and by the executive, and an agreement by the executive not to compete against the Company during the term of the executive's employment and for a period of one year after termination of the agreement, in the event of voluntary termination by the employee. The terms of the individual contracts are automatically renewable for one year unless modification not to renew is given by either party prior to September 30th of each year.

EMPLOYMENT AGREEMENTS.

Effective March 1, 2003, Mr. Stanberry entered into an employment agreement with the Company whereby, in exchange for his service, he receives a base salary of $200,000 per year subject to an annual review by the Board. In addition, Mr. Stanberry is eligible to receive an annual incentive payment, with the amount and criteria to be determined at the discretion of the Board. He is also eligible to participate in the Company's employee benefit plans and receives reimbursement for club memberships. The annual incentive payment for 2005 was $300,000. The agreement is for a three-year period and is renewable on an annual basis for a three-year period. The agreement calls for compensation in the event of a change in control equal to three times the base salary plus the most recent annual incentive payment, compensation in certain cases of termination by the Company or by Mr. Stanberry, and an agreement by Mr. Stanberry not to compete against the Company during the term of his employment and for a period of one year after termination of the agreement, in the event of voluntary termination by the employee.

Mr. Eltjes has entered into an employment agreement with WB Capital Management Inc. that runs through September 30, 2008. Subsequent to September 30, 2008, the agreement will automatically renew for additional terms of one year. The agreement includes a covenant not to compete. In the event of termination due to a change in control of the Company, the agreement requires payment of Mr. Eltjes' salary for the remaining term of the agreement.

EMPLOYEE BENEFIT PLANS

The Company sponsors an employee savings and stock ownership plan with a 401(k) feature covering substantially all of its employees. The plan was originally established as a profit sharing plan for the Bank effective January 1, 1965. It was amended to add 401(k) provisions as of April 15, 2000, and was restated during 2004 to include a stock ownership plan. The plan allows for employee contributions that are employer matched up to certain levels. The plan provides for profit sharing contributions as the Board determines annually.

In 2005, the Shareholders approved the West Bancorporation, Inc. Restricted Stock Compensation Plan. The purpose of the Plan is to attract and retain able individuals by rewarding directors and employees of the Company and its subsidiaries and to align the interests of directors and employees with those of the Shareholders. The Plan provides for restricted stock awards to be made under the Plan until March 1, 2015, up to a maximum of 300,000 shares. As of December 31, 2005, no awards had been granted.

LOANS TO DIRECTORS AND OFFICERS AND OTHER TRANSACTIONS WITH DIRECTORS AND OFFICERS

Certain directors and executive officers of the Company, their associates, or members of their families were customers of and have had transactions with the Bank from time to time in the ordinary course of business, and additional transactions are expected to occur in the ordinary course of business in the future. All loans and commitments included in such transactions have been made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. In the opinion of management of the Company, such loan transactions do not involve more than the normal risk of collectibility or present other unfavorable features.

The Bank leases two branch facilities from a company that is 33 1/3% owned by Mr. Coppola. Mr. Coppola also serves as the president of the lessor. Annual lease payments on those two branch facilities totaled approximately $167,000 in 2005. One lease, which was modified in 2005, expires in 2030, and the other expires in 2018. The latter lease contains options to renew for up to 25 additional years. Terms of the original leases were consummated prior to Mr. Coppola being named a director in 1996.

The Audit Committee has conducted an appropriate review of these transactions for conflict of interest situations and has approved or ratified same.

STOCK PRICE PERFORMANCE GRAPH

The following performance graph provides information regarding cumulative, five-year return on an indexed basis of the Common Stock as compared with the NASDAQ - Total US Index and the SNL Midwest Bank Index prepared by SNL Financial L.C. of Charlottesville, Virginia. The latter index reflects the performance of bank holding companies operating principally in the Midwest as selected by SNL Financial. The indices assume the investment of $100 on December 31, 2000, in the Common Stock, the NASDAQ - Total US Index, and the SNL Midwest Bank Index, with all dividends reinvested. The Company's stock price performance shown in the following graph is not indicative of future stock price performance.

WEST BANCORPORATION, INC.

[TOTAL RETURN PERFORMANCE GRAPH]

	Period Ending				
Index	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04
West Bancorporation, Inc.	100.00	112.15	150.68	178.04	197.93
NASDAQ - Total US	100.00	79.18	54.44	82.09	89.59
SNL Midwest Bank Index	100.00	102.20	98.59	126.20	142.40

REPORT OF THE AUDIT COMMITTEE

The incorporation by reference of this proxy statement into any document filed with the SEC by the Company shall not be deemed to include the following report unless such report is specifically stated to be incorporated by reference into such document.

The Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2005, (the "Audited Financial Statements"), with the Company's management.

2. The Audit Committee has discussed with McGladrey & Pullen, LLP, the Company's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61 and No. 90 (Communication with Audit Committees), as in effect on the date of this proxy statement.

3. The Audit Committee has received the written disclosures and the letter from McGladrey & Pullen, LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as in effect on the date of this proxy statement, and has discussed with McGladrey & Pullen, LLP its independence.

4. Based on the review and discussion referred to in paragraphs (1)

through (3) above, the Audit Committee recommended to the Board, and the Board approved, that the Audited Financial Statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, for filing with the SEC.

5. The Board has approved the Audit Committee Charter.

6. The Audit Committee has approved or ratified all related party transactions between directors and the Company.

The undersigned members of the Audit Committee have submitted this report.

Jack G. Wahlig, Chair
Michael A. Coppola
Connie Wimer

REPORT OF THE NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Nominating and Corporate Governance Committee ("the Committee") evaluated the qualifications and performance of each of the members of the Board of Directors. In its evaluation, the Committee compared each of the current Board members to the qualifications and characteristics of a director set forth in the Committee's charter. The Committee then contacted each director to determine his or her willingness to stand for re-election and determined that each was willing to continue service. The Committee also determined that the current size of the Board should be maintained. Based on the foregoing, the Committee concluded that each of the current Board members should be nominated for re-election at the Annual Meeting.

The Committee reviewed the adequacy of its Charter and the Charters of the Audit and Compensation Committees. The Committee did not recommend any modifications to the Charters. The Committee also reviewed the Company's Code of Conduct and recommended a change which will be considered by the boards of the Company and its affiliates at their next regularly scheduled meetings. The Committee performed all the other duties stated in its Charter.

The undersigned members of the Nominating and Corporate Governance Committee have submitted this report.

Steven G. Chapman, Chair
Frank W. Berlin
George D. Milligan
Robert G. Pulver

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board, at the recommendation of the Audit Committee, has approved McGladrey & Pullen, LLP, an independent registered public accounting firm, as the principal accountant for the Company. McGladrey & Pullen, LLP, will conduct the audit examination of the Company and its subsidiaries for 2006. McGladrey & Pullen, LLP was also the principal accountant and performed the audit in 2005.

A representative from McGladrey & Pullen, LLP will be present at the Annual Meeting. He will have the opportunity to make a statement and will be available to respond to appropriate questions from Shareholders.

AUDIT FEES

The following table presents fees for professional audit services rendered by

McGladrey & Pullen, LLP for the audit of the Company's annual financial statements for the fiscal years ended December 31, 2005, and 2004, and fees billed for other services rendered by McGladrey & Pullen, LLP and its associated entity RSM McGladrey, Inc.:

	2005	2004
Audit fees (1)	$ 129,000	$ 151,915
Audit-related fees (2)	30,102	19,564
Tax fees (3)	12,540	10,730
All other fees	-	-
Total	$ 171,642	$ 182,209

(1) Audit fees represent fees for professional services provided for the audit of the Company's annual financial statements, review of the Company's quarterly financial statements in connection with the filing of current and periodic reports, and reporting on internal controls in accordance with Section 404 of Sarbanes Oxley.

(2) Audit-related fees represent an audit of the Company's profit sharing plan in 2005 and 2004 and agreed upon procedures for student lending.

(3) Tax fees represent fees for professional services related to tax compliance, which included preparation of tax returns and tax advice regarding acquisitions.

Independence: The Audit Committee considered whether the non-audit services provided by McGladrey & Pullen, LLP and its associated entity RSM McGladrey, Inc. to the Company are compatible with maintaining the independence of McGladrey & Pullen, LLP and concluded that the independence of McGladrey & Pullen, LLP is not compromised by the provision of such services.

The Audit Committee pre-approves all auditing services and permitted non-audit services, including the fees and terms of those services, to be performed for the Company by its independent registered public accounting firm prior to engagement.

SHAREHOLDER COMMUNICATIONS

The Company provides a process for Shareholders to send communications to the Board. Shareholders may send communications to the Board by contacting Mr. Douglas Gulling, the Company's Chief Financial Officer, in one of the following ways:

- in writing, mailed or delivered to 1601 22nd Street, Suite 209, West Des Moines, IA 50266, or

- by e-mail to dgulling@westbankiowa.com.

The Chief Financial Officer will submit each communication received to the Board at the next regular meeting.

2007 SHAREHOLDER PROPOSALS

In order for any proposals of Shareholders to be presented as an item of business at the Annual Meeting of Shareholders of the Company to be held in 2007, the proposal must be received at the Company's principal executive offices no later than November 9, 2006, and must be limited to 500 words. To be included in the Company's proxy statement, the Shareholder must be a holder of record or beneficial owner of at least $2,000 in market value of the Company's shares entitled to be voted on the proposal and have held the shares for at least one year and shall continue to hold the shares through the date of the meeting. Either the Shareholder, or the Shareholder's representative who is qualified under state law to present the proposal on his or her behalf, must attend the meeting to present the proposal. Shareholders may not submit more than one proposal. A Shareholder proposal submitted outside the procedures prescribed in Rule 14a-8 under the Securities Exchange Act of 1934 shall be considered untimely unless received no later than January 24, 2007.

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Shareholders wishing to recommend names of individuals for possible nomination to the Board may do so according to the following procedures established by the Board:

1. Contact the Secretary of the Company to obtain the Board Membership Criteria established by the Board.

2. Make typewritten submission to the Secretary of the Company naming the proposed candidate and specifically noting how the candidate meets the criteria set forth by the Board.

3. Submit the recommendation to the Company by 120 days prior to the expected mailing date of the proxy.

4. Prove the person making the recommendation is a Shareholder who owns shares with a market value of at least $2,000 and who has held those shares for at least one year at the time the submission is made.

5. If the person being recommended is aware of the submission, he or she must sign a statement so indicating.

6. If the person being recommended is not aware of the submission, the submitter must explain why.

The written submission must be mailed to:

Corporate Secretary
West Bancorporation, Inc.
1601 22nd Street, Suite 209
West Des Moines, Iowa 50266

GENERAL MATTERS

The Company will provide, when available, a copy of its annual report on Form 10-K as filed with the SEC, without charge to each Shareholder solicited, upon the written or oral request of any such Shareholder. Such request should be directed to the Chief Financial Officer, West Bancorporation, Inc., 1601 22nd Street, West Des Moines, Iowa 50266 or by calling 515-222-2300. The Company's Form 10-K will also be available on the SEC's internet website at http://www.sec.gov/edgar/searchedgar/webusers.htm and through a link in the investor relations section of the Company's website at www.westbankiowa.com.

OTHER MATTERS

Management does not know of any other matters to be presented at the Annual Meeting, but should other matters properly come before the Annual Meeting, the proxies will vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

/s/ Alice A. Jensen

Alice A. Jensen, Secretary

March 10, 2006

WEST BANCORPORATION, INC.

APPENDIX TO THE PROXY STATEMENT

FISCAL YEAR 2005

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WEST BANCORPORATION, INC.

GENERAL INFORMATION

West Bancorporation, Inc. (the "Company") is an Iowa corporation and bank holding company registered under the Bank Holding Company Act of 1956, as amended. The Company was organized and incorporated in 1984 to serve as a holding company for its principal banking subsidiary, West Bank.

West Bank's operations are conducted primarily within the Des Moines and Iowa City, Iowa metropolitan areas. The principal sources of revenue are from interest and fees earned on loans, service charges on deposit accounts and interest on fixed income securities.

On October 1, 2003, the Company, through a new wholly-owned subsidiary, WB Capital Management Inc., purchased the assets of VMF Capital, L.L.C., a registered investment advisor. The company is doing business as VMF Capital, with offices in Cedar Rapids and West Des Moines, Iowa and provides portfolio management services to individuals, retirement plans, corporations, foundations and endowments.

On December 30, 2005, the Company purchased Investors Management Group, Ltd. ("IMG") from AMCORE Financial, Inc. IMG is an asset management company located in West Des Moines, Iowa and provides portfolio management services to insurance companies, banks, political subdivisions, associations, other organizations and individuals.

West Bancorporation Capital Trust I (the "Trust") was formed in 2003 for the purpose of issuing trust preferred securities. The Trust is recorded on the books of the Company using the equity method of accounting.

The Company's stock trades on the NASDAQ National Market under the symbol WTBA.

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WEST BANCORPORATION, INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA

	Years Ended Dec		
(dollars in thousands, except per share amounts)	2005	2004	2003
Operating Results			
Interest income	$ 63,475	$ 49,599	$ 43,4
Interest expense	25,102	13,952	11,1
Net interest income	38,373	35,647	32,3
Provision for loan losses	1,775	1,200	8
Net interest income after provision for loan losses	36,598	34,447	31,4
Noninterest income	11,517	10,706	9,3
Noninterest expense	18,645	16,968	14,6
Income before income taxes	29,470	28,185	26,0
Income taxes	9,395	9,571	8,8
Net income	$ 20,075	$ 18,614	$ 17,2
Dividends and Per Share Data (1)			
Cash dividends	$ 10,689	$ 10,484	$ 10,2
Cash dividends per share	0.640	0.625	0.6
Basic earnings per share	1.20	1.11	1.

Average common shares outstanding	16,701,843	16,761,278	16,863,2
Year End Balances			
Total assets	$ 1,244,380	$ 1,148,435	$ 1,000,6
Investment securities	274,718	347,052	274,9
Loans	867,504	725,845	599,3
Allowance for loan losses	(7,615)	(6,527)	(5,9
Deposits	944,893	865,932	705,0
Long-term borrowings	99,188	101,893	106,0
Stockholders' equity	104,520	97,620	92,8
Equity to assets ratio	8.40%	8.50%	9.

	Years Ended Decembe			
(dollars in thousands)	2005	2004	2003	
Net income	$ 20,075	$ 18,614	$ 17,283	$
Average assets	1,192,208	1,066,511	932,907	
Average stockholders' equity	100,392	94,209	88,742	
Return on assets (net income divided by average assets)	1.68%	1.75%	1.85%	
Return on equity (net income divided by average equity)	20.00%	19.76%	19.48%	
Efficiency ratio (noninterest expense divided by noninterest income plus taxable equivalent net interest income)	36.22%	35.78%	34.78%	
Dividend payout ratio (dividends paid divided by net income)	53.25%	56.32%	59.26%	
Equity to assets ratio (average equity divided by average assets)	8.42%	8.83%	9.51%	

(1) In July 2004, the Company's Board of Directors authorized a 5 percent common stock dividend. Per share numbers in this report have been adjusted for that stock dividend.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion is provided for the consolidated operations of the Company, which includes its wholly-owned banking subsidiary, West Bank (the "Bank"), and its wholly-owned investment advisory subsidiaries, WB Capital Management Inc. d/b/a VMF Capital ("VMF Capital") and Investors Management Group, Ltd. ("IMG"). The purpose of this discussion is to focus on significant factors affecting the Company's financial condition and results of operations. IMG was acquired on December 30, 2005 and the balance sheet is included in the consolidated balance sheet. This subsidiary had no effect on the results of operations for 2005 and is expected to be neutral to earnings in 2006 and accretive thereafter.

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT

The information contained in this report may contain forward-looking statements about the Company's growth and acquisition strategies, new products and services, and future financial performance, including earnings and dividends per share, return on average assets, return on average equity, efficiency ratio and capital ratio. Certain statements in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based upon certain underlying assumptions, risks and uncertainties. Because of the possibility of change in the underlying assumptions, actual results could differ materially from these forward-looking statements. Risks and uncertainties that may affect future results include: interest rate risk, competitive pressures, pricing pressures on loans and deposits, actions of bank and non-bank competitors, changes in local and national economic conditions, changes in regulatory requirements, actions of the Securities and Exchange Commission and/or the Federal Reserve Board, and customers' acceptance of the Company's products and services. The Company undertakes no obligation to revise or update such forward-looking statements to reflect current events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

CRITICAL ACCOUNTING POLICIES

The "Management's Discussion and Analysis of Financial Condition and Results of Operations," and disclosures included within this report, are based on the Company's audited consolidated financial statements. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial information contained in these statements is, for the most part, based on approximate measures of the financial effects of transactions and events that have already occurred. However, the preparation of these statements requires management to make certain estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses.

The Company's significant accounting policies are described in the "Notes to Consolidated Financial Statements". Based on its consideration of accounting policies that involve the most complex and subjective estimates and judgments, management has identified its most critical accounting policy to be that related to the 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 Company has policies and procedures for evaluating the overall credit quality of its loan portfolio including timely identification of potential problem loans. On a quarterly basis, management reviews the appropriate level for the allowance for loan losses incorporating a variety of risk considerations, both quantitative and qualitative. Quantitative factors include the Company's historical loss experience, delinquency and charge-off trends, collateral values, known information about individual loans and other factors. Qualitative factors include the general economic environment in the Company's market areas and the expected trend of those economic conditions. To the extent actual results differ from forecasts and management's judgment, the allowance for loan losses may be greater or less than future charge-offs.

RESULTS OF OPERATIONS - 2005 COMPARED TO 2004

OVERVIEW

For the year ended December 31, 2005, the Company recorded net income of $20,075,000, an increase of 7.8 percent from net income of $18,614,000 in 2004. Earnings per share were $1.20 in 2005 compared to $1.11 in 2004. The increase was primarily due to higher net interest income, which increased $2,726,000 due to significant loan growth. Average loans grew 22 percent over the prior year. The provision for loan losses was $575,000 higher than the prior year. Noninterest income increased by $811,000, while noninterest expenses were $1,677,000 higher in 2005.

The Company's return on average assets (ROA) was 1.68 percent in 2005, compared to 1.75 percent in 2004. The return on average equity (ROE) was 20.00 percent, compared to 19.76 percent for the prior year.

The flattening yield curve during 2005 caused the net interest margin to decline 9 basis points from a year ago. The decline is the result of the cost of short-term borrowings and jumbo certificates of deposit rising more than the yields on the loan and investment portfolios.

Year-to-date noninterest income was higher than last year due to investment advisory fees earned by VMF Capital, increased trust fees, higher loan-related fees (not subject to deferral and amortization), and increased gains on sale of investment securities.

Year-to-date noninterest expense was 9.9 percent higher than a year ago due to increases in compensation related expenses, occupancy costs, consulting fees and net other real estate owned expense.

The Company has consistently used the efficiency ratio to measure productivity. This ratio is computed by dividing noninterest expense by the sum of tax-equivalent net interest income plus noninterest income (excluding gains and losses from the sale of securities). For the year ended December 31, 2005, the Company's efficiency ratio was 36.22 percent, up from the prior year's ratio of 35.78 percent. This ratio for both years is significantly better than peer group averages, which are generally around 60 percent according to data in the September 2005 Bank Holding Company Performance Report, a report prepared by the Federal Reserve Board's Division of Banking Supervision and Regulation. The Company expects the efficiency ratio for 2006 to be in the range of 44 percent. The ratio is expected to increase in part due to the acquisition of IMG, which is a non-bank investment advisory firm.

Net Interest Income

Net interest income increased 7.6 percent to $38,373,000 for 2005 primarily due to the increase in loan volume, which more than offset the rising rates paid on deposits and borrowings. Average loans grew by 21.6 percent and the average balance of the investment portfolio was up 3.7 percent. The average yield on earning assets increased 77 basis points, while the average rate on interest-bearing liabilities increased 106 basis points. The net interest spread, which is the difference between the yield earned on assets and the rate paid on liabilities, declined to 3.07 percent from 3.36 percent a year earlier. Net interest margin, which is tax-equivalent net interest income as a percent of average earning assets, was 3.62 percent in 2005, down from 3.71 percent in 2004.

Loan Growth/Loan Quality

At December 31, 2005, total loans increased approximately $142 million to $868 million from $726 million a year earlier. Most of the growth came in commercial, construction and commercial real estate loans. Loan quality remained good with non-performing loans at December 31, 2005 totaling $4,912,000, or .57 percent of total loans. One loan accounted for $3,867,000 of this total. The loan is a commercial loan secured by commercial real estate used in the operation of the customer's business and farmland. Due to the time period that could be involved in resolving this loan and the fact it may be necessary for the collateral to be liquidated in order to satisfy the obligation, it was placed on non-accrual status. At December 31, 2004, non-performing loans totaled $860,000 or .12 percent of total loans. Non-performing loans include loans on non-accrual status, loans that have been renegotiated to below market interest rates or terms, and loans past due 90 days or more.

The allowance for loan losses, which totaled $7,615,000, represented 155 percent of non-accrual loans and loans past due more than 90 days at the end of 2005, compared to 759 percent for 2004. The provision for loan losses totaled $1,775,000 for 2005, up from $1,200,000 for 2004. The Company's net charge-offs as a percent of average loans were .09 percent for 2005, compared to .10 percent for 2004. The amount of loans charged off in 2005 totaled $823,000 compared to $815,000 in 2004. Recoveries in 2005 from loans previously charged-off were $136,000, down from $167,000 in the prior year.

The allowance for loan losses represents a reserve available to absorb probable loan losses within the loan portfolio as of December 31, 2005. The allowance is based on management's judgment after considering various factors such as the current and anticipated economic environment, historical loan loss experience, and evaluation of individual loans.

Management considered the allowance for loan losses at December 31, 2005 sufficient to absorb probable loan losses within the portfolio.

Noninterest Income

The following table shows the variance from the prior year in the noninterest income categories shown in the Consolidated Statements of Income. In addition, accounts within the Other Income category that represent significant variances are shown (in thousands).

	Years ended December 31			
	2005	2004	Change	Change-%
Noninterest income				
Service charges on deposit accounts	$ 4,660	$ 4,968	$ (308)	-6.20%
Trust services	820	632	188	29.75%
Investment advisory fees	3,349	2,683	666	24.82%
Increase in cash value of bank-owned life insurance	843	869	(26)	-2.99%
Net realized gains on sale of securities	291	199	92	46.23%
Other income:				
VISA/MasterCard income	132	175	(43)	-24.57%
Debit card usage fees	194	156	38	24.36%
ATM surcharge fees	86	96	(10)	-10.42%
Gain on sale of residential mortgages	119	152	(33)	-21.71%
Gain on sale of commercial loans	51	-	51	N/A
Other loan fees	178	-	178	N/A
All other income	794	776	18	2.32%
Total other income	1,554	1,355	199	14.69%
Total noninterest income	$11,517	$10,706	$ 811	7.58%

Service charges on deposit accounts declined for two reasons. First, higher interest rates resulted in a higher earnings credit on commercial checking accounts, which resulted in lower service charges. Second, return check charges declined in 2005 due to fewer customers overdrawing their accounts. Income from trust services was up due to a higher amount of custodial assets and assets under management. Also, certain types of trusts, such as estates, can cause fluctuations in earned fees. Investment advisory fees are fees earned by VMF Capital. The increase in fees was due to sales efforts throughout the past year, which resulted in total average assets under management increasing from $715 million in 2004 to $800 million in 2005. In 2006, investment advisory fees will also include the revenue of IMG, which was purchased on December 30, 2005. The decline in VISA/MasterCard income was due to a decline in the number of merchant customers and lower sales activity at certain merchants. The increase in debit card usage fees was the result of higher volumes as customers continued to expand utilization of this convenient payment method. The decline in the ATM card usage fees was due to changes in behavior as non-customers seek to avoid surcharges when using an ATM. Gains from sale of residential mortgages originated for sale in the secondary market declined because of lower volume due to rising interest rates and increased pricing competition. The gains from the sale of commercial loans resulted from the sale of the United States Department of Agriculture (USDA) guaranteed portion of commercial loans in the first half of the year. Noninterest related loan fees included the recognition of a fee for a loan commitment that was terminated by a customer in the second quarter of 2005.

Noninterest Expense

Total noninterest expense increased 9.9 percent to $18,645,000 in 2005 from $16,968,000 in 2004.

The following table shows the variance from the prior year in the noninterest expense categories shown in the Consolidated Statements of Income. In addition, accounts within the Other Expense category that represent significant variances are shown (in thousands).

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	Years ended December 31			
	2005	2004	Change	Change-%
Noninterest expense:				
Salaries and employee benefits	$ 10,308	$ 9,680	$ 628	6.49%
Occupancy	2,497	2,057	440	21.39%
Data processing	1,428	1,361	67	4.92%
Charitable contributions	147	147	-	0.00%
Other expenses:				
Professional fees	531	567	(36)	-6.35%
Insurance	160	129	31	24.03%
Marketing	369	324	45	13.89%
Postage and courier	398	373	25	6.70%
Consulting fees	284	84	200	238.10%
Other real estate owned expense	9	(175)	184	105.14%
Miscellaneous operating losses	183	110	73	66.36%
All other expenses	2,331	2,311	20	0.87%

Total other expenses	4,265	3,723	542	14.56%
Total noninterest expense	$ 18,645	$ 16,968	$ 1,677	9.88%

The increase in salaries and benefits was the result of staff additions, annual compensation adjustments and certain benefit costs, primarily medical insurance. As of the end of 2005, the Company had 158 full-time equivalent employees excluding IMG, compared to 145 full-time equivalent employees at December 31, 2004. As of the end of 2005, IMG had 25 full-time equivalent employees. Occupancy expenses were higher in 2005 due to one additional location (Coralville, Iowa) and increased depreciation expense related to remodeling projects and technology upgrades throughout the Company. Professional fees declined from the prior year due to lower legal fees. Insurance expense is higher because the Company's director's and officer's policy renewed in the third quarter of 2004 at premiums that were significantly higher. Marketing expense increased as a result of additional targeted marketing campaigns. The increase in consulting fees was due to a change in the contract with the Company's former chairman from that of an employment agreement to a consulting agreement and the hiring of an outside consultant to help with the implementation of software programs to assist with asset-liability management and profitability measurement. The net expense for other real estate owned increased as 2004 included gains from the sale of several other real estate properties.

Income Taxes

The Company records a provision for income taxes currently payable, along with a provision for those taxes payable in the future. Such deferred taxes arise from differences in the timing of certain items for financial statement reporting compared to income tax reporting. The effective income tax rate differs from the federal statutory income tax rate primarily due to tax-exempt interest income, the tax-exempt increase in cash value of bank-owned life insurance, tax-exempt proceeds from life insurance in 2003, disallowed interest expense, tax deductible dividends paid into the employee savings and stock ownership plan and state income taxes. Also, during 2005, management determined that with the acquisition of IMG and improving profitability at VMF Capital, the Company will be able to utilize the existing state operating loss carryforwards. The valuation allowance was recognized as a reduction in tax expense in December 2005. The effective rate of income tax expense as a percent of income before income taxes was 31.9 percent for 2005, compared to 34.0 percent for 2004. The reasons for the decline in the effective rate were the significant increase in tax-exempt municipal income and the recognition of the previously mentioned valuation allowance. The federal income tax expense was approximately $7,950,000 and $8,200,000 for 2005 and 2004, respectively, while state income tax expense was approximately $1,450,000 and $1,350,000, respectively.

RESULTS OF OPERATIONS - 2004 COMPARED TO 2003

OVERVIEW

For the year ended December 31, 2004, the Company recorded net income of $18,614,000, an increase of 7.7 percent from net income of $17,283,000 in 2003. Earnings per share were $1.11 in 2004 compared to $1.02 in 2003. Earnings per share for 2003 were restated to reflect a 5 percent common stock dividend which was issued in August 2004. Most of the increase in earnings was attributable to higher net interest income, which increased in large part because of significant asset growth. Interest income increased due to favorable volume variances despite a slight decline in the net interest margin of 6 basis points to 3.71 percent. Net income for 2004 included the first full year of operations for VMF

Capital, which was formed October 1, 2003, and for the two acquired bank branches in Iowa City.

The Company's return on average assets (ROA) was 1.75 percent in 2004, compared to 1.85 percent in 2003. The return on average equity (ROE) was 19.76 percent, compared to 19.48 percent for the prior year.

For the year ended December 31, 2004, the Company's efficiency ratio was 35.78 percent, up from the prior year's ratio of 34.78 percent.

Net Interest Income

Net interest income increased 10.3 percent to $35,647,000 for 2004 primarily due to the increase in the volume of interest-earning assets that exceeded unfavorable rate variances. Average loans grew by 22 percent and the average balance of the investment portfolio was also up 22 percent. The average yield on earning assets increased 9 basis points, while the average rate on interest-bearing liabilities increased 15 basis points. The net interest spread declined to 3.36 percent from 3.42 percent a year earlier. Net interest margin was 3.71 percent in 2004 down from 3.77 percent in 2003.

Loan Growth/Loan Quality

At December 31, 2004, total loans increased approximately $127 million to $726 million from $599 million a year earlier. Most of the growth came in commercial, construction and commercial real estate loans. Loan quality remained good with non-performing loans at December 31, 2004 totaling $860,000 or .12 percent of total loans. This compared to $1,793,000 or .30 percent of total loans at December 31, 2003.

The allowance for loan losses, which totaled $6,527,000, represented 759 percent of non-accrual loans and loans past due more than 90 days at the end of 2004, compared to 333 percent for 2003. The provision for loan losses totaled $1,200,000 for 2004, up from $850,000 for 2003. The Company's net charge-offs as a percent of average loans were .10 percent for 2004, compared to .05 percent for 2003. The amount of loans charged off in 2004 totaled $815,000 compared to $485,000 in 2003. Recoveries in 2004 from loans previously charged-off were $167,000, down from $205,000 in the prior year.

Management considered the allowance for loan losses at December 31, 2004 sufficient to absorb probable loan losses within the portfolio.

Noninterest Income

The following table shows the variance from the prior year in the noninterest income categories shown in the Consolidated Statements of Income. In addition, accounts within the Other Income category that represent significant variances are shown (in thousands).

	Years ended December 31			
	2004	2003	Change	Change-%

Noninterest income				
Service charges on deposit accounts	$ 4,968	$ 4,984	$ (16)	-0.32%
Trust services	632	507	125	24.65%
Investment advisory fees	2,683	504	2,179	432.34%
Increase in cash value of bank-owned life insurance	869	667	202	30.28%
Proceeds from bank-owned life insurance	-	821	(821)	-100.00%
Net realized gains on sale of securities	199	300	(101)	-33.67%
Other income:				
Gain on sale of residential mortgages	152	396	(244)	-61.62%
Debit card usage fees	156	129	27	20.93%
ATM surcharge fees	96	111	(15)	-13.51%
Safe deposit box rental	153	138	15	10.87%
All other income	798	748	50	6.68%
Total other income	1,355	1,522	(167)	-10.97%
Total noninterest income	$10,706	$ 9,305	$ 1,401	15.06%

Service charges on deposit accounts declined slightly due to somewhat lower nonsufficient funds fees. Income from trust services was up due to an increase in the amount of trust assets under management. Investment advisory fees are fees earned by VMF Capital, which commenced operations on October 1, 2003. Bank-owned life insurance was purchased during the first and third quarters of 2003 and the Company received tax-exempt income from life insurance proceeds in 2003 as the result of the untimely death of one of the Bank's officers. The decrease in gains on sale of real estate loans was due to lower volumes of loan originations. Debit card usage fees were up due to higher volumes. ATM surcharge fees declined as consumers sought to avoid the surcharge fee by using ATMs sponsored by their own bank. The increase in safe deposit box rental income was the result of a full year's worth of fees in the Iowa City market.

Noninterest Expense

Total noninterest expense increased 15.5 percent to $16,968,000 in 2004, from $14,694,000 in 2003.

The following table shows the variance from the prior year in the noninterest expense categories shown in the Consolidated Statements of Income. In addition, accounts within the Other Expense category that represent significant variances are shown (in thousands).

	Years ended December 31			
	2004	2003	Change	Change-%
Noninterest expense:				
Salaries and employee benefits	$ 9,680	$ 7,701	$ 1,979	25.70%
Occupancy	2,057	1,583	474	29.94%
Data processing	1,361	1,130	231	20.44%
Charitable contributions	147	1,483	(1,336)	-90.09%
Other expenses:				
Professional fees	567	326	241	73.93%
Intangible amortization	358	170	188	110.59%

Supplies	282	207	75	36.23%
Marketing	324	252	72	28.57%
Postage and courier	373	338	35	10.36%
Other real estate owned and collection expenses	(175)	66	(241)	-365.15%
Investment advisory marketers expense	216	38	178	468.42%
All other expenses	1,778	1,400	378	27.00%
Total other expenses	3,723	2,797	926	33.11%
Total noninterest expense	$ 16,968	$ 14,694	$ 2,274	15.48%

The increase in salaries and benefits included compensation related expenses for the employees associated with the two acquisitions in the last half of 2003. Occupancy expenses likewise were higher in 2004 due to the four additional locations acquired in the second half of 2003 and a new bank office in Coralville in the fourth quarter of 2004. Charitable contributions expense was significantly lower than the prior year because the Company formed and donated to the West Bancorporation Foundation, Inc. the tax equivalent amount received from a death claim from bank-owned life insurance in 2003. The increase in professional fees was the result of additional legal and accounting services associated with complying with the Sarbanes-Oxley Act of 2002 and the decision to outsource the Company's internal audit services. The increase in intangible asset amortization also related to the 2003 acquisitions. Supplies expense is higher because of the introduction of a new logo and a full year's expense for the Iowa City branches and VMF Capital. Marketing expense increased as the result of the decision to do more direct marketing to selected customer segments. Postage and courier expense was up also due to a full year's operation in Iowa City and with VMF Capital. Other real estate owned expense declined as a result of selling several other real estate properties at gains. Investment advisory marketers expense included a full year's expense compared to only the fourth quarter for 2003, and also increased due to referrals for new business.

Income Taxes

The effective rate of income tax expense as a percent of income before income taxes was 34.0 percent for 2004, compared to 33.7 percent for 2003. Federal income tax expense was approximately $8,200,000 and $7,500,000 for 2004 and 2003, respectively, while state income tax expense was approximately $1,350,000 and $1,300,000, respectively.

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY; INTEREST RATES; AND INTEREST DIFFERENTIAL

Average Balances and an Analysis of Average Rates Earned and Paid.

The following tables show average balances and interest income or interest expense, with the resulting average yield or rate by category of average earning assets or interest-bearing liability. Interest income and the resulting net interest income are shown on a fully taxable basis.

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(dollars in thousands)

2005	2004

	Average Balance	Revenue/ Expense	Yield/ Rate	Average Balance	Revenue/ Expense	Yi R
Assets						
Interest-earning assets:						
Loans: (2) (3)						
Commercial	$ 280,123	$ 18,200	6.50%	$ 279,268	$ 14,975	5.
Real estate	472,938	30,588	6.47%	334,532	20,459	6.
Consumer	11,075	840	7.58%	13,864	1,008	7.
Other (1)	21,028	1,036	4.93%	18,211	1,058	5.
Total loans	785,164	50,664	6.45%	645,875	37,500	5.
Investment securities:						
Taxable	210,966	8,957	4.25%	240,601	9,442	3.
Tax-exempt (1)	102,049	5,317	5.21%	61,117	2,977	4.
Total investment securities	313,015	14,274	4.56%	301,718	12,419	4.
Federal funds sold and other short-term investments	12,211	412	3.37%	46,588	948	2.
Total interest-earning assets (1)	1,110,390	$ 65,350	5.89%	994,181	$ 50,867	5.
Noninterest-earning assets:						
Cash and due from banks	34,393			28,326		
Premises and equipment, net	4,632			3,794		
Other, less allowance for loan losses	42,793			40,210		
Total noninterest-earning assets	81,818			72,330		
Total assets	$1,192,208			$1,066,511		

1 Tax-exempt income has been adjusted to a tax-equivalent basis using an incremental rate of 35% and is adjusted to reflect the effect of the nondeductible interest expense associated with owning tax-exempt investments.

2 Average loan balances include non-accrual loans. Interest income on non-accrual loans has been excluded.

3 Interest income on loans includes amortization of loan fees, which is not material.

(dollars in thousands)

	2005			2004		
	Average Balance	Revenue/ Expense	Yield/ Rate	Average Balance	Revenue/ Expense	Yi R

Liabilites and Stockholders' Equity						
Interest-bearing liabilities:						
Deposits:						
Savings, checking with interest, and money markets	$ 333,507	$ 5,482	1.64%	$ 395,757	$ 3,682	0.
Time deposits	333,912	10,459	3.13%	193,379	3,760	1.
Total deposits	667,419	15,941	2.39%	589,136	7,442	1.
Other borrowed funds	223,346	9,161	4.10%	203,064	6,510	3.
Total interest-bearing liabilities	890,765	25,102	2.82%	792,200	13,952	1.
Noninterest-bearing liabilities:						
Demand deposits	194,957			175,605		
Other liabilities	6,094			4,497		
Stockholders' equity	100,392			94,209		
Total liabilities and stockholders'equity	$1,192,208			$1,066,511		
Net interest income (1)		$ 40,248			$ 36,915	
Margin Analysis						
Interest income/yield on interest-earning assets (1)		$ 65,350	5.89%		$ 50,867	5.
Interest expense/rate on interest-bearing liabilities		25,102	2.82%		13,952	1.
Net interest income/net interest spread (1)		$ 40,248	3.07%		$ 36,915	3.
Net interest margin (1)			3.62%			3.

1 Tax-exempt income has been adjusted to a tax-equivalent basis using an incremental rate of 35% and is adjusted to reflect the effect of the nondeductible interest expense associated with owning tax-exempt investments.

NET INTEREST INCOME

The Company's largest component of net income is net interest income, which is the difference between interest earned on earning assets that are primarily loans and investments and interest paid on interest-bearing liabilities that are primarily deposits and borrowings. The volume of and yields earned on earning assets and the volume of and the rates paid on interest-bearing liabilities determine net interest income. Interest earned and interest paid are also affected by general economic conditions, particularly changes in market interest rates, and by competitive factors, government policies and the action of regulatory authorities. Tax-equivalent net interest income divided by average earning assets is referred to as net interest margin. For the years ending December 31, 2005, 2004 and 2003, the Company's net interest margin was 3.62 percent, 3.71 percent and 3.77 percent, respectively.

Analysis of Changes in Interest Differential

The following table sets forth, on a tax-equivalent basis, a summary of the changes in net interest income due to changes in asset and liability volumes and due to changes in interest rates.

VOLUME AND YIELD/RATE VARIANCE (1)
(in thousands and on a tax equivalent basis)

	2005 Compared to 2004			2004 Compared to 2003		
	Volume	Rate	Total	Volume	Rate	Tota
Interest Income						
Loans: (2)						
Commercial	$ 46	$ 3,179	$ 3,225	$ 597	$ (749)	$ (1
Real estate	8,892	1,237	10,129	6,185	(1,244)	4,9
Consumer	(210)	42	(168)	(339)	(41)	(3
Other (3)	151	(173)	(22)	303	(124)	1
Total loans (including fees)	8,879	4,285	13,164	6,746	(2,158)	4,5
Investment securities:						
Taxable	(1,220)	735	(485)	1,347	(79)	1,2
Tax-exempt (3)	2,120	220	2,340	1,000	(49)	9
Total investment securities	900	955	1,855	2,347	(128)	2,2
Federal funds sold and other short-term investments	(943)	407	(536)	(909)	592	(3
Total interest income (3)	8,836	5,647	14,483	8,184	(1,694)	6,4
Interest Expense						
Deposits:						
Savings, checking with interest, and money markets	(655)	2,455	1,800	459	139	5
Time deposits	3,639	3,060	6,699	1,444	(350)	1,0
Total deposits	2,984	5,515	8,499	1,903	(211)	1,6
Other borrowed funds	698	1,953	2,651	(545)	1,666	1,1
Total interest expense	3,682	7,468	11,150	1,358	1,455	2,8
Net interest income (3)	$ 5,154	$ (1,821)	$ 3,333	$ 6,826	$ (3,149)	$ 3,6

1 The change in interest that is due to both volume and rate changes have been allocated to the change due to volume and the change due to rate in proportion to the absolute value of the change in each.

2 Balances of non-accrual loans have been included for computational purposes.

3 Tax-exempt income has been converted to a tax-equivalent basis using a federal income tax rate of 35% and is adjusted for the effect of the nondeductible interest expense associated with owning tax-exempt investments.

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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, 2005
(dollars in thousands)

	Within one year	After one year but within five years	After five years but within ten years
U.S. Government agencies and corporations	$ 1,995	$ 85,879	$ 51,672
States of the United States and political subdivisions	5,529	16,858	24,814
Corporate notes and other investments	250	3,531	7,114
Total	$ 7,774	$ 106,268	$ 83,600
Weighted average yield:			
U.S. Government agencies and corporations	4.40%	3.79%	4.50%
States of the United States and political subdivisions (1)	3.47%	4.75%	5.67%
Corporate notes and other investments	0.00%	3.67%	4.27%
Total	3.59%	3.94%	4.83%

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 primarily 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, 2005, 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.

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, 2005 (dollars in thousands).

	As of December 31			
	2005	2004	2003	2002
Commercial	$ 315,512	$ 268,805	$ 244,173	$ 235,985
Real Estate				
Construction, land and land development	131,659	87,379	44,200	27,827
1-4 family residential	82,157	75,616	76,853	56,939
Commercial	306,804	273,204	204,673	143,560
Consumer and other loans	32,538	21,898	30,166	24,263
Total loans	868,670	726,902	600,065	488,574
Deferred loan fees, net	1,166	1,057	710	121
Total loans, net of deferred fees	$ 867,504	$ 725,845	$ 599,355	$ 488,453

The Company's loan portfolio primarily consists of commercial, commercial real estate, real estate construction, land and land development, residential real estate, and consumer loans. As of December 31, 2005, gross loans totaled approximately $869 million, which equals approximately 92 percent of total deposits and 70 percent of total assets. As of December 31, 2005, 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; and capital expenditure loans to finance equipment and other fixed assets. These loans generally have short maturities, have either adjustable or fixed rates and are either unsecured or secured by inventory, accounts receivable and/or equipment.

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 amortization period of up to 30 years. The majority of construction loan volume is to contractors and developers to construct commercial buildings or develop residential real estate and generally have maturities of up to 24 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.

Loans as of December 31, 2005
(dollars in thousands)

	Within one year	After one but within five years	After fiv years
Commercial	$ 190,391	$ 104,203	$ 20,9
Real Estate			
Construction, land and land development	79,381	51,398	8
1-4 family residential	17,340	54,082	10,7
Commercial	19,569	233,531	53,7
Consumer and other loans	17,467	14,732	3
Total Loans	$ 324,148	$ 457,946	$ 86,5

	After one but within five years	After fiv years
Loan maturities after one year with:		

Fixed rates	$ 346,219	$ 40,5
Variable rates	111,727	46,0
	$ 457,946	$ 86,5

Risk Elements

The following table sets forth information concerning the Company's non-performing assets for the past five years ending December 31, 2005 (dollars in thousands).

	Years Ended December 31				
	2005	2004	2003	2002	2
Non-accrual loans	$ 4,145	$ 785	$ 1,668	$ 1,354	$
Loans past due 90 days and still accruing interest	767	75	125	545	
Total non-performing loans	4,912	860	1,793	1,899	
Other real estate owned	497	175	441	529	
Total non-performing assets	$ 5,409	$ 1,035	$ 2,234	$ 2,428	$
Non-performing loans to total loans	0.57%	0.12%	0.30%	0.39%	
Non-performing assets to total loans	0.62%	0.14%	0.37%	0.50%	
Non-performing assets to total assets	0.43%	0.09%	0.22%	0.27%	

The accrual of interest on past due and other impaired loans is generally discontinued at 90 days or when, in the opinion of management, the borrower may be unable to make payments as they become due. Interest income is subsequently recognized only to the extent cash payments are received. In certain cases, interest may continue to accrue on loans past due more than 90 days when the value of the collateral is sufficient to cover both the principal amount of the loan and accrued interest. 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.

Outstanding loans of approximately $6,738,000 were placed on non-accrual status during 2005, with total non-accrual loans equaling $4,145,000 as of December 31, 2005. Two loans totaling approximately $6.1 million accounted for the majority of the total placed on non-accrual during the year. One of those loans was foreclosed upon and was subsequently sold prior to the end of the year and the second one, with a balance of approximately $3.9 million, makes up the majority of the December 31, 2005 non-accrual loans. For additional information on this loan, see the "Results of Operations - 2005 Compared to 2004" section of this report. The average balance of non-accrual loans during 2005 was approximately $1.9 million. The total amount of loans on non-accrual status as of December 31, 2004 was $785,000. Loans are placed on non-accrual status when there is doubt as to the borrower's ability to make scheduled principal and interest payments. A loan may be removed from non-accrual status when payments have resumed and it is reasonable to expect continued payment performance. For the years ended December 31, 2005, 2004 and 2003, interest income, which would have been recorded under the original terms of such loans, was approximately $91,000, $98,000 and $102,000, respectively. For the periods shown above, there were no restructured loans. As of December 31, 2005, there were no additional potential problem loans identified that are not included in the table 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 whether the loan has other special or unusual characteristics that 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 uncollectible, 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):

	Analysis of the Allowance for Loan Losses for th Ended December 31			
	2005	2004	2003	2002
Balance at beginning of period	$ 6,527	$ 5,975	$ 4,494	$ 4,240

Charge-offs:				
Commercial	685	499	302	943
Real Estate				
Construction, land and land development	6	-	-	-
1-4 family residential	69	230	4	56
Commercial	-	-	-	-
Consumer and other loans	63	86	179	195
	823	815	485	1,194
Recoveries:				
Commercial	78	33	145	499
Real Estate				
Construction, land and land development	-	-	-	-
1-4 family residential	22	80	-	-
Commercial	-	-	-	-
Consumer and other loans	36	54	60	39
	136	167	205	538
Net charge-offs	687	648	280	656
Allowance related to acquisition	-	-	911	-
Provision for loan losses charged to operations	1,775	1,200	850	910
Balance at end of period	$ 7,615	$ 6,527	$ 5,975	$ 4,494
Average loans outstanding	$ 785,164	$ 645,875	$ 531,033	$ 482,013
Ratio of net charge-offs during the period to average loans outstanding	0.09%	0.10%	0.05%	0.14%