

WEST BANCORPORATION INC
Form 10-Q
April 25, 2019
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 March 31, 2019

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.)

1601 22nd Street, West Des Moines, Iowa 50266
(Address of principal executive offices) (Zip Code)

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

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

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 x
Non-accelerated filer o
Smaller reporting company x
Emerging growth company o

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 April 24, 2019, there were 16,357,752 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 Sheets

(unaudited)

(in thousands, except share and per share data)	March 31, 2019	December 31, 2018
ASSETS		
Cash and due from banks	\$45,461	\$ 46,369
Federal funds sold	2,078	1,105
Cash and cash equivalents	47,539	47,474
Investment securities available for sale, at fair value	433,963	453,758
Federal Home Loan Bank stock, at cost	11,639	12,037
Loans	1,748,830	1,721,830
Allowance for loan losses	(16,737)	(16,689)
Loans, net	1,732,093	1,705,141
Premises and equipment, net	30,510	21,491
Accrued interest receivable	8,577	7,631
Bank-owned life insurance	34,401	34,249
Deferred tax assets, net	5,374	6,518
Other assets	7,995	8,269
Total assets	\$2,312,091	\$ 2,296,568
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$388,686	\$ 400,530
Interest-bearing demand	309,975	336,089
Savings	1,007,634	950,501
Time of \$250 or more	40,689	55,745
Other time	161,339	151,664
Total deposits	1,908,323	1,894,529
Federal funds purchased	17,735	19,985
Subordinated notes, net	20,428	20,425
Federal Home Loan Bank advances, net	128,247	137,878
Long-term debt	25,011	27,040
Accrued expenses and other liabilities	16,077	5,688
Total liabilities	2,115,821	2,105,545
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.01 par value; authorized 50,000,000 shares; no shares issued and outstanding at March 31, 2019 and December 31, 2018	—	—
Common stock, no par value; authorized 50,000,000 shares; 16,357,752 and 16,295,494 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	3,000	3,000
Additional paid-in capital	24,898	25,128
Retained earnings	173,349	169,709

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Accumulated other comprehensive loss	(4,977)	(6,814)
Total stockholders' equity	196,270		191,023	
Total liabilities and stockholders' equity	\$2,312,091		\$2,296,568	

See Notes to Consolidated Financial Statements.

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Consolidated Statements of Income
(unaudited)

(in thousands, except per share data)	Three Months	
	2019	2018
Interest income:		
Loans, including fees	\$20,388	\$16,474
Investment securities:		
Taxable	2,328	1,813
Tax-exempt	837	1,362
Federal funds sold	98	81
Total interest income	23,651	19,730
Interest expense:		
Deposits	5,964	3,012
Federal funds purchased	87	27
Subordinated notes	252	248
Federal Home Loan Bank advances	1,273	832
Long-term debt	186	195
Total interest expense	7,762	4,314
Net interest income	15,889	15,416
Provision for loan losses	—	150
Net interest income after provision for loan losses	15,889	15,266
Noninterest income:		
Service charges on deposit accounts	611	649
Debit card usage fees	375	399
Trust services	483	445
Increase in cash value of bank-owned life insurance	152	158
Realized investment securities losses, net	(88) —
Other income	586	262
Total noninterest income	2,119	1,913
Noninterest expense:		
Salaries and employee benefits	5,460	4,513
Occupancy	1,233	1,223
Data processing	680	676
FDIC insurance	219	162
Professional fees	234	234
Director fees	251	249
Other expenses	1,467	1,230
Total noninterest expense	9,544	8,287
Income before income taxes	8,464	8,892
Income taxes	1,565	1,508
Net income	\$6,899	\$7,384
Basic earnings per common share	\$0.42	\$0.46
Diluted earnings per common share	\$0.42	\$0.45
See Notes to Consolidated Financial Statements.		

Table of ContentsWest Bancorporation, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income
(unaudited)

	Three Months Ended March 31,	
(in thousands)	2019	2018
Net income	\$6,899	\$7,384
Other comprehensive income (loss) :		
Unrealized gains (losses) on investment securities:		
Unrealized holding gains (losses) arising during the period	4,917	(6,965)
Unrealized gains on investment securities transferred from held to maturity to available for sale	—	363
Plus: reclassification adjustment for net losses realized in net income	88	—
Less: other reclassification adjustment	—	(36)
Income tax benefit (expense)	(1,251)	1,661
Other comprehensive income (loss) on investment securities	3,754	(4,977)
Unrealized gains (losses) on derivatives:		
Unrealized holding gains (losses) arising during the period	(2,441)	1,545
Plus: reclassification adjustment for net (gain) loss on derivatives realized in net income	(137)	37
Plus: reclassification adjustment for amortization of derivative termination costs	23	23
Income tax benefit (expense)	638	(402)
Other comprehensive income (loss) on derivatives	(1,917)	1,203
Total other comprehensive income (loss)	1,837	(3,774)
Comprehensive income	\$8,736	\$3,610

See Notes to Consolidated Financial Statements.

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West Bancorporation, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity
(unaudited)
(in thousands, except share and per share data)

	Three Months Ended March 31, 2019					Accumulated Other Comprehensive Income (Loss) Total
	Preferred Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings		
Balance, December 31, 2018	\$ 16,295,494	\$ 3,000	\$ 25,128	\$ 169,709	\$ (6,814)	\$ 191,023
Net income	—	—	—	6,899	—	6,899
Other comprehensive income, net of tax	—	—	—	—	1,837	1,837
Cash dividends declared, \$0.20 per common share	—	—	—	(3,259)	—	(3,259)
Stock-based compensation costs	—	—	631	—	—	631
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for payroll taxes	62,258	—	(861)	—	—	(861)
Balance, March 31, 2019	\$ 16,357,752	\$ 3,000	\$ 24,898	\$ 173,349	\$ (4,977)	\$ 196,270

	Three Months Ended March 31, 2018					Accumulated Other Comprehensive Income (Loss) Total
	Preferred Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings		
Balance, December 31, 2017	\$ 16,215,672	\$ 3,000	\$ 23,463	\$ 153,527	\$ (1,892)	\$ 178,098
Reclassification of stranded tax effects of rate change	—	—	—	370	(370)	—
Net income	—	—	—	7,384	—	7,384
Other comprehensive loss, net of tax	—	—	—	—	(3,774)	(3,774)
Cash dividends declared, \$0.18 per common share	—	—	—	(2,919)	—	(2,919)
Stock-based compensation costs	—	—	529	—	—	529
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for payroll taxes	55,822	—	(1,076)	—	—	(1,076)
Balance, March 31, 2018	\$ 16,271,494	\$ 3,000	\$ 22,916	\$ 158,362	\$ (6,036)	\$ 178,242

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
(in thousands)	2019	2018
Cash Flows from Operating Activities:		
Net income	\$6,899	\$7,384
Adjustments to reconcile net income to net cash provided by operating activities:		