Heartland Financial USA, Inc. (NASDAQ:HTLF) Q1 2022 Earnings Conference Call April 25, 2022 5:00 PM ET

Q1: 2022-04-25 Earnings Summary

EPS of $1.14 beats by $0.10 | Revenue of $169.25M (-0.40% Y/Y) beats by $194.00K

Company Participants

Bruce Lee - President and CEO

Bryan McKeag - Executive Vice President and CFO

Nathan Jones - Chief Credit Officer

Conference Call Participants

Terry McEvoy - Stephens

Damon DelMonte - KBW

Andrew Liesch - Piper Sandler

Jeff Rulis - D.A. Davidson

Operator

Greetings. And welcome to the HTLF First Quarter 2022 Conference Call. This afternoon, HTLF distributed its first quarter press release, and hopefully, you've had a chance to review the results. If there is anyone on this call who did not receive a copy, you may access it at HTLF website at htlf.com.

With us today from management are Bruce Lee, President and CEO; and Bryan McKeag, Executive Vice President and Chief Financial Officer. Management will provide a brief summary of the quarter and then we will open the call to your questions.

Before we begin the presentation, I would like to remind everyone that some of the information management will be providing today falls under the guidelines of forward-looking statements as defined by the Securities and Exchange Commission.

As part of these guidelines, I must point out that any statements made during this presentation concerning the company's hopes, beliefs, expectations and predictions of the future are forward-looking statements and the actual results could differ materially from those projected. Additional information on these factors is included from time-to-time in the company's 10-K and 10-Q filings, which may be obtained on the company's website or the SEC website.

At this time, I will now turn the call over to Mr. Bruce Lee, at HTLF. Please go ahead, sir.

Bruce Lee

Thank you, Victor. Good afternoon, everyone. This is Bruce Lee, President and CEO.

Welcome to HTLF 2022 first quarter earnings conference call. We appreciate you joining us today as we discuss HTLF's performance for the first quarter.

For the next few minutes, I will discuss many of our first quarter highlights. I will then turn the call over to Bryan McKeag, our Chief Financial Officer to provide additional information around HTLF's results. Also joining us today is Nathan Jones, our Chief Credit Officer, who can answer any questions regarding our credit quality, which is quite strong.

HTLF had continued success and growth in the first quarter, reporting $47.9 million of net income and EPS of $1.12. Our ongoing growth strategy and investments in talent and technology continued to deliver results, with strong growth in loans, deposits and revenue, and excellent credit quality. I'm pleased to share with you our solid results.

In the first quarter, we delivered organic loan growth of $358 million or 4% from the linked quarter, excluding PPP and significantly exceeding our guidance of $200 million. Deposit growth of $249 million from the linked quarter, total revenue of $169 million in line with our expectations, and excellent credit quality with nonperforming assets decreasing to 32 basis points of total assets.

Let's start with loan growth highlights. We saw continued strength across our diversified commercial loan portfolios. From the linked quarter, commercial and industrial increased $174 million or 7%, owner-occupied real estate increased $26 million or 1%, non-owner occupied real estate increased $151 million or 8%, construction decreased $14 million or 2%, and our ag portfolio increased $13 million for 2%.

In the first quarter, we added 322 new commercial relationships, representing $263 million in funded loans and $58 million of new deposits. We had growth across all segments. Banks, Food and Agribusiness, and HTLF specialized industries.

Our teams are well-positioned with strong customer relationships and a robust pipeline of prospects. Our commercial pipeline remained strong at over $2 billion, as it has for the last three quarters and we expect to grow commercial loans by more than $250 million in the second quarter.

I spent a considerable amount of time talking to our customers, getting to know their businesses and outlook. While there are headwinds, such as inflation, supply chain, and staffing, our customers are cautiously optimistic for the rest of this year. In our consumer loan portfolio, we saw growth of $12 million or 3% from the linked quarter. Residential mortgage decreased $4 million or less than 1% from the linked quarter.

We delivered another quarter of deposit growth. Non-time deposits totaled $15.6 billion, an increase of $219 million or 1% from the linked quarter. Total deposits grew to a record $16.7 billion, an increase of $249 million from the linked quarter. This marks our 12th consecutive quarter of total deposit growth. We maintained our exceptional deposit mix. 94% of deposits are in non-time accounts, 38% of deposits are in non-interest bearing accounts, positioning us well in a rising rate environment.

Our deposit pricing strategy continues to serve us well. Total deposit costs remained low at 7 basis points, a decrease from 12 basis points a year ago. Total assets are $19.2 billion, an increase of $995 million from a year ago. Assets decreased slightly by $35 million or less than 1% from the linked quarter.

Turning to key credit metrics, we've added talent and strategically built a strong credit team that uses a disciplined credit approach. The team has been focusing on improving credit quality across our portfolio. Nonperforming loans represented 58 basis points of total loans at the end of the first quarter, a decrease of 12 basis points from the linked quarter.

Nonperforming assets, as a percentage of total assets, declined to 32 basis point from 37 basis points in the linked quarter. Delinquency ratio remains near our historic low at 10 basis points. Non-pass rated loans decreased to 6.3% from 7.4% in the linked quarter.

Lastly in the first quarter, we reported net charge of $3 million or 12 basis points annualized of average loans. This was largely related to one Ag credit we've been working to bring to resolution for several years.

I'd like to congratulate John Schmidt on being named our new Independent Board Chair. John has served as a Director since 2001 and brings deep experience in understanding to the role having previously served at HTLF as the Bank President, Chief Operating Officer, and Chief Financial Officer. John and the Board share HTLF's vision to be a top-performing and admired banking organization and we are delivering against our ambitious and disciplined growth strategies, which were developed by our management team and unanimously approved by the HTLF Board of Directors. These strategies are working. We are achieving growth by retaining and attracting top talents, such as our HTLF Food and Agro business team.

Adding customer relationships demonstrated by the last four quarters of 15% Commercial and Ag-related loan growth, excluding PPP. Expanding into adjacent growth markets, which we've done in Cedar Rapids, Des Moines, St. Paul and the Western suburbs of Chicago. We will also achieve growth by consolidating our 11 separate bank charters into a single HTLF bank charter. This will create operational and cost efficiencies and unlock capacity that supports growth both organically and through M&A.

Charter consolidation isn't a goal in and of itself, it's one of several strategies to achieve our goals of organic growth and growth through acquisition. We can grow organically, pursue charter consolidation and potential M&A strategies simultaneously. Internal efficiency and external growth are complementary, not contradictory. Our 11 bank divisions will maintain their brand, local leadership, and local decision making, staying focused on customers and relationships, and HTLF will maintain our strong and sizable presence in Dubuque, Iowa.

While expenses were elevated in the first quarter, we expect them to improve in the second quarter. Bryan will provide more details on expenses in his comment. We expect to complete charter consolidation by late 2023 and deliver $20 million of annual savings.

We also continue to optimize our branch network. This year, we plan to close or so, a total of 11 branches or 8% of our branch network. HTLF has considerable momentum and is positioned for continued growth in progress against our goals of organic loan growth, new customer acquisition, attracting and retaining talent, controlling expenses, and maintaining strong credit quality. We are driving growth and creating value for our employees, customers, and shareholders.

Our strategy and accomplishments have been recognized by Forbes as one of America's Best Banks for 2022. HTLF ranked 28, our highest ranking today. It's the sixth consecutive year we've been ranked by Forbes based on profitability, growth, credit quality, and efficiency. Our strategic investments in technology are delivering best-in-class services and technology to our customers.

Earlier this month, we began introducing an update to consumer and commercial online banking experiences. In June, we'll launch Zelle, enabling consumers - consumer customers to make fast, safe, and easy person-to-person payments.

I specifically want to recognize our employees and thank them for their continued commitment to delivering strength, insight, and growth to our customers, communities, and investors. I'm grateful for their hard work and dedication that have strengthened our company. Together, we are HTLF.

I will now turn the call over to Bryan McKeag, HTLF's Chief Financial Officer for more details on our performance and financials. Bryan?

Bryan McKeag

Thanks, Bruce, and good afternoon.

I'll begin today by referencing our earnings release, which details another solid quarter for HTLF with earnings per share reported at $1.12, loan growth of $358 million excluding PPP, and continued improvement in credit metrics. But before I go into more detail, I would remind you - remind everyone that you can find additional information on the quarter in our first quarter investor presentation, which is available in the IR section of HTLF's website.

So I'll start my comments as I usually do with the provision for credit losses, which was a $5.7 million benefit this quarter, which is slightly better than the $5.3 million benefit last quarter as underlying credit trends remain very phased favorable, highlighted by nonperforming loans, which declined by $11 million and loan delinquencies that remain near historic lows at 10 basis points of total loans.

As Bruce mentioned, net charge-offs were $3 million this quarter, due primarily to one Ag-related credit that's been in our workout group going through bankruptcy for several years. A good portion of the charge-off had been reserved for in prior quarters. The economic outlooks used to develop the allowance were upgraded from last quarter but still retain a measure of caution and uncertainty that management deems appropriate for what it views as lingering economic headwinds.

So at the end of the quarter, the total allowance for lending-related credit losses, which includes both the allowance for credit, losses on loans, and unfunded commitment, stood at $116.8 million or 1.15% of total loans. In addition, our quarter-end unamortized purchased loan valuations on the balance sheet totaled $16.3 million or 16 basis points of total loans.

Moving on to some other balance sheet items, investment balances declined $508 million this quarter which includes a $381 million or about 5% reduction in fair market value. Investments now comprise 37% of assets with a tax-equivalent yield of 2.16%, modified duration of just over five years, and generate between $70 million and $75 million of average cash flow per month. Tangible common equity ratio decreased 129 basis points to 6.55% at the end of the quarter and reflects the 147 basis points decline that was primarily due to the decrease in market value of investments and was partially offset by an 18 basis points increase from higher retained earnings.

HTLF's regulatory capital ratios remain strong with common equity Tier 1 at just over 11.5% and total risk-based capital at 15.7%. So the balance sheet continues to be very strong and well-positioned.

Moving to the income statement and starting with revenue, non-interest income - or net interest income totaled $134.7 million this quarter, which was $2.5 million lower than the prior quarter. Main drivers of the reduction were first, a $3.8 million decline in PPP interest and fees recognized this quarter at $4.3 million, down from $8.1 million last quarter. We exited the quarter with $2.4 million of unamortized PPP loan fees remaining on our books.

And second, due to the first quarter having two fewer days than the prior quarter, net interest income was $3.1 million lower. In total, these two items result - resulted in a $6.9 million decrease in net interest income compared to the prior quarter. Excluding these components, net interest income would have been $4.4 million higher than last quarter.

The net interest margin on a tax-equivalent basis remained unchanged this quarter at 3.12%. As expected, investment yields improved 22 basis points. In addition, loan yields fell 20 basis points and interest costs declined 1 basis point. This quarter, the net interest margin includes 5 basis points of purchase accounting accretion, which was unchanged from the prior quarter.

Non-interest income increased this quarter to $34.6 million. Excluding security gains and losses, core non-interest income was $32 million, up almost $1 million from the prior quarter as strong commercial swaps and syndication fees more than offset some weakness in Wealth Management and Mortgage Banking revenues in relation to rising interest rates. So core revenue trends were positive for both net interest income and fees and we believe revenue can continue to trend positive throughout the rest of 2022.

Shifting then to expenses, non-interest expenses totaled $110.8 million this quarter, that's down $4.6 million from last quarter. Excluding restructuring tax credit costs and asset gains and losses, core expenses decreased $1 million to $110 million compared to $111 million last quarter.

And, as Bruce said, unfortunately, they are a little bit higher than we had projected last quarter. This miss was primarily in salary and benefits expense, which increased $3 million due to higher incentive and benefit accruals that we set in Q1. However, these accruals are expected to normalize at lower levels as we go forward.

On the positive side, FTE counts declined by 41 late in the quarter and we anticipate additional reductions next quarter as we work through initial charter consolidation opportunities offsetting the increases in personnel costs or declines in professional fees, advertising, and other expenses which were lower due to IT and other projects winding down as we approach our initial charter consolidations.

Looking ahead to the remainder of 2022, we believe HTLF will continue to deliver strong results highlighted by loan pipelines, which as Bruce noted remain strong and support our expected loan growth rate ex-PPP of 2% to 3% per quarter. Non-time deposit growth is likely to slow into the 1% range per quarter.

Assuming no additional Fed rate changes, net interest income excluding PPP is projected to grow in the single low - low-single digits on a percentage basis per quarter as loan growth will improve earning asset mix and increase earning assets.

In addition, then the anticipated increase of 50 basis points by the Fed in May is projected to increase net interest income by approximately $20 million on an annualized base. Provision for credit losses are expected to begin to normalize with continued loan growth and net charge-offs are expected to remain below historical levels for the rest of 2022.

Non-interest income, excluding investment gains and losses, in total, is expected to be flat at about $32 million per quarter with higher commercial deposits, swaps, and syndication fees offsetting lower Mortgage Banking and Wealth Management revenue. Core expenses are expected to decline $2 million to $3 million into the $107 million to $108 million range next quarter.

We expect modest declines in subsequent quarters as we manage core expenses lower by rationalizing branches, slowing IT and other spending, and realizing additional cost saves as we move through charter consolidations in the back half of 2022. However, persistent inflationary pressures, particularly wage inflation, remain a difficult headwind.

Charter consolidation restructuring costs will ramp up in the coming quarters. We still estimate $17 million of remaining costs over the next two years.

Consolidation will reduce run-rate costs and create operating leverage for future growth. These benefits will layer in over the next two years and we are confident that, in total, they will reach the $20 million mark on an annualized basis when the consolidations are completed. And finally, we believe core tax rate of 22% to 23%, excluding new tax credits, is a reasonable rate for full year.

With that, I'll turn it back to Bruce for questions.

Bruce Lee

Thank you, Bryan. Victor, we're now ready to take questions from the analyst if you want to queue them up?

Question-and-Answer Session

Operator

[Operator Instructions] Our first question will come from the line of Terry McEvoy from Stephens. Your line is open.

Terry McEvoy

I definitely don't want to overlook a very good quarter and the outlook that Bryan just discussed but I think I still need to ask it. Bruce, internally, how are you, call it, managing the noise created from the 13D Group? And maybe more importantly, how has it impacted client growth at all? Definitely, I think you had 322 new commercial customers last quarter, so that didn't seem to be the case, but I just want to at least ask those questions.

Bruce Lee

Yes. Thanks, Terry. So we will not be commenting on the 13D filing or Group. But to answer your question, I mean, we are very focused at the HTLF leadership level on executing the Board approved strategic plan. And I would tell you that, I'm just so proud of the leadership team for staying focused and maybe more importantly, our banks, Bank Presidents, Heads of Commercial, to be focused on organic growth, new customer acquisition, talent acquisition, retention. The credit quality continues to improve, expense control, charter consolidation.

So what I did during the first quarter, Terry, is I went out and I visited five of our banks, been at a couple of days in each market. I was in California, I was in Texas, I was in Kansas City, I was in Denver, I was in Montana talking to our teams and talking to customers. And I would tell you, they are just focused solely on new opportunities and taking care of the customer and the customer experience and new relationships.

And I would tell you, based upon the results in the first quarter with new relationships and what our pipelines look like in my conversations with customers, we feel very confident that we can deliver the $250 million of organic loan growth in the second quarter and it has yet to really affect the banks. It's clearly an issue that we're dealing with at the Board level, but at the customer level, our teams are focused.

Terry McEvoy

Great. Thank you for addressing the topic, Bruce. And maybe a question for Bryan. Just maybe your interest rate outlook. If you could discuss new loan yields and what your thoughts are going forward? And then on the deposit side, how do you think deposits reprice in loan deposit betas as interest rates increase from here?

Bryan McKeag

Yes, good question. I think we're seeing a little bit of movement starting here now with loans. With this first 25 basis points, we've seen some move up. We've moved up our consumer loan rates and some of our new quotes on the commercial side are moving up as well. That should continue as we move up and the Fed moves the next 50 basis points. I think you've seen all of that.

Most banks, us included, are struggling to get that normal beta when rates go up on the commercial and the loan side, so we anticipate then on the deposit side that we will see lower betas. And we've been working hard with the banks to hold the line on deposit pricing. We think most other banks are doing that and we think that will continue for most if not all of this next 50 basis points.

Terry McEvoy

Great. Thank you both. Sorry.

Bruce Lee

No, no, no. Here, I just wanted to indicate that - I agree totally with Bryan on the first 50. We do think we will be more in the normal beta range in the any rate increases after that.

Operator

Our next question will come from the line of Damon DelMonte from KBW. You may begin.

Damon DelMonte

So my first question, probably for Bryan. On the expense outlook, you kind of guided back down to the $107 million to $108 million range going forward. Could you just go through some of the puts and takes there of how you're going to kind of come down from the $110 million level from this quarter?

Bryan McKeag

Yes. I think - the first quarter, Damon, unfortunately, kind of - a couple of things have caught me by surprise. I thought we probably could get some of those FTEs out, that came out later in the quarter, a little bit earlier. Our RSUs probably hit a little bit higher than we - first quarter always is a little bit higher for RSUs as we have to expense some of those for people who qualify under our early retirement plan. So those hit a little bit more in the first quarter.

We also have people, who with bonuses and some of the incentive comp that hits in the first quarter. They defer a little more in their 401ks, we match a little bit higher. So I think all of that's going to kind of normalize as we go. And then I do think, you know, as we exited the quarter, there's probably a few more FTEs that will come out. So I think all that's going to help quite a bit. We did have just a couple of cleanup things in occupancy that I think we will normalize as well, pretty smaller items. So then I think it's smaller items down the rest of the expense categories that can get us a couple of million - a couple of $2 million, $2.5 million, maybe $3 million reduction depending upon how things go.

Bruce Lee

Yes, Damon, we feel very confident. As Bryan laid out, the $2.5 million to $3 million in reduction is - we've already got it identified. We will continue to work hard to even find additional expenses as the teams are working through that.

Damon DelMonte

Got it. Okay. That's helpful. Thank you. And then, with regards to the negative provision this quarter, I understand you had the resolution of a longstanding Ag credit, which kind of drove the net charge-offs. But with the growth that you're putting on kind of taking that negative provision in releasing reserves, how do we think about the provision going forward? Do you feel like you've kind of flushed out any excess reserves that you had and now you're going to have to provide for loan growth going forward or could you just give a little perspective on the outlook for the provision?

Bryan McKeag

Yes. I would say and Bruce can jump in, and Nathan can even jump in here too. We're down at 115 basis points of loans. That's getting pretty close to where we were when we initially implemented CECL. So, I think we're getting towards that end where we're not going to have a lot less left to release.

We do expect the charge-off levels to remain historically kind of lower than they have been, so that will help. So we may have, you know, a quarter or two where we don't get fully normalized but I think it's going to begin to normalize. I think we're going to be - I could see this ramping up from zero to $1 million, kind of ramping up to a more normal, maybe $3 million to $4 million type of things. We kind of trudge forward here.

Bruce Lee

Nathan, and nothing I would add at this point.

Nathan Jones

Fully concur, Bryan. Nothing I would add at this point.

Damon DelMonte

Okay, great. Thank you. And then just my final question on, just given the size of the securities portfolio with it being over 40% of earning assets and just given the pretty meaningful impact to tangible book value in the TCE ratio this quarter, is there anything that you guys can do differently to try to soften any future impacts if we continue to have a volatile rate environment?

Bryan McKeag

There are some things we can do, Damon, at the margin. We're not, at least right now, planning to just totally reposition the portfolio. That would be very expensive given right now. We think we're going to work our way through. I think there are some things that we can do with the cash flow that's coming off and maybe some other things that, that can do that we can take some opportunities. But it's kind of a tough one because it's paper losses. I don't think we want to run out and necessarily turn the paper losses into realized losses by turning the portfolio.

Bruce Lee

Yes, Damon, we feel pretty good about the cash flow that comes off. It's $75 million to $80 million a month, so it's $250 million a quarter and we're able to reposition that right now at about a 2% higher rate than what is coming off, and we'll continue to do that and look at opportunities going forward.

Operator

Our next question will come from the line of Andrew Liesch from Piper Sandler. You may begin.

Andrew Liesch

Good afternoon, everyone. Just a question on the rate environment. With LIBOR moving up steadily throughout the quarter, I would have expected that we would have seen more improvement on the loan yield side. Can you maybe explain why we didn't see more - see any yield improvement or is there a lag effect on the pricing?

Bryan McKeag

We have some lag effect. We have one of the things is we've got floors in a lot of our loans. And so, we still have, call it, $1 billion that are still on or below the floor. So in other words, those have another 50 to 75 basis point increase before they come out of their floor. So those would have acted almost like fixed for this period of first 25 basis point increase. So I think that's part of it.

Andrew Liesch

Got it, okay. And then I guess, what - I know you guys have made a push to target larger middle market companies. Was that also some of it, just like the lower yields at [indiscernible]?

Bruce Lee

I think there's a little bit of that, Andrew, and that's offset by the credit quality. And what we're seeing there. So there is a little bit of a trade-off there. I think also we were experiencing some of the loans that were maturing and we're rewriting them in today's interest rate environment, they're - this is probably the last quarter where they're coming off higher rates and we're putting the new loans on at lower rates. So that's some of that timing that we think now will move forward, we'll get the benefit of the increased pricing.

Andrew Liesch

Got it. Okay. That's really helpful. And then just on the Agri finance team that you have in California, looks like they had some pretty nice growth. How does their pipeline stand as their outlook for the next few months?

Bruce Lee

Yes. Their pipeline is just outstanding right now. They delivered almost $60 million of growth for us, funded growth during the quarter, and that really helped offset - the first quarter in the Ag world is normally down as they've sold off their inventory. So, we were able to generate that. But it's a very strong pipeline. Actually, in about 10 days - we're going to go out there for a couple of days and make calls on some of those customers. So I'm really looking forward to that, but it's a very strong pipeline.

Andrew Liesch

Great. That's it from me. I'll step back. Thanks.

Bruce Lee

Thanks, Andrew.

Operator

Thank you. And our next question will come from the line of Jeff Rulis from D.A. Davidson. Your line is open.

Jeff Rulis

That last question may have - or the answer may have touched on what I was going to ask on. I guess the - your expectations for Q1 growth versus reality much, much stronger. It sounds like the Ag piece was part of it. But I guess if I take into account your expectations for Q2 growth, it seems just net stronger, not like a timing thing that production moved from second quarter into the first quarter. So maybe outside of that Ag being strong, what may be changed from your expectations to the actual net growth that you booked? What was stronger than anticipated?

Bruce Lee

Yes. In the first quarter, what was stronger was the non-owner-occupied real estate, particularly the industrial and distribution and warehousing that was much stronger than we anticipated. We were able to generate some new relationships as well as some of our existing customers expanded their portfolios.

Also, medical and life science was stronger and the funded Ag piece was stronger, because we anticipated because of utilization that the Ag book would be a little lower. But because of the strength of the Agribusiness Group, California, they more than offset the decrease in utilization and pay downs based upon seasonality.

Jeff Rulis

Got it. Okay, thanks for that. And I just wanted to on the - maybe, Bryan, the expense guide. I wanted to confirm that the restructuring costs are not included in that or are?

Bryan McKeag

Correct. I exclude those. This would be what I call core, so you take that lumpiness out. Correct.

Jeff Rulis

Okay. And just be it that might be lumpy, is there any guess, timing on that, the restructuring cost, Is it?

Bryan McKeag

Yes. We've paid - actually, in terms of what we've paid, we paid some vendors already. They haven't started - they just started to do their work at the very end of the quarter, so that's going to ramp up. I think it was about $600,000 that you saw in restructuring charges. I, again, don't have a great handle on this, but I could see that getting into the couple of million dollars maybe this next quarter, but we'll see. It's all really timing and when things progress. Certainly, once we start converting the banks, then there'll be a lot of activity. So timing of that could be a little bit, again, lumpy depending upon what expense it is.

Jeff Rulis

Got it. Okay. And Bruce, last one and really circling back to the first question, given the kind of the board noise, and I know that you're not really commenting on - I just want to kind of circle back on the strategy, if I could, on capital use. Is it safe to say there's no change in your preference or the current voice in the room, board and management team of the organic versus M&A, is that steady state or is there any pivot to highlight one or the other, currently?

Bruce Lee

Yes. So I think that the way I would describe it is, we're very focused on the organic side, controlling what we can control. We'll definitely be open to M&A as we historically have been. But as you know, stocks - bank stocks have been depressed around pricing. And so, therefore, we're very focused on, again, organic growth, attracting new customers, controlling expenses, focusing on continuing to improve our credit, and then as Bryan has mentioned and I have, really working through the charter consolidation.

Although it's not one at the exclusion of others. If an M&A transaction presented itself, we would put a slight pause on the charter consolidation to work through that. So we think all of them are part of our overall strategy and that's what we're focused on executing on.

Jeff Rulis

Got it. Appreciate it, Bruce. Thanks.

Operator

[Operator Instructions] And I'm not showing any further questions in the queue. As there are no further questions at this time, I'd like to turn the call back over to Mr. Lee for any comments.

Bruce Lee

Thank you, Victor. The HTLF Board of Directors has approved a quarterly cash dividend of $0.27 per share on the company's common stock, a 23% increase from a year ago. The dividend is payable on May 27, 2022.

In closing, HTLF had a solid first quarter. Organic loan growth increased $358 million or 4%. Our strong credit quality improved even further. Total deposits increased $249 million to a record $16.7 billion. We're well positioned to increase revenue in a rising rate environment. Our strategic investments in acquiring and retaining talent are delivering strong organic growth and excellent credit quality.

In late in the second quarter, we expect to establish the first division of HTLF Bank as we continue executing charter consolidation to deliver efficiency and unlock capacity for future growth. HTLF has momentum. We're executing our strategies, we're driving growth, and we're well positioned to continue delivering strength, insight, and growth.

Thank you for joining us. Our next quarterly earnings call will be in late July. I'd also like to remain - like to remind all our shareholders that our annual meeting will be held virtually on June 15 at 1 PM Central Time. Have a good evening, everyone.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect and have a great day.