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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2024

or

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

Commission File Number: **0-49677**

WEST BANCORPORATION, INC.

(Exact Name of Registrant as Specified in its Charter)

Iowa	**42-1230603**
(State of Incorporation)	(I.R.S. Employer Identification No.)
3330 Westown Parkway, West Des Moines, Iowa	**50266**
(Address of principal executive offices)	(Zip Code)

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

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	WTBA	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No o

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

Large accelerated filer	☐
Accelerated filer	☒
Non-accelerated filer	☐
Smaller reporting company	☐
Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 24, 2024, there were 16,832,632 shares of common stock, no par value, outstanding.

WEST BANCORPORATION, INC.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements
West Bancorporation, Inc. and Subsidiary
Consolidated Balance Sheet
(unaudited)

(in thousands, except share and per share data)	**June 30, 2024**	December 31, 2023
ASSETS		
Cash and due from banks	**$ 27,994**	$ 33,245
Interest-bearing deposits	**121,825**	32,112
Cash and cash equivalents	**149,819**	65,357
Securities available for sale, at fair value	**588,452**	623,919
Federal Home Loan Bank stock, at cost	**21,065**	22,957
Loans	**2,998,774**	2,927,535
Allowance for credit losses	**(28,422)**	(28,342)
Loans, net	**2,970,352**	2,899,193
Premises and equipment, net	**101,965**	86,399
Accrued interest receivable	**14,139**	13,581
Bank-owned life insurance	**44,416**	43,864
Deferred tax assets, net	**33,477**	34,303
Other assets	**41,430**	36,185
Total assets	**$ 3,965,115**	$ 3,825,758
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing demand	**$ 530,441**	$ 548,726
Interest-bearing demand	**443,658**	481,207
Savings and money market	**1,580,523**	1,440,076
Time	**626,300**	503,770
Total deposits	**3,180,922**	2,973,779
Federal funds purchased and other short-term borrowings	**85,500**	150,270
Subordinated notes, net	**79,762**	79,631
Federal Home Loan Bank advances	**315,000**	315,000
Long-term debt	**45,236**	47,736
Accrued expenses and other liabilities	**34,812**	34,299
Total liabilities	**3,741,232**	3,600,715
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value; authorized 50,000,000 shares; no shares issued and outstanding at June 30, 2024 and December 31, 2023	**—**	—
Common stock, no par value; authorized 50,000,000 shares; 16,832,632 and 16,725,094 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	**3,000**	3,000
Additional paid-in capital	**34,322**	34,197
Retained earnings	**273,981**	271,369
Accumulated other comprehensive loss	**(87,420)**	(83,523)
Total stockholders' equity	**223,883**	225,043
Total liabilities and stockholders' equity	**$ 3,965,115**	$ 3,825,758

See Notes to Consolidated Financial Statements.

West Bancorporation, Inc. and Subsidiary
Consolidated Statements of Income
(unaudited)

(in thousands, except per share data)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Interest income:				
Loans, including fees	**$ 41,700**	$ 35,011	**$ 81,896**	$ 67,959
Securities:				
Taxable	**3,394**	3,432	**6,810**	6,748
Tax-exempt	**808**	883	**1,618**	1,768
Interest-bearing deposits	**1,666**	25	**1,814**	55
Total interest income	**47,568**	39,351	**92,138**	76,530
Interest expense:				
Deposits	**23,943**	16,277	**45,502**	29,616
Federal funds purchased and other short-term borrowings	**1,950**	2,264	**4,133**	4,343
Subordinated notes	**1,105**	1,109	**2,213**	2,215
Federal Home Loan Bank advances	**2,718**	1,621	**5,043**	2,883
Long-term debt	**622**	739	**1,267**	1,437
Total interest expense	**30,338**	22,010	**58,158**	40,494
Net interest income	**17,230**	17,341	**33,980**	36,036
Credit loss expense (benefit)	**—**	—	**—**	—
Net interest income after credit loss expense (benefit)	**17,230**	17,341	**33,980**	36,036
Noninterest income:				
Service charges on deposit accounts	**462**	458	**922**	920
Debit card usage fees	**490**	511	**948**	997
Trust services	**794**	749	**1,570**	1,455
Increase in cash value of bank-owned life insurance	**278**	250	**552**	507
Gain from bank-owned life insurance	**—**	—	**—**	691
Other income	**322**	421	**653**	776
Total noninterest income	**2,346**	2,389	**4,645**	5,346
Noninterest expense:				
Salaries and employee benefits	**7,169**	7,029	**13,658**	13,896
Occupancy and equipment	**1,852**	1,322	**3,299**	2,649
Data processing	**754**	729	**1,468**	1,364
Technology and software	**731**	579	**1,431**	1,092
FDIC insurance	**631**	420	**1,150**	836
Professional fees	**244**	287	**501**	537
Director fees	**236**	251	**435**	456
Other expenses	**1,577**	1,857	**3,120**	3,715
Total noninterest expense	**13,194**	12,474	**25,062**	24,545
Income before income taxes	**6,382**	7,256	**13,563**	16,837
Income taxes	**1,190**	1,394	**2,562**	3,131
Net income	**$ 5,192**	$ 5,862	**$ 11,001**	$ 13,706
Basic earnings per common share	**$ 0.31**	$ 0.35	**$ 0.66**	$ 0.82
Diluted earnings per common share	**$ 0.31**	$ 0.35	**$ 0.65**	$ 0.82

See Notes to Consolidated Financial Statements.

West Bancorporation, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income (Loss)
(unaudited)

(in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net income	**$ 5,192**	$ 5,862	**$ 11,001**	$ 13,706
Other comprehensive income (loss):				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period	**(1,436)**	(8,837)	**(9,194)**	2,830
Income tax (expense) benefit	**344**	2,192	**2,254**	(719)
Other comprehensive income (loss) on securities	**(1,092)**	(6,645)	**(6,940)**	2,111
Unrealized gains on derivatives:				
Unrealized holding gains arising during the period	**2,364**	8,102	**9,853**	6,468
Plus: reclassification adjustment for net gains realized in net income	**(2,898)**	(2,467)	**(5,813)**	(4,425)
Income tax (expense) benefit	**132**	(1,382)	**(997)**	(500)
Other comprehensive income (loss) on derivatives	**(402)**	4,253	**3,043**	1,543
Total other comprehensive income (loss)	**(1,494)**	(2,392)	**(3,897)**	3,654
Comprehensive income	**$ 3,698**	$ 3,470	**$ 7,104**	$ 17,360

See Notes to Consolidated Financial Statements.

West Bancorporation, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity
(unaudited)

(in thousands, except share and per share data)

Three Months Ended June 30, 2024

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, March 31, 2024	**$ —**	**16,813,952**	**$ 3,000**	**$ 33,685**	**$ 272,997**	**$ (85,926)**	**$ 223,756**
Net income	**—**	**—**	**—**	**—**	**5,192**	**—**	**5,192**
Other comprehensive loss, net of tax	**—**	**—**	**—**	**—**	**—**	**(1,494)**	**(1,494)**
Cash dividends declared, $0.25 per common share	**—**	**—**	**—**	**—**	**(4,208)**	**—**	**(4,208)**
Stock-based compensation costs	**—**	**—**	**—**	**637**	**—**	**—**	**637**
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for payroll taxes	**—**	**18,680**	**—**	**—**	**—**	**—**	**—**
Balance, June 30, 2024	**$ —**	**16,832,632**	**$ 3,000**	**$ 34,322**	**$ 273,981**	**$ (87,420)**	**$ 223,883**

Three Months Ended June 30, 2023

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, March 31, 2023	$ —	16,712,257	$ 3,000	$ 31,797	$ 267,620	$ (85,425)	$ 216,992
Net income	—	—	—	—	5,862	—	5,862
Other comprehensive loss, net of tax	—	—	—	—	—	(2,392)	(2,392)
Cash dividends declared, $0.25 per common share	—	—	—	—	(4,181)	—	(4,181)
Stock-based compensation costs	—	—	—	845	—	—	845
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for payroll taxes	—	12,837	—	—	—	—	—
Balance, June 30, 2023	$ —	16,725,094	$ 3,000	$ 32,642	$ 269,301	$ (87,817)	$ 217,126

See Notes to Consolidated Financial Statements.

West Bancorporation, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity
(unaudited)

(in thousands, except share and per share data)

Six Months Ended June 30, 2024

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2023	$ —	16,725,094	$ 3,000	$ 34,197	$ 271,369	$ (83,523)	$ 225,043
Net income	—	—	—	—	11,001	—	11,001
Other comprehensive loss, net of tax	—	—	—	—	—	(3,897)	(3,897)
Cash dividends declared, $0.50 per common share	—	—	—	—	(8,389)	—	(8,389)
Stock-based compensation costs	—	—	—	1,212	—	—	1,212
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for payroll taxes	—	107,538	—	(1,087)	—	—	(1,087)
Balance, June 30, 2024	$ —	16,832,632	$ 3,000	$ 34,322	$ 273,981	$ (87,420)	$ 223,883

Six Months Ended June 30, 2023

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2022	$ —	16,640,413	$ 3,000	$ 32,021	$ 267,562	$ (91,471)	$ 211,112
Cumulative effect of change in accounting principle(1)	—	—	—	—	(3,626)	—	(3,626)
Net income	—	—	—	—	13,706	—	13,706
Other comprehensive income, net of tax	—	—	—	—	—	3,654	3,654
Cash dividends declared, $0.50 per common share	—	—	—	—	(8,341)	—	(8,341)
Stock-based compensation costs	—	—	—	1,556	—	—	1,556
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for payroll taxes	—	84,681	—	(935)	—	—	(935)
Balance, June 30, 2023	$ —	16,725,094	$ 3,000	$ 32,642	$ 269,301	$ (87,817)	$ 217,126

(1) Cumulative effect adjustment pursuant to adoption of ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. See Note 1 for additional information.

See Notes to Consolidated Financial Statements.

West Bancorporation, Inc. and Subsidiary
Consolidated Statements of Cash Flows
(unaudited)

	Six Months Ended June 30,	
(in thousands)	**2024**	2023
Cash Flows from Operating Activities:		
Net income	**$ 11,001**	$ 13,706
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization and accretion	**1,602**	1,638
Stock-based compensation	**1,212**	1,556
Increase in cash value of bank-owned life insurance	**(552)**	(507)
Gain from bank-owned life insurance	**—**	(691)
Depreciation	**1,517**	808
Provision for deferred income taxes	**2,083**	462
Change in assets and liabilities:		
(Increase) decrease in accrued interest receivable	**(558)**	203
Increase in other assets	**(792)**	(947)
Increase (decrease) in accrued expenses and other liabilities	**610**	(5,964)
Net cash provided by operating activities	**16,123**	10,264
Cash Flows from Investing Activities:		
Proceeds from principal paydowns, maturities and calls of securities available for sale	**24,802**	20,326
Purchases of Federal Home Loan Bank stock	**(53,633)**	(60,394)
Proceeds from redemption of Federal Home Loan Bank stock	**55,525**	57,242
Net increase in loans	**(71,159)**	(64,232)
Purchases of premises and equipment	**(17,593)**	(15,000)
Proceeds of principal and earnings from bank-owned life insurance	**—**	2,458
Net cash used in investing activities	**(62,058)**	(59,600)
Cash Flows from Financing Activities:		
Net increase (decrease) in deposits	**207,143**	(44,083)
Net decrease in federal funds purchased and other short-term borrowings	**(64,770)**	(15,850)
Net increase in Federal Home Loan Bank advances	**—**	125,000
Principal payments on long-term debt	**(2,500)**	(1,250)
Common stock dividends paid	**(8,389)**	(8,341)
Restricted stock units withheld for payroll taxes	**(1,087)**	(935)
Net cash provided by financing activities	**130,397**	54,541
Net increase in cash and cash equivalents	**84,462**	5,205
Cash and Cash Equivalents:		
Beginning	**65,357**	26,539
Ending	**$ 149,819**	$ 31,744
Supplemental Disclosures of Cash Flow Information:		
Cash payments for:		
Interest	**$ 56,673**	$ 39,277
Income taxes	**900**	2,250

See Notes to Consolidated Financial Statements.

West Bancorporation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
(unaudited)
(dollars in thousands, except per share data)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by West Bancorporation, Inc. (the Company) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to such rules and regulations. Although management believes that the disclosures are adequate to make the information presented understandable, it is suggested that these interim consolidated financial statements be read in conjunction with the Company's Annual Report on Form 10-K/A for the year ended December 31, 2023, filed with the SEC on February 23, 2024. In the opinion of management, the accompanying consolidated financial statements of the Company contain all adjustments necessary to fairly present its financial position as of June 30, 2024 and December 31, 2023, net income, comprehensive income (loss) and changes in stockholders' equity for the three and six months ended June 30, 2024 and 2023, and cash flows for the six months ended June 30, 2024 and 2023. The results for these interim periods may not be indicative of results for the entire year or for any other period.

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB). References to GAAP issued by the FASB in these footnotes are to the FASB *Accounting Standards Codification*™, sometimes referred to as the Codification or ASC. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term are the fair value of financial instruments and the allowance for credit losses.

The accompanying unaudited consolidated financial statements include the accounts of the Company, West Bank and West Bank's special purpose subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. In accordance with GAAP, West Bancorporation Capital Trust I is recorded on the books of the Company using the equity method of accounting and is not consolidated.

Current accounting developments: In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The amendments in this update provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. They provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update were effective for all entities as of March 12, 2020 through December 31, 2022. In January 2021, the FASB issued ASU No. 2021-01, Reference Rate Reform (Topic 848): *Scope*. The amendments in this update refine the scope for certain optional expedients and exceptions for contract modifications and hedge accounting to apply to derivative contracts and certain hedging relationships affected by the discounting transition. The amendments in this update were effective for all entities as of March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU No. 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848. The amendment in this update extends the period of time preparers can utilize reference rate reform relief guidance in Topic 848, discussed above. ASU No. 2022-06 defers the sunset date from December 31, 2022 to December 31, 2024. The Company does not expect the updates within Topic 848 to have a material impact on the Company's financial statements.

In March 2023, the FASB issued ASU No. 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using Proportional Amortization Method*. The ASU is intended to improve the accounting and disclosures for investments in tax credit structures. It allows reporting entities to elect to adopt for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The implementation of this ASU did not have a material impact on the Company's financial statements.

West Bancorporation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
(unaudited)
(dollars in thousands, except per share data)

In October 2023, the FASB issued ASU No. 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. The ASU incorporates certain SEC disclosure requirements into the FASB A *ccounting Standards Codification*™. The amendments in the ASU are expected to clarify or improve disclosure presentation requirements of a variety of Codification Topics, allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the Codification with the SEC's regulations. For entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for each amendment will be the date on which the SEC removes that related disclosure from its rules. For all other entities, the amendments will be effective two years later. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective for any entity. These amendments have not had an impact to the Company as of June 30, 2024.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* . The amendments in this ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* . The ASU is intended to improve the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation table and income taxes paid to be disaggregated by jurisdiction. It also includes certain amendments to improve the effectiveness of income tax disclosures. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements.

2. Earnings per Common Share

Basic earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per common share reflect the potential dilution that could occur if the Company's outstanding restricted stock units were vested. The dilutive effect was computed using the treasury stock method, which assumes all stock-based awards were exercised and the hypothetical proceeds from exercise were used by the Company to purchase common stock at the average market price during the period. The incremental shares, to the extent they would have been dilutive, were included in the denominator of the diluted earnings per common share calculation. The calculations of earnings per common share and diluted earnings per common share for the three and six months ended June 30, 2024 and 2023 are presented in the following table.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	**2024**	2023	**2024**	2023
Net income	**$ 5,192**	$ 5,862	**$ 11,001**	$ 13,706
Weighted average common shares outstanding	**16,828**	16,722	**16,780**	16,683
Weighted average effect of restricted stock units outstanding	**20**	34	**39**	46
Diluted weighted average common shares outstanding	**16,848**	16,756	**16,819**	16,729
Basic earnings per common share	**$ 0.31**	$ 0.35	**$ 0.66**	$ 0.82
Diluted earnings per common share	**$ 0.31**	$ 0.35	**$ 0.65**	$ 0.82
Number of anti-dilutive common stock equivalents excluded from diluted earnings per share computation	**431**	411	**445**	416

(dollars in thousands, except per share data)

3. Securities Available for Sale

The following tables show the amortized cost, gross unrealized gains and losses, and fair value of securities available for sale, by security type as of June 30, 2024 and December 31, 2023.

	June 30, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities available for sale:				
State and political subdivisions	**$ 230,186**	**$ —**	**$ (42,382)**	**$ 187,804**
Collateralized mortgage obligations [(1)]	**292,388**	**—**	**(58,941)**	**233,447**
Mortgage-backed securities [(1)]	**152,598**	**—**	**(27,791)**	**124,807**
Collateralized loan obligations	**30,512**	**39**	**—**	**30,551**
Corporate notes	**13,750**	**—**	**(1,907)**	**11,843**
	$ 719,434	**$ 39**	**$ (131,021)**	**$ 588,452**

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities available for sale:				
State and political subdivisions	$ 231,413	$ 19	$ (38,427)	$ 193,005
Collateralized mortgage obligations [(1)]	305,200	—	(55,267)	249,933
Mortgage-backed securities [(1)]	157,711	—	(25,873)	131,838
Collateralized loan obligations	37,632	—	(96)	37,536
Corporate notes	13,750	—	(2,143)	11,607
	$ 745,706	$ 19	$ (121,806)	$ 623,919

(1) Collateralized mortgage obligations and mortgage-backed securities consist of residential and commercial mortgage pass-through securities and collateralized mortgage obligations guaranteed by FNMA, FHLMC, GNMA and SBA.

Securities with a total amortized cost of approximately $ 537,800 and $447,074 as of June 30, 2024 and December 31, 2023, respectively, were pledged to secure access to Federal Home Loan Bank (FHLB) advances and Federal Reserve credit programs, for public fund deposits, and for other purposes as required or permitted by law or regulation.

The amortized cost and fair value of securities available for sale as of June 30, 2024, by contractual maturity, are shown below. Certain securities have call features that allow the issuer to call the securities prior to maturity. Expected maturities may differ from contractual maturities for collateralized mortgage obligations and mortgage-backed securities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Therefore, collateralized mortgage obligations and mortgage-backed securities are not included in the maturity categories within the following maturity summary.

	June 30, 2024	
	Amortized Cost	Fair Value
Due after five years through ten years	**$ 68,971**	**$ 63,560**
Due after ten years	**205,477**	**166,638**
	274,448	**230,198**
Collateralized mortgage obligations and mortgage-backed securities	**444,986**	**358,254**
	$ 719,434	**$ 588,452**

(dollars in thousands, except per share data)

There were no sales of securities available for sale during the three and six months ended June 30, 2024 and 2023.

The following tables show the fair value and gross unrealized losses, aggregated by investment type and length of time that individual securities have been in a continuous loss position, as of June 30, 2024 and December 31, 2023.

	June 30, 2024							
	Less than 12 months			12 months or longer			Total	
	Fair Value	Gross Unrealized (Losses)	No. of Securities	Fair Value	Gross Unrealized (Losses)	No. of Securities	Fair Value	Gross Unrealized (Losses)
Securities available for sale:								
State and political subdivisions	**$ 5,220**	**$ (182)**	**11**	**$ 182,584**	**$ (42,200)**	**95**	**$ 187,804**	**$ (42,382)**
Collateralized mortgage obligations	**—**	**—**	**—**	**233,447**	**(58,941)**	**71**	**233,447**	**(58,941)**
Mortgage-backed securities	**—**	**—**	**—**	**124,807**	**(27,791)**	**27**	**124,807**	**(27,791)**
Corporate notes	**—**	**—**	**—**	**11,843**	**(1,907)**	**8**	**11,843**	**(1,907)**
	$ 5,220	**$ (182)**	**11**	**$ 552,681**	**$ (130,839)**	**201**	**$ 557,901**	**$ (131,021)**

	December 31, 2023							
	Less than 12 months			12 months or longer			Total	
	Fair Value	Gross Unrealized (Losses)	No. of Securities	Fair Value	Gross Unrealized (Losses)	No. of Securities	Fair Value	Gross Unrealized (Losses)
Securities available for sale:								
State and political subdivisions	$ 3,353	$ (89)	5	$ 184,522	$ (38,338)	92	$ 187,875	$ (38,427)
Collateralized mortgage obligations	—	—	—	249,933	(55,267)	72	249,933	(55,267)
Mortgage-backed securities	—	—	—	131,838	(25,873)	27	131,838	(25,873)
Collateralized loan obligations	—	—	—	37,536	(96)	6	37,536	(96)
Corporate notes	—	—	—	11,607	(2,143)	8	11,607	(2,143)
	$ 3,353	$ (89)	5	$ 615,436	$ (121,717)	205	$ 618,789	$ (121,806)

If the Company intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis, then the security is written down to fair value through income. As of June 30, 2024 and December 31, 2023, the Company did not have the intent to sell, nor was it more likely than not that we would be required to sell any of the securities in an unrealized loss position prior to recovery. As of June 30, 2024 and December 31, 2023, the Company also determined that no individual securities in an unrealized loss position represented credit losses that would require an allowance for credit losses. The Company concluded that the unrealized losses were primarily attributable to increases in market interest rates since these securities were purchased and other market conditions. Accrued interest receivable is not included in available-for-sale security balances and is presented in the "Accrued interest receivable" line of the Consolidated Balance Sheets. Interest receivable on securities was $3,117 and $3,271 as of June 30, 2024 and December 31, 2023, respectively, and was excluded from the estimate of credit losses.

(dollars in thousands, except per share data)

4. Loans and Allowance for Credit Losses

Loans consisted of the following segments as of June 30, 2024 and December 31, 2023.

	June 30, 2024	December 31, 2023
Commercial	**$ 526,589**	$ 531,594
Real estate:		
Construction, land and land development	**496,864**	413,477
1-4 family residential first mortgages	**92,230**	106,688
Home equity	**15,264**	14,618
Commercial	**1,856,301**	1,854,510
Consumer and other	**15,234**	10,930
	3,002,482	2,931,817
Net unamortized fees and costs	**(3,708)**	(4,282)
	$ 2,998,774	$ 2,927,535

Real estate loans of approximately $1,440,000 and $1,420,000 were pledged as security for FHLB advances as of June 30, 2024 and December 31, 2023, respectively.

Loans are stated at the principal amounts outstanding, net of unamortized loan fees and costs, with interest income recognized on the interest method based upon the terms of the loan. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method. Loans are reported by the portfolio segments identified above and are analyzed by management on this basis. All loan policies identified below apply to all segments of the loan portfolio.

Allowance for Credit Losses for Loans

The following tables detail the changes in the allowance for credit losses (ACL) by loan segment for the three and six months ended June 30, 2024 and 2023.

	Three Months Ended June 30, 2024						
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Beginning balance	**$ 5,326**	**$ 4,045**	**$ 828**	**$ 140**	**$ 17,891**	**$ 143**	**$ 28,373**
Charge-offs	**(4)**	**—**	**—**	**—**	**—**	**—**	**(4)**
Recoveries	**9**	**4**	**39**	**1**	**—**	**—**	**53**
Provision for credit loss expense[1]	**(225)**	**179**	**(224)**	**7**	**252**	**11**	**—**
Ending balance	**$ 5,106**	**$ 4,228**	**$ 643**	**$ 148**	**$ 18,143**	**$ 154**	**$ 28,422**

	Six Months Ended June 30, 2024						
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Beginning balance	**$ 5,291**	**$ 3,668**	**$ 704**	**$ 142**	**$ 18,420**	**$ 117**	**$ 28,342**
Charge-offs	**(4)**	**—**	**—**	**—**	**—**	**—**	**(4)**
Recoveries	**35**	**7**	**40**	**2**	**—**	**—**	**84**
Provision for credit loss expense[1]	**(216)**	**553**	**(101)**	**4**	**(277)**	**37**	**—**
Ending balance	**$ 5,106**	**$ 4,228**	**$ 643**	**$ 148**	**$ 18,143**	**$ 154**	**$ 28,422**

(dollars in thousands, except per share data)

	Three Months Ended June 30, 2023						
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Beginning balance	$ 5,497	$ 3,166	$ 466	$ 88	$ 18,645	$ 79	$ 27,941
Charge-offs	(18)	—	—	—	—	—	(18)
Recoveries	13	—	—	2	—	—	15
Provision for credit loss expense[1]	4	118	6	20	(176)	28	—
Ending balance	$ 5,496	$ 3,284	$ 472	$ 110	$ 18,469	$ 107	$ 27,938

	Six Months Ended June 30, 2023						
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Beginning balance	$ 4,804	$ 3,548	$ 357	$ 101	$ 16,575	$ 88	$ 25,473
Adoption of CECL	677	(234)	121	(8)	1,911	(9)	2,458
Charge-offs	(18)	—	—	—	—	—	(18)
Recoveries	21	—	1	3	—	—	25
Provision for credit loss expense[1]	12	(30)	(7)	14	(17)	28	—
Ending balance	$ 5,496	$ 3,284	$ 472	$ 110	$ 18,469	$ 107	$ 27,938

(1) The negative provisions for the various segments are related to the decline in outstanding balances in each of those portfolio segments during the time periods disclosed, improvement in qualitative risk factors related to those portfolio segments and/or changes in economic forecasts.

The following tables present a breakdown of the ACL by segment, disaggregated based on the evaluation method as of June 30, 2024 and December 31, 2023.

	June 30, 2024						
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Ending balance:							
Individually evaluated for credit losses	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Collectively evaluated for credit losses	**5,106**	**4,228**	**643**	**148**	**18,143**	**154**	**28,422**
Total	**$ 5,106**	**$ 4,228**	**$ 643**	**$ 148**	**$ 18,143**	**$ 154**	**$ 28,422**

	December 31, 2023						
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Ending balance:							
Individually evaluated for credit losses	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for credit losses	5,291	3,668	704	142	18,420	117	28,342
Total	$ 5,291	$ 3,668	$ 704	$ 142	$ 18,420	$ 117	$ 28,342

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The following tables present the recorded investment in loans, exclusive of unamortized fees and costs, disaggregated based on the evaluation method by segment as of June 30, 2024 and December 31, 2023.

	June 30, 2024						
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Ending balance:							
Individually evaluated for credit losses	**$ —**	**$ —**	**$ 521**	**$ —**	**$ —**	**$ —**	**$ 521**
Collectively evaluated for credit losses	**526,589**	**496,864**	**91,709**	**15,264**	**1,856,301**	**15,234**	**3,001,961**
Total	**$ 526,589**	**$ 496,864**	**$ 92,230**	**$ 15,264**	**$ 1,856,301**	**$ 15,234**	**$ 3,002,482**

	December 31, 2023						
		Real Estate					
	Commercial	Construction and Land	1-4 Family Residential	Home Equity	Commercial	Consumer and Other	Total
Ending balance:							
Individually evaluated for credit losses	$ —	$ —	$ 296	$ —	$ —	$ —	$ 296
Collectively evaluated for credit losses	531,594	413,477	106,392	14,618	1,854,510	10,930	2,931,521
Total	$ 531,594	$ 413,477	$ 106,688	$ 14,618	$ 1,854,510	$ 10,930	$ 2,931,817

The ACL is a valuation account estimated at each balance sheet date and deducted from the amortized cost basis of loans to present the net amount expected to be collected. The Company estimates the ACL based on the underlying loans' amortized cost basis, which is the amount at which the loan is originated or acquired, adjusted for collection of cash and charge-offs, as well as applicable accretion or amortization of premiums, discounts, and net deferred fees or costs. The Company's estimate of the ACL reflects losses expected over the remaining contractual life of the assets. The contractual term does not consider extensions, renewals or modifications unless the Company has identified an expected restructuring. In the event that collection of principal becomes uncertain, the Company has policies in place to reverse accrued interest in a timely manner. Therefore, the Company has made a policy election to exclude accrued interest from the measurement of the ACL.

Accrued interest on loans of $10,948 and $10,292 at June 30, 2024 and December 31, 2023, respectively, was included in the "Accrued interest receivable" line of the Consolidated Balance Sheets and was excluded from the estimate of credit losses.

Expected credit losses are reflected in the ACL through a charge to credit loss expense. When the Company deems all or a portion of a loan to be uncollectible, the appropriate amount is written off and the ACL is reduced by the same amount. The Company applies judgment to determine when a loan is deemed uncollectible; however, generally speaking, a loan will be considered uncollectible no later than when all efforts at collection have been exhausted. Subsequent recoveries, if any, are credited to the ACL when received.

The Company measures expected credit losses of loans on a collective (pool) basis when the loans share similar risk characteristics and uses a cash flow based method to estimate expected credit losses for each of these pools. The Company's methodology for estimating the ACL considers available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions expected to exist through the contractual lives of the financial assets that are reasonable and supportable, to the identified pools of financial assets with similar risk characteristics for which the historical experience was observed.

(dollars in thousands, except per share data)

The Company uses the cash flow based model to estimate expected credit losses for all loan segments. For each of the loan segments, the Company calculates a cash flow projection using contractual terms, estimated prepayment speeds, estimated curtailment rates, and other relevant data. The Company uses regression analysis that links historical losses of the Company and its peer group to two economic metrics: national unemployment rate and 10-year treasury rate over 2-year treasury rate spread to establish the loss rates applied to the projected cash flows. For all loan segments, the Company uses a forecast period of four quarters and reverts to a historical rate after four quarters. When estimating prepayment speed and curtailment rates, the modeling is based on historical internal data.

Nonaccrual Loans and Delinquency Status

Delinquencies are determined based on the payment terms of the individual loan agreements. The accrual of interest on past due and other individually evaluated loans is generally discontinued at 90 days past due or when, in the opinion of management, the borrower may be unable to make all payments pursuant to contractual terms. Unless considered collectible, all interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Generally, all payments received while a loan is on nonaccrual status are applied to the principal balance of the loan. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The following table presents the amortized cost basis of loans on nonaccrual status, loans on nonaccrual status with no ACL recorded, and loans past due 90 days or more and still accruing by loan segment as of the dates indicated.

	Total Nonaccrual		Nonaccrual with no Allowance for Credit Losses		90 Days or More Past Due and Accruing	
	June 30, 2024	December 31, 2023	**June 30, 2024**	December 31, 2023	**June 30, 2024**	December 31, 2023
Commercial	**$ —**	$ —	**$ —**	$ —	**$ —**	$ —
Real estate:						
Construction, land and land development	**—**	—	**—**	—	**—**	—
1-4 family residential first mortgages	**521**	296	**521**	296	**—**	—
Home equity	**—**	—	**—**	—	**—**	—
Commercial	**—**	—	**—**	—	**—**	—
Consumer and other	**—**	—	**—**	—	**—**	—
Total	**$ 521**	$ 296	**$ 521**	$ 296	**$ —**	$ —

There was no interest income recognized on loans that were on nonaccrual for the six months ended June 30, 2024 and June 30, 2023.

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The following tables provide an analysis of the delinquency status of the amortized cost of loans as of June 30, 2024 and December 31, 2023.

	June 30, 2024					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans
Commercial	$ —	$ —	$ —	$ —	$ 526,589	$ 526,589
Real estate:						
Construction, land and land development	—	—	—	—	496,864	496,864
1-4 family residential first mortgages	141	—	97	—	91,992	92,230
Home equity	—	—	—	—	15,264	15,264
Commercial	—	—	—	—	1,856,301	1,856,301
Consumer and other	—	—	—	—	15,234	15,234
Total	$ 141	$ —	$ 97	$ —	$ 3,002,244	$ 3,002,482

	December 31, 2023					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans
Commercial	$ —	$ —	$ —	$ —	$ 531,594	$ 531,594
Real estate:						
Construction, land and land development	—	—	—	—	413,477	413,477
1-4 family residential first mortgages	—	—	—	—	106,688	106,688
Home equity	—	—	—	—	14,618	14,618
Commercial	—	—	—	—	1,854,510	1,854,510
Consumer and other	—	—	—	—	10,930	10,930
Total	$ —	$ —	$ —	$ —	$ 2,931,817	$ 2,931,817

Loan Restructurings Made to Borrowers Experiencing Financial Difficulty

As of June 30, 2024 and December 31, 2023, the Company had no loan restructurings made to borrowers experiencing financial difficulty. There were no loan restructurings made to borrowers experiencing financial difficulty for which there was a payment default within twelve months following the modification during the three and six months ended June 30, 2024 and 2023. A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

Credit Quality Indicators

Based upon its ongoing assessment of credit quality within the loan portfolio, the Company maintains a Watch List, which includes loans classified as Doubtful, Substandard and Watch according to the Company's classification criteria. These loans involve the anticipated potential for payment defaults or collateral inadequacies. A loan on the Watch List is analyzed individually to categorize the loan to the appropriate credit risk category.

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

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

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

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

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

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

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

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

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

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

Credit quality indicators for all loans and the Company's risk rating process are dynamic and updated on a continuous basis. Risk ratings are updated as circumstances that could affect the repayment of an individual loan are brought to management's attention through an established monitoring process. Individual bankers initiate changes as appropriate for ratings 1 through 5, and changes for ratings 6 through 9 are initiated by management. The likelihood of loss increases as the risk rating increases and is generally preceded by a loan appearing on the Watch List, which consists of all loans with a risk rating of 6 or worse. Written action plans with firm target dates for resolution of identified problems are maintained and reviewed on a quarterly basis for all segments of loans included on the Watch List. In addition to the Company's internal credit monitoring practices and procedures, an outsourced independent credit review function is in place to further assess assigned internal risk classifications and monitor compliance with internal lending policies and procedures.

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

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

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

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

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The following tables present the amortized cost basis of loans by loan segment, credit quality indicator and origination year, and the current period gross write-off by loan segment and origination year, based on the analysis performed as of June 30, 2024 and December 31, 2023.

	Term Loans by Origination Year							
As of June 30, 2024	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving Loans**	**Total**
Commercial								
Pass	$ 49,128	$ 124,757	$ 92,495	$ 40,106	$ 24,500	$ 45,130	$ 143,413	$ 519,529
Watch	109	823	3,961	447	—	—	1,720	7,060
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 49,237	$ 125,580	$ 96,456	$ 40,553	$ 24,500	$ 45,130	$ 145,133	$ 526,589
Current period gross writeoffs	$ —	$ —	$ 4	$ —	$ —	$ —	$ —	$ 4
Real estate:								
Construction, land and land development								
Pass	$ 85,821	$ 139,166	$ 119,320	$ 44,970	$ 19,652	$ 1,404	$ 86,531	$ 496,864
Watch	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 85,821	$ 139,166	$ 119,320	$ 44,970	$ 19,652	$ 1,404	$ 86,531	$ 496,864
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
1-4 family residential first mortgages								
Pass	$ 7,412	$ 28,166	$ 19,333	$ 19,276	$ 10,685	$ 5,879	$ 958	$ 91,709
Watch	—	—	—	—	—	—	—	—
Substandard	—	141	—	—	97	283	—	521
Doubtful	—	—	—	—	—	—	—	—
Total	$ 7,412	$ 28,307	$ 19,333	$ 19,276	$ 10,782	$ 6,162	$ 958	$ 92,230
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Home equity								
Pass	$ 245	$ 2,779	$ 239	$ 480	$ 44	$ 25	$ 11,452	$ 15,264
Watch	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 245	$ 2,779	$ 239	$ 480	$ 44	$ 25	$ 11,452	$ 15,264
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial								
Pass	$ 139,826	$ 164,572	$ 493,166	$ 449,833	$ 339,535	$ 247,833	$ 20,945	$ 1,855,710
Watch	—	—	337	254	—	—	—	591
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 139,826	$ 164,572	$ 493,503	$ 450,087	$ 339,535	$ 247,833	$ 20,945	$ 1,856,301
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer and other								
Pass	$ 2,190	$ 834	$ 150	$ 288	$ 30	$ 1,124	$ 10,618	$ 15,234
Watch	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 2,190	$ 834	$ 150	$ 288	$ 30	$ 1,124	$ 10,618	$ 15,234
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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	Term Loans by Origination Year							
As of December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Commercial								
Pass	$ 147,971	$ 110,228	$ 48,291	$ 31,423	$ 6,510	$ 44,146	$ 143,025	$ 531,594
Watch	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 147,971	$ 110,228	$ 48,291	$ 31,423	$ 6,510	$ 44,146	$ 143,025	$ 531,594
Current period gross writeoffs	$ 37	$ —	$ —	$ —	$ 18	$ —	$ —	$ 55
Real estate:								
Construction, land and land development								
Pass	$ 126,608	$ 114,176	$ 64,797	$ 20,210	$ 1,458	$ —	$ 86,228	$ 413,477
Watch	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 126,608	$ 114,176	$ 64,797	$ 20,210	$ 1,458	$ —	$ 86,228	$ 413,477
Current period gross writeoffs	$ —	$ 39	$ —	$ —	$ —	$ —	$ —	$ 39
1-4 family residential first mortgages								
Pass	$ 46,766	$ 20,531	$ 19,670	$ 11,779	$ 3,663	$ 3,176	$ 663	$ 106,248
Watch	144	—	—	—	—	—	—	144
Substandard	—	—	—	—	296	—	—	296
Doubtful	—	—	—	—	—	—	—	—
Total	$ 46,910	$ 20,531	$ 19,670	$ 11,779	$ 3,959	$ 3,176	$ 663	$ 106,688
Current period gross writeoffs	$ —	$ 40	$ —	$ —	$ —	$ —	$ —	$ 40
Home equity								
Pass	$ 2,804	$ 288	$ 508	$ 98	$ 138	$ 16	$ 10,766	$ 14,618
Watch	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 2,804	$ 288	$ 508	$ 98	$ 138	$ 16	$ 10,766	$ 14,618
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial								
Pass	$ 212,772	$ 519,783	$ 463,750	$ 359,032	$ 84,995	$ 195,967	$ 18,211	$ 1,854,510
Watch	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 212,772	$ 519,783	$ 463,750	$ 359,032	$ 84,995	$ 195,967	$ 18,211	$ 1,854,510
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer and other								
Pass	$ 1,740	$ 211	$ 392	$ 51	$ 17	$ 126	$ 8,393	$ 10,930
Watch	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 1,740	$ 211	$ 392	$ 51	$ 17	$ 126	$ 8,393	$ 10,930
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(dollars in thousands, except per share data)

Collateral Dependent Loans

Loans that do not share risk characteristics are evaluated on an individual basis. For collateral dependent loans where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the loans to be provided substantially through the operation or sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the loan as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the loan exceeds the present value of expected cash flows from the operation of collateral. When repayment is expected to be from the sale of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the loan exceeds the fair value of the underlying collateral less estimated cost to sell. The ACL may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the loan.

The following table presents the amortized cost basis of collateral dependent loans, by primary collateral type, which are individually evaluated to determine expected credit losses, and the related ACL allocated to these loans as of June 30, 2024 and December 31, 2023.

	As of June 30, 2024				
	Primary Type of Collateral				
	Real Estate	Equipment	Other	Total	ACL Allocation
1-4 family residential first mortgages	**$ 521**	**$ —**	**$ —**	**$ 521**	**$ —**
Total	**$ 521**	**$ —**	**$ —**	**$ 521**	**$ —**

	As of December 31, 2023				
	Primary Type of Collateral				
	Real Estate	Equipment	Other	Total	ACL Allocation
1-4 family residential first mortgages	$ 296	$ —	$ —	$ 296	$ —
Total	$ 296	$ —	$ —	$ 296	$ —

Allowance for Credit Losses on Off-Balance-Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The Company's allowance for credit losses for unfunded commitments was $2,544 as of June 30, 2024 and December 31, 2023. The allowance for credit losses for off-balance-sheet credit exposures is presented in the "Accrued expenses and other liabilities" line of the Consolidated Balance Sheets. Changes in the allowance for credit losses for off-balance-sheet credit exposures is reflected in the "Credit loss expense" line of the Consolidated Statements of Income. There were no changes to the allowance for credit losses for off-balance-sheet credit exposures during the three and six months ended June 30, 2024 and 2023.

5. Derivatives

The Company has entered into various interest rate swap agreements as part of its interest rate risk management strategy. The Company uses interest rate swaps to manage its interest rate risk exposure on certain loans, borrowings and deposits due to interest rate movements. The notional amounts of the interest rate swaps do not represent amounts exchanged by the counterparties, but rather, the notional amount is used to determine, along with other terms of the derivative, the amounts to be exchanged between the counterparties.

(dollars in thousands, except per share data)

Interest Rate Swaps Designated as a Cash Flow Hedge: The Company had interest rate swaps designated as cash flow hedges with total notional amounts of $515,000 and $445,000 at June 30, 2024 and December 31, 2023, respectively. As of June 30, 2024, the Company had swaps with a total notional amount of $295,000 that hedge the interest payments of rolling one-month funding consisting of FHLB advances or brokered deposits. An additional forward starting swap with a notional amount of $20,000 has a starting date in August 2024, replacing a maturing swap. Also as of June 30, 2024, the Company had swaps with a total notional amount of $40,000 that effectively convert variable-rate long-term debt to fixed-rate debt and swaps with a total notional amount of $110,000 that hedge the interest payments of certain deposit accounts. Two additional forward starting swaps with a total notional amount of $50,000 have a starting date in July 2024 and will replace $ 50,000 of maturing swaps hedging interest payments on deposit accounts.

Derivatives Not Designated as Accounting Hedges: To accommodate customer needs, the Company on occasion offers loan level interest rate swaps to its customers and offsets its exposure from such contracts by entering into mirror image swaps with a swap counterparty (back-to-back swap program). The interest rate swaps are free-standing derivatives and are recorded at fair value. The Company enters into a floating-rate loan and a fixed-rate swap with our customer. Simultaneously, the Company enters into an offsetting fixed-rate swap with a swap counterparty. In connection with each swap transaction, the Company agrees to pay interest to the customer on a notional amount at a variable interest rate and receive interest from the customer on the same notional amount at a fixed interest rate. At the same time, the Company agrees to pay a swap counterparty the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. These transactions allow the Company’s customers to effectively convert variable-rate loans to fixed-rate loans. The customer accommodations and any offsetting swaps are treated as non-hedging derivative instruments which do not qualify for hedge accounting.

The table below identifies the balance sheet category and fair values of the Company's derivative instruments as of June 30, 2024 and December 31, 2023.

	June 30, 2024	December 31, 2023
Cash Flow Hedges:		
Gross notional amount	**$ 515,000**	$ 445,000
Fair value in other assets	**14,364**	11,313
Fair value in other liabilities	**—**	(988)
Weighted-average floating rate received	**5.64 %**	5.64 %
Weighted-average fixed rate paid	**3.04 %**	3.04 %
Weighted-average maturity in years	**2.3**	2.6
Non-Hedging Derivatives:		
Gross notional amount	**$ 290,543**	$ 293,400
Fair value in other assets	**15,515**	14,114
Fair value in other liabilities	**(15,515)**	(14,114)

The following table identifies the pre-tax gains or losses recognized on the Company's derivative instruments designated as cash flow hedges for the three and six months ended June 30, 2024 and 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	**2024**	2023
Pre-tax gain recognized in other comprehensive income	**$ 2,364**	$ 8,102	**$ 9,853**	$ 6,468
Decrease in interest expense	**(2,898)**	(2,467)	**(5,813)**	(4,425)

(dollars in thousands, except per share data)

The Company estimates there will be approximately $ 11,529 reclassified from accumulated other comprehensive income (loss) to decrease interest expense through the 12 months ending June 30, 2025 related to cash flow hedges.

The Company is exposed to credit risk in the event of nonperformance by interest rate swap counterparties, which is minimized by collateral-pledging provisions in the agreements. Derivative contracts with swap counterparties are executed with a Credit Support Annex, which is a bilateral ratings-sensitive agreement that requires collateral postings at established credit threshold levels. These agreements protect the interests of the Company and its counterparties should either party suffer a credit rating deterioration. As of both June 30, 2024 and December 31, 2023, the Company pledged $0 of collateral to the counterparties in the form of cash on deposit. As of June 30, 2024 and December 31, 2023, the Company's counterparties pledged $29,470 and $22,340, respectively, of collateral to the Company in the form of cash on deposit. The interest rate swap product with the borrower is cross-collateralized with the underlying loan collateral and therefore there is no pledged cash collateral under swap contracts with customers.

6. Income Taxes

Net deferred tax assets consisted of the following as of June 30, 2024 and December 31, 2023.

	June 30, 2024	December 31, 2023
Deferred tax assets:		
Allowance for credit losses	**$ 7,618**	$ 7,598
Net unrealized losses on securities available for sale	**32,352**	30,081
Lease liabilities	**711**	837
Accrued expenses	**227**	196
Restricted stock unit compensation	**767**	1,185
State net operating loss carryforward	**1,896**	1,763
Other	**181**	177
	43,752	41,837
Deferred tax liabilities:		
Right-of-use assets	**673**	795
Deferred loan costs	**245**	258
Net unrealized gains on interest rate swaps	**3,544**	2,547
Premises and equipment	**3,363**	1,657
New markets tax credit loan	**432**	389
Other	**122**	125
	8,379	5,771
Net deferred tax assets before valuation allowance	**35,373**	36,066
Valuation allowance	**(1,896)**	(1,763)
Net deferred tax assets	**$ 33,477**	$ 34,303

The Company has recorded a valuation allowance against the tax effect of the state net operating loss carryforwards, as management believes it is more likely than not that these carryforwards will expire without being utilized. The state net operating loss carryforwards expire in 2024 and thereafter.

(dollars in thousands, except per share data)

7. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in the balances of each component of accumulated other comprehensive income (loss), net of tax, for the six months ended June 30, 2024 and 2023.

	Unrealized Gains (Losses) on Securities	Unrealized Gains (Losses) on Derivatives	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2023	**$ (91,233)**	**$ 7,710**	**$ (83,523)**
Other comprehensive income (loss) before reclassifications	**(6,924)**	**7,421**	**497**
Amounts reclassified from accumulated other comprehensive income (loss)	**(16)**	**(4,378)**	**(4,394)**
Net current period other comprehensive income (loss)	**(6,940)**	**3,043**	**(3,897)**
Balance, June 30, 2024	**$ (98,173)**	**$ 10,753**	**$ (87,420)**
Balance, December 31, 2022	$ (103,680)	$ 12,209	$ (91,471)
Other comprehensive income before reclassifications	2,124	4,881	7,005
Amounts reclassified from accumulated other comprehensive income (loss)	(13)	(3,338)	(3,351)
Net current period other comprehensive income	2,111	1,543	3,654
Balance, June 30, 2023	$ (101,569)	$ 13,752	$ (87,817)

8. Commitments and Contingencies

Financial instruments with off-balance-sheet risk: The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations that it uses for on-balance-sheet instruments. The Company's commitments consisted of the following amounts as of June 30, 2024 and December 31, 2023.

	June 30, 2024	December 31, 2023
Commitments to fund real estate construction loans	**$ 283,382**	$ 385,846
Other commitments to extend credit	**531,915**	641,554
Standby letters of credit	**17,506**	15,972
	$ 832,803	$ 1,043,372

West Bank previously executed Mortgage Partnership Finance (MPF) Master Commitments (Commitments) with the FHLB of Des Moines to deliver residential mortgage loans and to guarantee the payment of any realized losses that exceed the FHLB's first loss account for mortgages delivered under the Commitments. West Bank receives credit enhancement fees from the FHLB for providing this guarantee and continuing to assist with managing the credit risk of the MPF Program residential mortgage loans. The outstanding balance of mortgage loans sold under the MPF Program was $18,597 and $20,159 at June 30, 2024 and December 31, 2023, respectively.

Contractual commitments: The Company had remaining commitments to invest in qualified affordable housing projects totaling $1,468 and $1,649 as of June 30, 2024 and December 31, 2023, respectively.

Concentrations of credit risk: Substantially all of the Company's loans, commitments to extend credit and standby letters of credit have been granted to customers in the Company's market areas. The concentrations of credit by type of loan are set forth in Note 4. The distribution by type of loan of commitments to extend credit approximates the distribution by type of loan outstanding. Standby letters of credit were granted primarily to commercial borrowers.

Contingencies: Neither the Company nor West Bank is a party, and no property of these entities is subject, to any material pending legal proceedings, other than ordinary routine litigation incidental to West Bank's business. The Company does not know of any proceeding contemplated by a governmental authority against the Company or West Bank.

9. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts business. The Company's balance sheet contains securities available for sale and derivative instruments that are recorded at fair value on a recurring basis. The three-level valuation hierarchy for disclosure of fair value is as follows:

Level 1 uses quoted market prices in active markets for identical assets or liabilities.

Level 2 uses observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 uses unobservable inputs that are not corroborated by market data.

The Company's policy is to recognize transfers between levels at the end of each reporting period, if applicable. There were no transfers between levels of the fair value hierarchy during the six months ended June 30, 2024.

The following is a description of valuation methodologies used for financial assets and liabilities recorded at fair value on a recurring basis.

Securities available for sale: When available, quoted market prices are used to determine the fair value of securities (Level 1). If quoted market prices are not available, the Company determines fair value based on various sources and may apply matrix pricing with observable prices for similar bonds where a price for the identical bond is not observable (Level 2). The fair values of these securities are determined by pricing models that consider observable market data such as interest rate volatilities, yield curves, credit spreads, prices from market makers and live trading systems.

Management obtains the fair value of securities at the end of each reporting period via a third-party pricing service. Management reviewed the valuation process used by the third party and believed the process was valid. On a quarterly basis, management corroborates the fair values of securities by obtaining pricing from an independent financial market data vendor and comparing the two sets of fair values. Any significant variances are reviewed and investigated. For a sample of securities, prices are further validated by management by obtaining details of the inputs used by the pricing service. Those inputs were independently tested, and management concluded the fair values were consistent with GAAP requirements and the securities were properly classified in the fair value hierarchy.

(dollars in thousands, except per share data)

Derivative instruments: The Company's derivative instruments consist of interest rate swaps accounted for as cash flow hedges, as well as interest rate swaps which are accounted for as non-hedging derivatives. The Company's derivative positions are classified within Level 2 of the fair value hierarchy and are valued using models generally accepted in the financial services industry and that use actively quoted or observable market input values from external market data providers and/or non-binding broker-dealer quotations. The fair value of the derivatives is determined using discounted cash flow models. These models' key assumptions include the contractual terms of the respective contract along with significant observable inputs, including interest rates, yield curves, nonperformance risk and volatility.

The following tables present the balances of financial assets and liabilities measured at fair value on a recurring basis by level as of June 30, 2024 and December 31, 2023.

	June 30, 2024			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Securities available for sale:				
State and political subdivisions	**$ 187,804**	**$ —**	**$ 187,804**	**$ —**
Collateralized mortgage obligations	**233,447**	**—**	**233,447**	**—**
Mortgage-backed securities	**124,807**	**—**	**124,807**	**—**
Collateralized loan obligations	**30,551**	**—**	**30,551**	**—**
Corporate notes	**11,843**	**—**	**11,843**	**—**
Derivative instruments, interest rate swaps	**29,879**	**—**	**29,879**	**—**
Financial liabilities:				
Derivative instruments, interest rate swaps	**$ 15,515**	**$ —**	**$ 15,515**	**$ —**

	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Securities available for sale:				
State and political subdivisions	$ 193,005	$ —	$ 193,005	$ —
Collateralized mortgage obligations	249,933	—	249,933	—
Mortgage-backed securities	131,838	—	131,838	—
Collateralized loan obligations	37,536	—	37,536	—
Corporate notes	11,607	—	11,607	—
Derivative instruments, interest rate swaps	25,427	—	25,427	—
Financial liabilities:				
Derivative instruments, interest rate swaps	$ 15,102	$ —	$ 15,102	$ —

(dollars in thousands, except per share data)

Certain assets are measured at fair value on a nonrecurring basis. That is, they are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Individually evaluated loans that are deemed to have impairment are classified within Level 3 of the fair value hierarchy and are recorded at fair value, which is based on the value of the collateral securing these loans. As of both June 30, 2024 and December 31, 2023, there were no individually evaluated loans with a fair value adjustment.

In determining the estimated net realizable value of the underlying collateral of individually evaluated loans, the Company primarily uses third-party appraisals or broker opinions which may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available and include consideration of variations in location, size, and income production capacity of the property. Additionally, the appraisals are periodically further adjusted by the Company in consideration of charges that may be incurred in the event of foreclosure and are based on management's historical knowledge, changes in business factors and changes in market conditions. Because of the high degree of judgment required in estimating the fair value of collateral underlying individually evaluated loans and because of the relationship between fair value and general economic conditions, the Company considers the fair value of individually evaluated loans to be highly sensitive to changes in market conditions.

GAAP requires disclosure of the fair value of financial assets and financial liabilities, including those that are not measured and reported at fair value on a recurring or nonrecurring basis. The following table presents the carrying amounts and approximate fair values of financial assets and liabilities as of June 30, 2024 and December 31, 2023.

	June 30, 2024				
	Carrying Amount	Approximate Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	$ 27,994	$ 27,994	$ 27,994	$ —	$ —
Interest-bearing deposits	121,825	121,825	121,825	—	—
Securities available for sale	588,452	588,452	—	588,452	—
Federal Home Loan Bank stock	21,065	21,065	21,065	—	—
Loans, net	2,970,352	2,875,831	—	2,875,831	—
Accrued interest receivable	14,139	14,139	14,139	—	—
Interest rate swaps	29,879	29,879	—	29,879	—
Financial liabilities:					
Deposits	$ 3,180,922	$ 3,178,667	$ —	$ 3,178,667	$ —
Federal funds purchased and other short-term borrowings	85,500	85,500	85,500	—	—
Subordinated notes, net	79,762	62,421	—	62,421	—
Federal Home Loan Bank advances	315,000	315,000	—	315,000	—
Long-term debt	45,236	45,236	—	45,236	—
Accrued interest payable	8,173	8,173	8,173	—	—
Interest rate swaps	15,515	15,515	—	15,515	—

West Bancorporation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
(unaudited)
(dollars in thousands, except per share data)

	December 31, 2023				
	Carrying Amount	Approximate Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and due from banks	$ 33,245	$ 33,245	$ 33,245	$ —	$ —
Interest-bearing deposits	32,112	32,112	32,112	—	—
Securities available for sale	623,919	623,919	—	623,919	—
Federal Home Loan Bank stock	22,957	22,957	22,957	—	—
Loans, net	2,899,193	2,813,188	—	2,813,188	—
Accrued interest receivable	13,581	13,581	13,581	—	—
Interest rate swaps	25,427	25,427	—	25,427	—
Financial liabilities:					
Deposits	$ 2,973,779	$ 2,971,562	$ —	$ 2,971,562	$ —
Federal funds purchased and other short-term borrowings	150,270	150,270	150,270	—	—
Subordinated notes, net	79,631	65,039	—	65,039	—
Federal Home Loan Bank advances	315,000	315,000	—	315,000	—
Long-term debt	47,736	47,736	—	47,736	—
Accrued interest payable	6,688	6,688	6,688	—	—
Interest rate swaps	15,102	15,102	—	15,102	—

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

"SAFE HARBOR" CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to the Company's business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meanings of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements may appear throughout this report. These forward-looking statements are generally identified by the words "believes," "expects," "intends," "anticipates," "projects," "future," "confident," "may," "should," "will," "strategy," "plan," "opportunity," "will be," "will likely result," "will continue" or similar references, or references to estimates, predictions or future events. Such forward-looking statements are based upon certain underlying assumptions, risks and uncertainties. Because of the possibility that the underlying assumptions are incorrect or do not materialize as expected in the future, actual results could differ materially from these forward-looking statements. Risks and uncertainties that may affect future results include: interest rate risk, including the effects of sustained high interest rates; fluctuations in the values of the securities held in our investment portfolio, including as a result of rising interest rates; competitive pressures, including from non-bank competitors such as "fintech" companies and digital asset service providers; pricing pressures on loans and deposits; our ability to successfully manage liquidity risk; changes in credit and other risks posed by the Company's loan portfolio, including declines in commercial or residential real estate values or changes in the allowance for credit losses dictated by new market conditions, accounting standards or regulatory requirements; the concentration of large deposits from certain clients, who have balances above current FDIC insurance limits; changes in local, national and international economic conditions, including high rates of inflation and possible recession; the effects of recent developments and events in the financial services industry, including the large-scale deposit withdrawals over a short period of time that resulted in recent bank failures; changes in legal and regulatory requirements, limitations and costs, including in response to the recent bank failures; changes in customers' acceptance of the Company's products and services; the occurrence of fraudulent activity, breaches or failures of our or our third-party partners' information security controls or cyber-security related incidents, including as a result of sophisticated attacks using artificial intelligence and similar tools; unexpected outcomes of existing or new litigation involving the Company; the monetary, trade and other regulatory policies of the U.S. government; acts of war or terrorism, including the ongoing Israeli-Palestinian conflict and the Russian invasion of Ukraine, widespread disease or pandemics, or other adverse external events; risks related to climate change and the negative impact it may have on our customers and their business; changes to U.S. tax laws, regulations and guidance; potential changes in federal policy and at regulatory agencies as a result of the upcoming 2024 presidential election; talent and labor shortages; and any other risks described in the "Risk Factors" sections of this and other reports filed by the Company with the SEC. The Company undertakes no obligation to revise or update such forward-looking statements to reflect current or future events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements that have been prepared in accordance with GAAP. The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, income and expenses. These estimates are based upon historical experience and on various other assumptions that management believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The estimates and judgments that management believes involve the most complex and subjective estimates and judgments and have the greatest effect on the Company's reported financial position and results of operations are described as critical accounting policies in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2023, as filed with the SEC on February 23, 2024. There have been no significant changes in the critical accounting policies or the assumptions and judgments utilized in applying these policies since December 31, 2023.

(in thousands, except share and per share data)

NON-GAAP FINANCIAL MEASURES

This report contains references to financial measures that are not defined in GAAP. Such non-GAAP financial measures include the Company's presentation of net interest income and net interest margin on a fully taxable equivalent (FTE) basis, and the presentation of the efficiency ratio on an adjusted and FTE basis, excluding certain income and expenses. Management believes these non-GAAP financial measures provide useful information to both management and investors to analyze and evaluate the Company's financial performance. These measures are considered standard measures of comparison within the banking industry. Additionally, management believes providing measures on a FTE basis enhances the comparability of income arising from taxable and nontaxable sources. Limitations associated with non-GAAP financial measures include the risks that persons might disagree as to the appropriateness of items included in these measures and that different companies might calculate these measures differently. These non-GAAP disclosures should not be considered an alternative to the Company's GAAP results for the periods indicated.

The following table reconciles the non-GAAP financial measures of net interest income and net interest margin on a FTE basis and efficiency ratio on an adjusted and FTE basis to their most directly comparable measures under GAAP.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	**2024**	2023
Reconciliation of net interest income and net interest margin on a FTE basis to GAAP:				
Net interest income (GAAP)	**$ 17,230**	$ 17,341	**$ 33,980**	$ 36,036
Tax-equivalent adjustment [(1)]	**55**	122	**137**	283
Net interest income on a FTE basis (non-GAAP)	**17,285**	17,463	**34,117**	36,319
Average interest-earning assets	**3,731,674**	3,461,313	**3,663,814**	3,448,722
Net interest margin on a FTE basis (non-GAAP)	**1.86 %**	2.02 %	**1.87 %**	2.12 %
Reconciliation of efficiency ratio on an adjusted and FTE basis to GAAP:				
Net interest income on a FTE basis (non-GAAP)	**$ 17,285**	$ 17,463	**$ 34,117**	$ 36,319
Noninterest income	**2,346**	2,389	**4,645**	5,346
Adjustment for losses on disposal of premises and equipment, net	**21**	2	**21**	2
Adjusted income	**19,652**	19,854	**38,783**	41,667
Noninterest expense	**13,194**	12,474	**25,062**	24,545
Efficiency ratio on an adjusted and FTE basis (non-GAAP) [(2)]	**67.14 %**	62.83 %	**64.62 %**	58.91 %

(1) Computed on a tax-equivalent basis using a federal income tax rate of 21 percent, adjusted to reflect the effect of the nondeductible interest expense associated with owning tax-exempt securities and loans. Management believes the presentation of this non-GAAP measure provides supplemental useful information for proper understanding of the financial results, as it enhances the comparability of income arising from taxable and nontaxable sources.

(2) The efficiency ratio expresses noninterest expense as a percent of fully taxable equivalent net interest income and noninterest income, excluding specific noninterest income and expenses. Management believes the presentation of this non-GAAP measure provides supplemental useful information for proper understanding of the Company's financial performance. It is a standard measure of comparison within the banking industry. A lower ratio is more desirable.

OVERVIEW

The following discussion describes the consolidated operations and financial condition of the Company, West Bank and West Bank's special purpose subsidiaries (which are invested in new markets tax credit activities). Results of operations for the three and six months ended June 30, 2024 are compared to the results for the same periods in 2023, and the consolidated financial condition of the Company as of June 30, 2024 is compared to that as of December 31, 2023. This discussion and analysis should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2023, filed with the SEC on February 23, 2024.

The Company conducts business from its main office in West Des Moines, Iowa and through its branch offices in central Iowa, which is generally the greater Des Moines metropolitan area; eastern Iowa, which is the area including and surrounding Iowa City and Coralville; and southern Minnesota, which includes the cities of Rochester, Owatonna, Mankato and St. Cloud.

Net income for the three months ended June 30, 2024 was $5,192, or $0.31 per diluted common share, compared to $5,862, or $0.35 per diluted common share, for the three months ended June 30, 2023. The Company's annualized return on average assets and return on average equity for the three months ended June 30, 2024 were 0.53 percent and 9.50 percent, respectively, compared to 0.64 percent and 11.03 percent, respectively, for the three months ended June 30, 2023.

Net interest income for the three months ended June 30, 2024 declined $111, or 0.6 percent, compared to the three months ended June 30, 2023. The decrease in net interest income was primarily due to the increase in interest expense on deposits, resulting from higher short-term interest rates and changes in deposit mix, partially offset by an increase in interest income on loans.

Noninterest income decreased $43 for the three months ended June 30, 2024 compared to the same period in 2023. Noninterest expense increased $720 during the three months ended June 30, 2024 compared to the three months ended June 30, 2023, primarily due to increases in occupancy and equipment, technology and software expense and FDIC insurance, partially offset by a decrease in business development expenses.

Net income for the six months ended June 30, 2024 was $11,001, or $0.65 per diluted common share, compared to $13,706, or $0.82 per diluted common share, for the six months ended June 30, 2023. The Company's annualized return on average assets and return on average equity for the six months ended June 30, 2024 were 0.57 percent and 10.07 percent, respectively, compared to 0.76 percent and 12.90 percent, respectively, for the six months ended June 30, 2023.

Net interest income for the six months ended June 30, 2024 declined $2,056, or 5.7 percent, compared to the six months ended June 30, 2023. The decrease in net interest income was primarily due to the increase in interest expense on deposits and other borrowings, resulting from rapidly rising short-term interest rates and changes in funding mix, partially offset by an increase in interest income on loans.

Noninterest income decreased $701 for the six months ended June 30, 2024 compared to the same period in 2023, primarily due to a nonrecurring gain from bank-owned life insurance in 2023. Noninterest expense increased $517 during the six months ended June 30, 2024 compared to the six months ended June 30, 2023, primarily due to increases in occupancy and equipment, technology and software expense and FDIC insurance, partially offset by a decrease in business development expenses.

Total loans outstanding increased $71,239, or 2.4 percent, during the first six months of 2024. The credit quality of the loan portfolio remained strong, as evidenced by the Company's ratio of nonperforming loans to total assets of 0.01 percent as of both June 30, 2024 and December 31, 2023. As of June 30, 2024, the allowance for credit losses was 0.95 percent of total outstanding loans, compared to 0.97 percent as of December 31, 2023. Management believed the allowance for credit losses at June 30, 2024 was adequate to absorb expected losses in the loan portfolio as of that date.

(in thousands, except share and per share data)

On a quarterly basis, the Company compares three key performance metrics to those of our identified peer group. The peer group for 2024 consists of 22 Midwestern, publicly traded financial institutions, including Bank First Corporation, Bridgewater Bancshares Inc., ChoiceOne Financial Services, Inc., Civista Bancshares, Inc., CrossFirst Bankshares, Inc., Equity Bancshares, Inc., Farmers National Banc Corp., Farmers & Merchants Bancorp., First Business Financial Services, Inc., First Financial Corp., First Mid Bancshares, Inc., German American Bancorp, Inc., HBT Financial Inc., Hills Bancorporation, Isabella Bank Corporation, LCNB Corp., Macatawa Bank Corporation, Mercantile Bank Corporation, MidWest*One* Financial Group, Inc., Nicolet Bankshares, Inc., Peoples Bancorp, Inc., and Southern Missouri Bancorp, Inc. The Company is in the middle of the group in terms of asset size. The Company's goal is to perform at or near the top of this peer group relative to what we consider to be three key metrics: return on average equity, efficiency ratio and nonperforming assets to total assets. We believe these measures encompass the factors that define the performance of a community bank. Company and peer results for the key financial performance measures are summarized below.

	West Bancorporation, Inc.		Peer Group Range(2)
	As of and for the six months ended June 30, 2024	As of and for the three months ended March 31, 2024	As of and for the three months ended March 31, 2024
Return on average equity	**10.07%**	10.63%	2.48% - 16.36%
Efficiency ratio(1)	**64.62%**	62.04%	49.14% - 80.96%
Nonperforming assets to total assets	**0.01%**	0.01%	0.00% - 0.69%

(1) The efficiency ratio is a non-GAAP financial measure. For further information, refer to the Non-GAAP Financial Measures section of this report.
(2) Latest data available.

At its meeting on July 24, 2024, the Company's Board of Directors declared a regular quarterly cash dividend of $0.25 per common share. The dividend is payable on August 21, 2024, to stockholders of record on August 7, 2024.

(in thousands, except share and per share data)

RESULTS OF OPERATIONS

The following table shows selected financial results and measures for the three and six months ended June 30, 2024 compared with the same periods in 2023.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	2023	Change	Change %	**2024**	2023	Change	Change %
Net income	**$ 5,192**	$ 5,862	$ (670)	(11.43)%	**$ 11,001**	$ 13,706	$ (2,705)	(19.74)%
Average assets	**3,964,109**	3,645,651	318,458	8.74 %	**3,888,154**	3,631,632	256,522	7.06 %
Average stockholders' equity	**219,771**	213,177	6,594	3.09 %	**219,803**	214,278	5,525	2.58 %
Return on average assets	**0.53 %**	0.64 %	(0.11)%		**0.57 %**	0.76 %	(0.19)%	
Return on average equity	**9.50 %**	11.03 %	(1.53)%		**10.07 %**	12.90 %	(2.83)%	
Net interest margin (1)	**1.86 %**	2.02 %	(0.16)%		**1.87 %**	2.12 %	(0.25)%	
Efficiency ratio (1) (2)	**67.14 %**	62.83 %	4.31 %		**64.62 %**	58.91 %	5.71 %	
Dividend payout ratio	**81.04 %**	71.33 %	9.71 %		**76.26 %**	60.86 %	15.40 %	
Average equity to average assets ratio	**5.54 %**	5.85 %	(0.31)%		**5.65 %**	5.90 %	(0.25)%	

	As of June 30,		
	2024	2023	Change
Nonperforming assets to total assets (2)	**0.01 %**	0.01 %	— %
Equity to assets ratio	**5.65 %**	5.90 %	(0.25)%
Tangible common equity ratio	**5.65 %**	5.90 %	(0.25)%

(1) Amounts are presented on a FTE basis. These are non-GAAP financial measures. For further information, refer to the Non-GAAP Financial Measures section of this report.
(2) A lower ratio is more desirable.

Definitions of ratios:

- Return on average assets - annualized net income divided by average assets.
- Return on average equity - annualized net income divided by average stockholders' equity.
- Net interest margin - annualized tax-equivalent net interest income divided by average interest-earning assets.
- Efficiency ratio - noninterest expense (excluding other real estate owned expense and write-down of premises) divided by noninterest income (excluding net securities gains/losses and gains/losses on disposition of premises and equipment) plus tax-equivalent net interest income.
- Dividend payout ratio - dividends paid to common stockholders divided by net income.
- Average equity to average assets ratio - average equity divided by average assets.
- Nonperforming assets to total assets - total nonperforming assets divided by total assets.
- Equity to assets ratio - equity divided by assets.
- Tangible common equity ratio - common equity less intangible assets (none held) divided by tangible assets.

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Net Interest Income

The following tables present average balances and related interest income or interest expense, with the resulting annualized average yield or rate by category of interest-earning assets or interest-bearing liabilities. Interest income and the resulting net interest income are shown on a FTE basis.

Data for the three months ended June 30:

	Average Balance				Interest Income/Expense				Yield/Rate		
	2024	2023	Change	Change-%	**2024**	2023	Change	Change-%	**2024**	2023	Change
Interest-earning assets:											
Loans: [1] [2]											
Commercial	**$ 536,690**	$ 525,025	$ 11,665	2.22 %	**$ 8,971**	$ 7,973	$ 998	12.52 %	**6.72 %**	6.09 %	0.63 %
Real estate [3]	**2,443,202**	2,249,378	193,824	8.62 %	**32,486**	26,941	5,545	20.58 %	**5.35 %**	4.80 %	0.55 %
Consumer and other	**14,600**	9,059	5,541	61.17 %	**274**	155	119	76.77 %	**7.53 %**	6.85 %	0.68 %
Total loans	**2,994,492**	2,783,462	211,030	7.58 %	**41,731**	35,069	6,662	19.00 %	**5.60 %**	5.05 %	0.55 %
Securities:											
Taxable	**475,554**	526,390	(50,836)	(9.66)%	**3,394**	3,432	(38)	(1.11)%	**2.86 %**	2.61 %	0.25 %
Tax-exempt [3]	**139,842**	149,669	(9,827)	(6.57)%	**832**	947	(115)	(12.14)%	**2.38 %**	2.53 %	(0.15)%
Total securities	**615,396**	676,059	(60,663)	(8.97)%	**4,226**	4,379	(153)	(3.49)%	**2.75 %**	2.59 %	0.16 %
Interest-bearing deposits	**121,786**	1,792	119,994	6,696.09 %	**1,666**	25	1,641	6,564.00 %	**5.50 %**	5.46 %	0.04 %
Total interest-earning assets [3]	**$ 3,731,674**	$ 3,461,313	$ 270,361	7.81 %	**47,623**	39,473	8,150	20.65 %	**5.13 %**	4.57 %	0.56 %
Interest-bearing liabilities:											
Deposits:											
Interest-bearing demand	**$ 468,891**	$ 483,870	$ (14,979)	(3.10)%	**2,195**	1,632	563	34.50 %	**1.88 %**	1.35 %	0.53 %
Savings and money market	**1,474,202**	1,390,584	83,618	6.01 %	**13,639**	10,979	2,660	24.23 %	**3.72 %**	3.17 %	0.55 %
Time deposits	**659,073**	416,455	242,618	58.26 %	**8,109**	3,666	4,443	121.19 %	**4.95 %**	3.53 %	1.42 %
Total deposits	**2,602,166**	2,290,909	311,257	13.59 %	**23,943**	16,277	7,666	47.10 %	**3.70 %**	2.85 %	0.85 %
Borrowed Funds:											
Federal funds purchased and other short-term borrowings	**139,853**	186,024	(46,171)	(24.82)%	**1,950**	2,264	(314)	(13.87)%	**5.61 %**	4.88 %	0.73 %
Subordinated notes, net	**79,726**	79,466	260	0.33 %	**1,105**	1,109	(4)	(0.36)%	**5.57 %**	5.60 %	(0.03)%
Federal Home Loan Bank advances	**315,000**	240,110	74,890	31.19 %	**2,718**	1,621	1,097	67.67 %	**3.47 %**	2.71 %	0.76 %
Long-term debt	**45,662**	50,703	(5,041)	(9.94)%	**622**	739	(117)	(15.83)%	**5.48 %**	5.84 %	(0.36)%
Total borrowed funds	**580,241**	556,303	23,938	4.30 %	**6,395**	5,733	662	11.55 %	**4.43 %**	4.13 %	0.30 %
Total interest-bearing liabilities	**$ 3,182,407**	$ 2,847,212	$ 335,195	11.77 %	**30,338**	22,010	8,328	37.84 %	**3.83 %**	3.10 %	0.73 %
Net interest income (FTE) [4]					**$ 17,285**	$ 17,463	$ (178)	(1.02)%			
Net interest spread (FTE)									**1.30 %**	1.47 %	(0.17)%
Net interest margin (FTE) [4]									**1.86 %**	2.02 %	(0.16)%

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Data for the six months ended June 30:

	Average Balance				Interest Income/Expense				Yield/Rate		
	2024	2023	Change	Change-%	**2024**	2023	Change	Change-%	**2024**	2023	Change
Interest-earning assets:											
Loans: (1) (2)											
Commercial	**$ 535,345**	$ 523,538	$ 11,807	2.26 %	**$ 17,752**	$ 15,535	$ 2,217	14.27 %	**6.67 %**	5.98 %	0.69 %
Real estate (3)	**2,423,369**	2,232,461	190,908	8.55 %	**63,717**	52,274	11,443	21.89 %	**5.29 %**	4.72 %	0.57 %
Consumer and other	**13,368**	8,529	4,839	56.74 %	**503**	280	223	79.64 %	**7.56 %**	6.61 %	0.95 %
Total loans	**2,972,082**	2,764,528	207,554	7.51 %	**81,972**	68,089	13,883	20.39 %	**5.55 %**	4.97 %	0.58 %
Securities:											
Taxable	**484,121**	532,242	(48,121)	(9.04)%	**6,810**	6,748	62	0.92 %	**2.81 %**	2.54 %	0.27 %
Tax-exempt (3)	**141,426**	149,988	(8,562)	(5.71)%	**1,679**	1,921	(242)	(12.60)%	**2.37 %**	2.56 %	(0.19)%
Total securities	**625,547**	682,230	(56,683)	(8.31)%	**8,489**	8,669	(180)	(2.08)%	**2.71 %**	2.54 %	0.17 %
Interest-bearing deposits	**66,185**	1,964	64,221	3,269.91 %	**1,814**	55	1,759	3,198.18 %	**5.51 %**	5.62 %	(0.11)%
Total interest-earning assets (3)	**$ 3,663,814**	$ 3,448,722	$ 215,092	6.24 %	**92,275**	76,813	15,462	20.13 %	**5.06 %**	4.49 %	0.57 %
Interest-bearing liabilities:											
Deposits:											
Interest-bearing demand	**$ 463,248**	$ 492,086	$ (28,838)	(5.86)%	**4,383**	3,202	1,181	36.88 %	**1.90 %**	1.31 %	0.59 %
Savings and money market	**1,451,405**	1,334,442	116,963	8.76 %	**26,488**	19,634	6,854	34.91 %	**3.67 %**	2.97 %	0.70 %
Time	**599,949**	416,939	183,010	43.89 %	**14,631**	6,780	7,851	115.80 %	**4.90 %**	3.28 %	1.62 %
Total deposits	**2,514,602**	2,243,467	271,135	12.09 %	**45,502**	29,616	15,886	53.64 %	**3.64 %**	2.66 %	0.98 %
Borrowed funds:											
Federal funds purchased and other short-term borrowings	**148,194**	186,178	(37,984)	(20.40)%	**4,133**	4,343	(210)	(4.84)%	**5.61 %**	4.70 %	0.91 %
Subordinated notes, net	**79,693**	79,433	260	0.33 %	**2,213**	2,215	(2)	(0.09)%	**5.58 %**	5.62 %	(0.04)%
Federal Home Loan Bank advances	**315,000**	222,017	92,983	41.88 %	**5,043**	2,883	2,160	74.92 %	**3.22 %**	2.62 %	0.60 %
Long-term debt	**46,314**	51,092	(4,778)	(9.35)%	**1,267**	1,437	(170)	(11.83)%	**5.50 %**	5.67 %	(0.17)%
Total borrowed funds	**589,201**	538,720	50,481	9.37 %	**12,656**	10,878	1,778	16.34 %	**4.32 %**	4.07 %	0.25 %
Total interest-bearing liabilities	**$ 3,103,803**	$ 2,782,187	$ 321,616	11.56 %	**58,158**	40,494	17,664	43.62 %	**3.77 %**	2.94 %	0.83 %
Net interest income (FTE) (4)					**$ 34,117**	$ 36,319	$ (2,202)	(6.06)%			
Net interest spread (FTE)									**1.29 %**	1.55 %	(0.26)%
Net interest margin (FTE) (4)									**1.87 %**	2.12 %	(0.25)%

(1) Average loan balances include nonaccrual loans. Interest income recognized on nonaccrual loans has been included.
(2) Interest income on loans includes amortization of loan fees and costs and prepayment penalties collected, which are not material.
(3) Tax-exempt income has been adjusted to a tax-equivalent basis using a federal income tax rate of 21 percent and is adjusted to reflect the effect of the nondeductible interest expense associated with owning tax-exempt securities and loans.
(4) Net interest income (FTE) and net interest margin (FTE) are non-GAAP financial measures. For further information, refer to the Non-GAAP Financial Measures section of this report.

The Company's largest component of net income is net interest income, which is the difference between interest earned on interest-earning assets, consisting primarily of loans and securities, and interest paid on interest-bearing liabilities, consisting of deposits and borrowings. Fluctuations in net interest income can result from the combination of changes in the average balances of asset and liability categories and changes in interest rates. Interest rates earned and paid are also affected by general economic conditions, particularly changes in market interest rates, and by competitive factors, government policies and actions of regulatory authorities. The Federal Reserve increased the target federal funds interest rate by a total of 425 basis points in 2022 and an additional 100 basis points in 2023. The extent and timing of future potential federal funds interest rate changes is unknown.

Net interest margin on a FTE basis, a non-GAAP financial measure, is a measure of the net return on interest-earning assets and is computed by dividing annualized tax-equivalent net interest income by total average interest-earning assets for the period. The net interest margin for the three and six months ended June 30, 2024 decreased by 16 and 25 basis points, respectively, compared to the three and six months ended June 30, 2023. Tax-equivalent net interest income for the three and six months ended June 30, 2024 decreased $178 and $2,202, respectively, compared to the same time periods in 2023. The primary driver of the decrease in the net interest margin and tax-equivalent net interest income was an increase in rates paid on deposits and borrowed funds, which have repriced faster than loans and securities, and an increase in average deposits and borrowed funds balances, partially offset by increases in loan yields and average loan balances.

Tax-equivalent interest income on loans increased $6,662 and $13,883 for the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023. This increase in interest income on loans was driven by a combination of an increase in the average balance of loans and an increase in loan yields. The average balance of loans for the three and six months ended June 30, 2024 increased $211,030 and $207,554, respectively, compared to the three and six months ended June 30, 2023, while loan yields increased 55 and 58 basis points, respectively. Rising market interest rates have resulted in increasing rates on variable-rate loans in the portfolio and loan originations and renewals priced at higher prevailing market rates compared to current portfolio rates. The yield on the Company's loan portfolio is affected by the portfolio's loan mix, the interest rate environment, the effects of competition, the level of nonaccrual loans and reversals of previously accrued interest on charged-off loans. The yield on the loan portfolio is expected to increase in flat and rising rate environments as variable-rate loans reprice at higher rates and renewals and new originations are priced at prevailing market rates, which exceed the roll-off rate of principal repayments on existing loans. The political and economic environments can also influence the volume of new loan originations and the mix of variable-rate versus fixed-rate loans.

The average balance of deposits increased $311,257 and $271,135 for the three and six months ended June 30, 2024 compared to the same periods in 2023. The rate paid on deposits increased 85 and 98 basis points for the three and six months ended June 30, 2024 compared to the same periods in 2023. The increase in the cost of deposits was primarily due to increases in deposit interest rates in response to increases in the target federal funds rate that occurred in 2023, the inverted yield curve, increased competition for deposit balances, and changes in deposit mix.

Interest expense on borrowed funds increased $662 and $1,778 for the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023. The average balance of borrowed funds increased $23,938 and $50,481 for the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023. The average balance of federal funds purchased and other short-term borrowings decreased $46,171 and $37,984 for the three and six months ended June 30, 2024 compared to the same periods in 2023. The average rate paid on federal funds purchased and other short-term borrowings increased 73 and 91 basis points in the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023. This increase in average rates paid on federal funds purchased and other short-term borrowings was driven by the increases in the target federal funds rate by the Federal Reserve. The average balance of FHLB advances increased by $74,890 and $92,983 for the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023. This increase in average balances was primarily due to an increase in rolling one-month FHLB advances that are hedged with long-term interest rate swap agreements to provide fixed cost wholesale funding.

Credit Loss Expense and the Related Allowance for Credit Losses

The credit loss expense recorded on the income statement represents a charge made to earnings to maintain an adequate allowance for credit losses. The adequacy of the allowance for credit losses is evaluated quarterly by management and reviewed by the Board of Directors. The allowance for credit losses is management's estimate of expected lifetime losses in the loan portfolio as of the balance sheet date. The Company recorded no credit loss expense for the three and six months ended June 30, 2024 and June 30, 2023. Management believed the allowance for credit losses at June 30, 2024 was adequate to absorb expected losses in the loan portfolio as of that date.

Factors management considers in establishing an appropriate allowance include: the borrower's financial condition; the value and adequacy of loan collateral; the condition of the local economy and the borrower's specific industry; the levels and trends of loans by segment; and a review of delinquent and classified loans. The quarterly evaluation of the allowance focuses on factors such as specific loan reviews, changes in the components 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 factors, including whether the loan has other special or unusual characteristics that suggest special monitoring is warranted. The Company's concentration risks include geographic concentrations in central and eastern Iowa and southern Minnesota. The local economies in those markets are composed primarily of major financial service companies, healthcare providers, educational institutions, technology and agribusiness companies, and state and local governments.

West Bank has a significant portion of its loan portfolio in commercial real estate loans, commercial lines of credit, commercial term loans, and construction and land development loans. West Bank's typical commercial borrower is a small- or medium-sized, privately owned business entity. Compared to residential mortgages or consumer loans, commercial loans typically have larger balances and repayment usually depends on the borrowers' successful business operations. Commercial loans generally are not fully repaid over the loan period and may require refinancing or a large payoff at maturity. When the economy turns downward, commercial borrowers may not be able to repay their loans, and the value of their assets, which are usually pledged as collateral, may decrease rapidly and significantly.

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 circumstances, changes in the overall economy in the markets we currently serve, or later acquired information. Identifiable sectors within the general economy are subject to additional volatility, which at any time may have a substantial impact on the loan portfolio. In addition, regulatory agencies, as integral parts of their examination processes, periodically review the credit quality of the loan portfolio and the level of the allowance for credit losses. Such agencies may require West Bank to recognize additional charge-offs or provision for credit losses based on such agencies' review of information available to them at the time of their examinations.

(in thousands, except share and per share data)

West Bank's policy is to charge off loans when, in management's opinion, a loan or a portion of a loan is deemed uncollectible. Commercially reasonable efforts are made to maximize subsequent recoveries. The following table summarizes the activity in the Company's allowance for credit losses on loans for the three and six months ended June 30, 2024 and 2023 and related ratios.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change	**2024**	2023	Change
Balance at beginning of period	**$ 28,373**	$ 27,941	$ 432	**$ 28,342**	$ 25,473	$ 2,869
Adoption of CECL	**—**	—	—	**—**	2,458	(2,458)
Charge-offs	**(4)**	(18)	14	**(4)**	(18)	14
Recoveries	**53**	15	38	**84**	25	59
Net (charge-offs) recoveries	**49**	(3)	52	**80**	7	73
Provision for credit losses charged (credited) to operations	**—**	—	—	**—**	—	—
Balance at end of period	**$ 28,422**	$ 27,938	$ 484	**$ 28,422**	$ 27,938	$ 484
Average loans outstanding	**$ 2,994,492**	$ 2,783,463		**$ 2,972,082**	$ 2,764,527	
Ratio of annualized net (charge-offs) recoveries during the period to average loans outstanding	**0.01 %**	0.00 %		**0.01 %**	0.00 %	
Ratio of allowance for credit losses for loans to average loans outstanding	**0.95 %**	1.00 %		**0.96 %**	1.01 %	
Ratio of allowance for credit losses for loans to total loans at end of period	**0.95 %**	1.00 %		**0.95 %**	1.00 %	

(in thousands, except share and per share data)

Noninterest Income

The following tables show the variance from the prior year in the noninterest income categories shown in the Consolidated Statements of Income.

	Three Months Ended June 30,			
Noninterest income:	**2024**	2023	Change	Change %
Service charges on deposit accounts	**$ 462**	$ 458	$ 4	0.87 %
Debit card usage fees	**490**	511	(21)	(4.11)%
Trust services	**794**	749	45	6.01 %
Increase in cash value of bank-owned life insurance	**278**	250	28	11.20 %
Other income	**322**	421	(99)	(23.52)%
Total noninterest income	**$ 2,346**	$ 2,389	$ (43)	(1.80)%

	Six Months Ended June 30,			
Noninterest income:	**2024**	2023	Change	Change %
Service charges on deposit accounts	**$ 922**	$ 920	$ 2	0.22 %
Debit card usage fees	**948**	997	(49)	(4.91)%
Trust services	**1,570**	1,455	115	7.90 %
Increase in cash value of bank-owned life insurance	**552**	507	45	8.88 %
Gain from bank-owned life insurance	**—**	691	(691)	(100.00)%
Other income	**653**	776	(123)	(15.85)%
Total noninterest income	**$ 4,645**	$ 5,346	$ (701)	(13.11)%

Revenue from trust services was higher for the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023 primarily due to increases in one-time estate fees. The gain from bank-owned life insurance that occurred in the six months ended June 30, 2023 was the result of a death benefit claim.

(in thousands, except share and per share data)

Noninterest Expense

The following tables show the variance from the prior year periods in the noninterest expense categories shown in the Consolidated Statements of Income. In addition, accounts within the "other expenses" category that represent a significant portion of the total or a significant variance are shown below.

	Three Months Ended June 30,			
Noninterest expense:	**2024**	2023	Change	Change %
Salaries and employee benefits	**$ 7,169**	$ 7,029	$ 140	1.99 %
Occupancy and equipment	**1,852**	1,322	530	40.09 %
Data processing	**754**	729	25	3.43 %
Technology and software	**731**	579	152	26.25 %
FDIC insurance	**631**	420	211	50.24 %
Professional fees	**244**	287	(43)	(14.98)%
Director fees	**236**	251	(15)	(5.98)%
Other expenses:				
Business development	**188**	415	(227)	(54.70)%
Insurance expense	**203**	217	(14)	(6.45)%
Trust	**157**	138	19	13.77 %
Consulting fees	**76**	70	6	8.57 %
Marketing	**27**	40	(13)	(32.50)%
Charitable contributions	**—**	60	(60)	(100.00)%
Low income housing projects amortization	**151**	172	(21)	(12.21)%
New markets tax credit project amortization and management fees	**229**	229	—	— %
All other	**546**	516	30	5.81 %
Total other expenses	**1,577**	1,857	(280)	(15.08)%
Total noninterest expense	**$ 13,194**	$ 12,474	$ 720	5.77 %

	Six Months Ended June 30,			
Noninterest expense:	**2024**	2023	Change	Change %
Salaries and employee benefits	**$ 13,658**	$ 13,896	$ (238)	(1.71)%
Occupancy and equipment	**3,299**	2,649	650	24.54 %
Data processing	**1,468**	1,364	104	7.62 %
Technology and software	**1,431**	1,092	339	31.04 %
FDIC insurance	**1,150**	836	314	37.56 %
Professional fees	**501**	537	(36)	(6.70)%
Director fees	**435**	456	(21)	(4.61)%
Other expenses:				
Business development	**397**	748	(351)	(46.93)%
Insurance expense	**395**	432	(37)	(8.56)%
Trust	**327**	303	24	7.92 %
Consulting fees	**137**	119	18	15.13 %
Marketing	**63**	81	(18)	(22.22)%
Charitable contributions	**—**	120	(120)	(100.00)%
Low income housing projects amortization	**316**	333	(17)	(5.11)%
New markets tax credit project amortization and management fees	**459**	459	—	— %
All other	**1,026**	1,120	(94)	(8.39)%
Total other	**3,120**	3,715	(595)	(16.02)%
Total noninterest expense	**$ 25,062**	$ 24,545	$ 517	2.11 %

Occupancy and equipment expense increased for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to an increase in occupancy costs related to new bank buildings. Technology and software expenses increased for the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023 due to the addition of new technology, product updates and information security solutions. FDIC insurance expense increased for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to an increase in assessment rate.

Income Tax Expense

The Company recorded income tax expense of $1,190 (18.6 percent of pre-tax income) and $2,562 (18.9 percent of pre-tax income) for the three and six months ended June 30, 2024, compared with $1,394 (19.2 percent of pre-tax income) and $3,131 (18.6 percent of pre-tax income) for the three and six months ended June 30, 2023. The Company's consolidated income tax rate differs from the federal statutory income tax rate in each period, primarily due to tax-exempt interest income, the tax-exempt increase in cash value of bank-owned life insurance, tax-exempt gain from bank-owned life insurance, disallowed interest expense, and state income taxes. The tax rates for the first six months of 2024 and 2023 were also impacted by year-to-date federal low income housing tax credits and a new markets tax credit of approximately $754 and $749, respectively.

(in thousands, except share and per share data)

FINANCIAL CONDITION

The Company had total assets of $3,965,115 as of June 30, 2024, compared to total assets of $3,825,758 as of December 31, 2023. Changes in the balance sheet included increases in interest-bearing cash deposits, loans, premises and equipment and total deposits and decreases in securities available for sale and federal funds purchased and other short-term borrowings.

Securities

Securities available for sale decreased by $35,467 during the six months ended June 30, 2024. This decrease was due to calls and principal paydowns on securities and the decline in fair value of the securities available for sale resulting from the increase in market interest rates since December 31, 2023. Management concluded the unrealized losses are the result of increases in risk-free market interest rates since the securities were purchased and are not an indication of declining credit quality. Unrealized losses are recorded in accumulated other comprehensive loss, net of tax. The Company expects the securities portfolio as a percentage of total assets to decrease over time as the proceeds from paydowns and maturities may be used for loan growth or repayment of borrowed funds.

As of June 30, 2024, approximately 61 percent of the available for sale securities portfolio consisted of government agency guaranteed collateralized mortgage obligations and mortgage-backed securities. Management believes these securities have little to no credit risk and provide cash flows for liquidity and repricing opportunities.

Loans and Nonperforming Assets

Loans outstanding increased $71,239 from $2,927,535 as of December 31, 2023 to $2,998,774 as of June 30, 2024. Changes in the loan portfolio during the first six months of 2024 included an increase of $83,387 in construction, land and land development loans and a decrease of $14,458 in 1-4 family residential first mortgage loans.

In accordance with regulatory guidelines, the Company exercises heightened risk management practices when non-owner occupied commercial real estate lending exceeds 300 percent of total risk-based capital or construction, land and land development loans exceed 100 percent of total risk-based capital. Although the commercial real estate portfolio exceeded these regulatory guidelines as of June 30, 2024, they were within the Company's established policy limits and management believes that the Company has appropriate risk management policies and procedures to regularly monitor the commercial real estate portfolio. An analysis of the Company's non-owner occupied commercial real estate portfolio as of December 31, 2023 was presented in the Company's Form 10-K/A, filed with the SEC on February 23, 2024, and the Company has not experienced any material changes to that portfolio since December 31, 2023.

The following table sets forth the amount of nonperforming assets held by the Company and common ratio measurements of those assets as of the dates shown.

	June 30, 2024	December 31, 2023	Change
Nonaccrual loans	**$ 521**	$ 296	$ 225
Loans past due 90 days and still accruing interest	**—**	—	—
Loan restructurings [1]	**—**	—	—
Total nonperforming loans	**521**	296	225
Other real estate owned	**—**	—	—
Total nonperforming assets	**$ 521**	$ 296	$ 225
Nonperforming loans to total loans	**0.02 %**	0.01 %	0.01 %
Nonperforming assets to total assets	**0.01 %**	0.01 %	— %

(1) While loan restructurings made to borrowers experiencing financial difficulty (loan restructurings) are commonly reported by the industry as nonperforming, those not classified in the nonaccrual category are accruing interest due to payment performance. Loan restructurings on nonaccrual status are categorized as nonaccrual. There were no loan restructurings categorized as nonaccrual as of June 30, 2024 or December 31, 2023.

Deposits

Deposits increased $207,143, or 7.0 percent, during the first six months of 2024. Brokered deposits increased to $370,290 at June 30, 2024, from $305,411 at December 31, 2023. Excluding brokered deposits, deposits increased $142,264, or 5.3 percent, during the first six months of 2024. In the second quarter of 2024, a local municipal customer deposited approximately $120,000 of bond proceeds that are expected to be withdrawn over the next 12-18 months. Deposit inflows and outflows are influenced by prevailing market interest rates, competition, local and national economic conditions and fluctuations in our business customers' own liquidity needs. In particular, significant competition for deposits driven by high interest rate alternatives for depositors is currently impacting deposit fluctuations and increasing our cost of deposits.

West Bank participates in the IntraFi® ICS and CDARS reciprocal deposit network which enables depositors to receive FDIC insurance coverage on deposits otherwise exceeding the maximum insurable amount. As of June 30, 2024, estimated uninsured deposits, which excludes deposits in the IntraFi® reciprocal network, brokered deposits and public funds protected by state programs, were approximately 26.3 percent of total deposits.

Borrowed Funds

Federal funds purchased and other short-term borrowings decreased from $150,270 at December 31, 2023 to $85,500 as of June 30, 2024. The fluctuations in the balances of federal funds purchased and other short-term borrowings is based on customer loan and deposit activity and the Company's balance sheet management objectives, which from time to time may require the Company to draw on the federal funds purchased lines with our correspondent banks, FHLB advances or other liquidity sources.

The Company had $315,000 of FHLB advances outstanding at June 30, 2024, $295,000 of which are one-month rolling advances hedged with long-term interest rate swaps. The interest rate swaps that hedge the interest rates on these FHLB advances have maturity dates ranging from August 2024 through June 2029 and fixed rates ranging from 1.69 percent to 4.65 percent. Additionally, the Company has one forward starting interest rate swap with a notional amount of $20,000 and a starting date in August 2024, which replaces a maturing swap. This strategy of hedging short-term rolling funding effectively provides fixed cost wholesale funding through the maturity dates of the various interest rate swaps.

Liquidity

The objectives of liquidity management are to ensure the availability of sufficient cash flows to meet all financial commitments and to capitalize on opportunities for profitable business expansion. The Company's principal source of funds is deposits. Other sources include loan principal repayments, proceeds from the maturity and sale of securities, principal payments on amortizing securities, federal funds purchased, advances from the FHLB, other wholesale funding and funds provided by operations. Liquidity management is conducted on both a daily and a long-term basis. Investments in liquid assets are adjusted based on expected loan demand, projected loan and securities maturities and payments, expected deposit flows and the objectives set by the Company's asset-liability management policy. The Company had liquid assets (cash and cash equivalents) of $149,819 as of June 30, 2024 compared with $65,357 as of December 31, 2023.

Our deposit growth strategy emphasizes core deposit growth. Deposit inflows and outflows can vary widely and are influenced by prevailing market interest rates, competition, local and national economic conditions and fluctuations in our business customers' own liquidity needs. The Company utilizes brokered deposits and other wholesale funding to supplement core deposit fluctuations and loan growth. Brokered deposits are obtained through various programs administered by IntraFi®, and through other third party brokers. At June 30, 2024, the Company had $370,290 in brokered deposits, which included fixed-rate deposits with terms through February 2029 and variable-rate deposits with terms through September 2025.

As of June 30, 2024, West Bank had additional borrowing capacity available from the FHLB of approximately $525,000, as well as approximately $72,000 through the Federal Reserve discount window and $75,000 through unsecured federal funds lines of credit with correspondent banks. Net cash from operating activities contributed $16,123 to liquidity for the six months ended June 30, 2024. Management believed that the combination of high levels of potentially liquid assets, unencumbered securities, cash flows from operations, and additional borrowing capacity were sufficient to meet our liquidity and capital needs as of June 30, 2024.

The Company had remaining commitments to invest in qualified affordable housing projects totaling $1,468 and $1,649 as of June 30, 2024 and December 31, 2023, respectively.

Capital

The Company's total stockholders' equity decreased to $223,883 at June 30, 2024 from $225,043 at December 31, 2023. The decrease was primarily the result of the increase in accumulated other comprehensive loss, which was primarily the result of the negative effect that rising interest rates continue to have on the unrealized market value adjustment of our available for sale investment portfolio. While accumulated other comprehensive losses reduce tangible common equity, they have no impact on regulatory capital. At June 30, 2024, the Company's tangible common equity as a percent of tangible assets was 5.65 percent compared to 5.88 percent as of December 31, 2023.

The Company and West Bank are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements (as shown in the following table) can result in certain mandatory and possibly additional discretionary actions by regulators, which, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and West Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and West Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Management believed the Company and West Bank met all capital adequacy requirements to which they were subject as of June 30, 2024.

(in thousands, except share and per share data)

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

	Actual		For Capital Adequacy Purposes		For Capital Adequacy Purposes With Capital Conservation Buffer		To Be Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2024								
Total Capital (to Risk-Weighted Assets)								
Consolidated	**$ 422,270**	**11.85 %**	**$ 285,099**	**8.00 %**	**$ 374,192**	**10.50 %**	**$ 356,374**	**10.00 %**
West Bank	**451,012**	**12.66 %**	**284,971**	**8.00 %**	**374,024**	**10.50 %**	**356,214**	**10.00 %**
Tier 1 Capital (to Risk-Weighted Assets)								
Consolidated	**331,303**	**9.30 %**	**213,824**	**6.00 %**	**302,918**	**8.50 %**	**285,099**	**8.00 %**
West Bank	**420,045**	**11.79 %**	**213,728**	**6.00 %**	**302,782**	**8.50 %**	**284,971**	**8.00 %**
Common Equity Tier 1 Capital (to Risk-Weighted Assets)								
Consolidated	**311,303**	**8.74 %**	**160,368**	**4.50 %**	**249,462**	**7.00 %**	**231,643**	**6.50 %**
West Bank	**420,045**	**11.79 %**	**160,296**	**4.50 %**	**249,350**	**7.00 %**	**231,539**	**6.50 %**
Tier 1 Capital (to Average Assets)								
Consolidated	**331,303**	**8.08 %**	**164,007**	**4.00 %**	**164,007**	**4.00 %**	**205,009**	**5.00 %**
West Bank	**420,045**	**10.25 %**	**163,942**	**4.00 %**	**163,942**	**4.00 %**	**204,927**	**5.00 %**
As of December 31, 2023								
Total Capital (to Risk-Weighted Assets)								
Consolidated	$ 419,452	11.88 %	$ 282,508	8.00 %	$ 370,791	10.50 %	$ 353,135	10.00 %
West Bank	450,444	12.76 %	282,307	8.00 %	370,527	10.50 %	352,883	10.00 %
Tier 1 Capital (to Risk-Weighted Assets)								
Consolidated	328,566	9.30 %	211,881	6.00 %	300,164	8.50 %	282,508	8.00 %
West Bank	419,558	11.89 %	211,730	6.00 %	299,951	8.50 %	282,307	8.00 %
Common Equity Tier 1 Capital (to Risk-Weighted Assets)								
Consolidated	308,566	8.74 %	158,911	4.50 %	247,194	7.00 %	229,537	6.50 %
West Bank	419,558	11.89 %	158,797	4.50 %	247,018	7.00 %	229,374	6.50 %
Tier 1 Capital (to Average Assets)								
Consolidated	328,566	8.50 %	154,628	4.00 %	154,628	4.00 %	193,285	5.00 %
West Bank	419,558	10.86 %	154,571	4.00 %	154,571	4.00 %	193,213	5.00 %

The Company and West Bank are subject to a 2.5 percent capital conservation buffer that is added to the minimum requirements for capital adequacy purposes. A banking organization with a capital conservation buffer of less than the required amount will be subject to limitations on capital distributions, including dividend payments, and certain discretionary bonus payments to executive officers. At June 30, 2024, the capital ratios for the Company and West Bank were sufficient to meet the conservation buffer.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's market risk is composed primarily of interest rate risk arising from its core banking activities of lending and deposit taking. Interest rate risk refers to the exposure arising from changes in interest rates. Fluctuations in interest rates have a significant impact not only upon net income, but also upon the cash flows and market values of assets and liabilities. Our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our interest-earning assets and interest-bearing liabilities. Management continually develops and applies strategies to mitigate this risk.

The Company's objectives are to manage interest rate risk to foster consistent growth of earnings and capital. It is our policy to maintain an acceptable level of interest rate risk over a range of possible changes in interest rates while remaining responsive to market demand for loan and deposit products. To measure that risk, the Company uses an earnings simulation approach.

The Company has an Asset Liability Committee which meets quarterly to review the interest rate sensitivity position and to review and develop various strategies for managing interest rate risk. Measuring and maintaining interest rate risk is a dynamic process that management performs with the objective of maximizing net interest margin while maintaining interest rate risk within acceptable tolerances. This process relies primarily on the simulation of net interest income over multiple interest rate scenarios. The Company engages a third party that utilizes a modeling program to measure the Company's exposure to potential interest rate changes. For various assumed hypothetical changes in market interest rates, this analysis measures the estimated change in net interest income. The simulations allow for ongoing assessment of interest rate sensitivity and can include the impact of potential new business strategies. The modeled scenarios begin with a base case in which rates are unchanged and include parallel and nonparallel rate shocks. The model includes deposit beta assumptions which are estimates of changes in interest-bearing deposit pricing for a given change in market interest rates. In the current model scenario, deposit betas in falling rate scenarios are significantly lower than the deposit betas in rising rate scenarios. This results in a smaller deposit repricing benefit in falling rate scenarios. The results of the rate shocks are measured in two forms: first, the impact on the net interest margin and earnings over one and two year time frames; and second, the impact on the market value of equity. The results of the simulation are compared against approved policy limits.

The following table presents the estimated change in net interest income over a one year time horizon under several scenarios of assumed interest rate changes for the rate shock levels shown. The changes in each interest rate scenario represents the difference between estimated net interest income in the unchanged interest rate scenario, or the base case, and the estimated net interest income in each of the alternative interest rate scenarios. The net interest income in each scenario is based on immediate parallel yield curve changes in the interest rates applied to a static balance sheet. This analysis does not represent a forecast and should not be relied upon as being indicative of expected operating results.

	At June 30, 2024	
	Sensitivity of Net Interest Income Over One Year Horizon	
Change in Interest Rates	$ Change	% Change
300 basis points rising	$(9,484)	(11.76)%
200 basis points rising	(5,943)	(7.37)
100 basis points rising	(3,330)	(4.13)
100 basis points falling	418	0.52
200 basis points falling	(285)	(0.35)

Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions. The assumptions used in our interest rate sensitivity simulation discussed above are inherently uncertain and, as a result, the simulations cannot precisely measure net interest income or precisely predict the impact of changes in interest rates on net interest income. Actual results may differ from those projections set forth above due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and customer behavior. Further, the computations do not contemplate any actions the Company may undertake in response to changes in interest rates.

Item 4. Controls and Procedures

a. Evaluation of disclosure controls and procedures. As of the end of the period covered by this report, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) was performed under the supervision, and with the participation, of the Company's Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

b. Changes in internal control over financial reporting. There were no changes in the Company's internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Neither the Company nor West Bank is a party, and no property of these entities is subject, to any material pending legal proceedings, other than ordinary routine litigation incidental to West Bank's business. The Company does not know of any proceeding contemplated by a governmental authority against the Company or West Bank.

Item 1A. Risk Factors

Management does not believe there have been any material changes in the risk factors that were disclosed in the Company's Form 10-K/A, filed with the Securities and Exchange Commission on February 23, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the fiscal quarter ended June 30, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

Item 6. Exhibits

The following exhibits are filed as part of this report:

Exhibits	Description
3.1	Restatement of the Restated Articles of Incorporation of West Bancorporation, Inc. (incorporated herein by reference to Exhibit 3.1 filed with the Form 10-K on March 1, 2017)
3.2	Amended and Restated Bylaws of West Bancorporation, Inc. as of January 23, 2019 (incorporated herein by reference to Exhibit 3.1 filed with the Form 8-K on January 24, 2019)
31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and combined in Exhibit 101)

SIGNATURES

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

West Bancorporation, Inc.
(Registrant)

July 25, 2024	By:	/s/ David D. Nelson
Date		David D. Nelson Chief Executive Officer and President (Principal Executive Officer)
July 25, 2024	By:	/s/ Jane M. Funk
Date		Jane M. Funk Executive Vice President, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 31.1

Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David D. Nelson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of West Bancorporation, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 25, 2024

/s/ David D. Nelson
David D. Nelson
Chief Executive Officer and President

EXHIBIT 31.2

Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jane M. Funk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of West Bancorporation, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 25, 2024

/s/ Jane M. Funk
Jane M. Funk
Executive Vice President, Treasurer and Chief Financial Officer

EXHIBIT 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350 as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of West Bancorporation, Inc. on Form 10-Q for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David D. Nelson, Chief Executive Officer and President of West Bancorporation, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of West Bancorporation, Inc.

July 25, 2024

/s/ David D. Nelson
David D. Nelson
Chief Executive Officer and President

EXHIBIT 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350 as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of West Bancorporation, Inc. on Form 10-Q for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jane M. Funk, Executive Vice President, Treasurer and Chief Financial Officer of West Bancorporation, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of West Bancorporation, Inc.

July 25, 2024

/s/ Jane M. Funk
Jane M. Funk
Executive Vice President, Treasurer and Chief Financial Officer