

Capital City Bank Group: Managing a Deposit-Product Reset

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Company: Capital City Bank Group, Inc. (Nasdaq: CCBG)

Case status: Constructed teaching case based on public information available by the decision date.

The question during Q3

Capital City Bank Group entered the second half of 2026 with two developments moving at once. Loan demand remained selective, so management had used part of the first-half excess liquidity to buy investment securities while continuing to apply disciplined underwriting. At the same time, the company was reviewing and updating its deposit offerings against peer and industry practices. Its Q2 Form 10-Q said those modifications were expected to reduce related fee revenue beginning in Q3. (P01, P02.)

The public filing did not identify the products or fees under review, the affected customers, the timing of any individual changes, or the expected dollar impact. It also did not say whether initial modifications had already been implemented. The review was ongoing. A leadership team assessing the remaining design and rollout choices therefore had to decide what evidence should guide them, how to monitor customer and deposit effects, and when to adjust course-without mistaking an aggregate fee forecast for a complete customer-impact analysis.

The financial context was mixed. Deposit fees had increased from the prior year, partly because service-charge and commercial account-analysis fees were higher. Since year-end, core deposits had grown \$151.9 million while public funds had fallen \$93.2 million. Quarter over quarter, period-end deposits fell \$30.6 million: public funds decreased \$68.4 million and core deposits increased \$37.8 million. Separately, average public-fund balances declined \$43.5 million in Q2 as they began their seasonal decline. Period-end loans were lower than at the start of the quarter. Meanwhile, CCBG had expanded its securities portfolio as management kept lending selective. A product update could affect more than one line of the customer relationship, but the public record did not show which relationships or services were involved. (P01.)

Company context

Capital City Bank Group is a Florida-based bank holding company whose wholly owned Capital City Bank operates in Florida, Georgia, and Alabama. At June 30, 2026, the company reported \$4.450 billion in assets, \$3.721 billion in deposits, \$479.7 million in cash and cash equivalents, and \$2.500 billion of loans held for investment, net of unearned income and before the allowance for credit losses. The net carrying amount of those loans was \$2.469 billion. (P01.)

For Q2, CCBG reported net income attributable to common shareholders of \$16.3 million, or \$0.95 per diluted share. Tax-equivalent net interest income was \$44.2 million, and net interest margin was 4.35%. The allowance for credit losses was 1.24% of loans HFI, annualized net charge-offs were 14 basis points of average loans, and nonperforming assets were \$13.4 million, or 0.30% of total assets. (P02.)

Management described the first-half deployment of excess liquidity into securities as a response to selective loan demand and disciplined underwriting. Average investment securities were \$1.167 billion in Q2, up \$48.2 million from Q1. For the rest of 2026, management said it would monitor liquidity and market conditions to decide whether cash flows from the securities portfolio should be reinvested or used to support loan growth. This separate asset-allocation choice framed the importance of liquidity and customer funding; it did not quantify a funding source from the deposit-product review. (P01, P02.)

Exhibit 1. Deposit fees and stated product update

Measure	Q2 2026	Q1 2026	Q2 2025	H1 2026	H1 2025
Deposit fees	\$5.656m	\$5.598m	\$5.320m	\$11.254m	\$10.381m
Change vs. comparison period	+1.0% q/q	-	+6.3% y/y	+8.4% y/y	-

Management said higher service-charge fees and commercial account-analysis fees primarily explained the period-over-period increases. The FY2025 Form 10-K had attributed 2025 deposit-fee growth primarily to service-charge fee adjustments made late in Q2 2025. These historical changes provide context for the comparison base; they do not identify which products were under review in 2026. (P01, P03.)

The Q2 filing stated that CCBG was reviewing and updating deposit offerings against peer and industry practices and expected related fee revenues to decline beginning in Q3 2026. It disclosed no product names, fee schedule, customer segment, forecast amount, retention plan, or revenue-offset commitment. The expected reduction was a management statement, not a quantified forecast. (P01.)

Exhibit 2. Deposit and lending movements

June 30, 2026 position or movement	Amount
Period-end deposits	\$3.721bn
Change from March 31, 2026	−\$30.6m (−0.8%)
Public funds change from March 31	−\$68.4m
Core deposits change from March 31	+\$37.8m
Public funds at June 30	\$561.5m
Average public funds change from Q1	−\$43.5m (seasonal decline began in Q2)
Period-end loans HFI change from March 31	−\$18.5m (−0.7%)
Average loans HFI change from Q1	−\$32.4m (−1.3%)

The company said average public-fund balances began their seasonal Q2 decline, falling \$43.5 million from Q1; period-end public funds declined \$68.4 million quarter over quarter, while core deposits increased \$37.8 million, primarily in noninterest-bearing accounts. These aggregate changes do not reveal whether customers affected by the announced product update-whose rollout status was undisclosed at the cutoff-were core depositors, public-fund relationships, or both. Period-end deposit movements are distinct from average balances. (P01, P02.)

Exhibit 3. What the public record does and does not establish

Established by the cutoff	Not disclosed by the cutoff
CCBG was reviewing/updating deposit offerings.	Products, fee terms, eligibility rules, and account features affected.
Related fee revenue was expected to decline beginning in Q3 2026.	Dollar amount, implementation date by product, or whether initial changes had begun.
Q2 deposit fees were \$5.656m; H1 fees were \$11.254m.	Account-level fee incidence, customer tenure, balances, usage, or exit behavior.
Period-end core deposits increased while period-end public funds decreased quarter over quarter; average public funds began their seasonal Q2 decline.	Whether affected fee-paying customers overlap with the growing core-deposit group.
Loan demand was selective and management was balancing liquidity, securities reinvestment, and lending.	Any planned offset, replacement revenue target, or link between fee changes and loan growth.

Decision assignment

Assume you advise CCBG's executive leadership on the remaining design and rollout choices while the deposit-product review is ongoing. Recommend a policy for evaluating the changes and deciding whether to adjust specific offerings. Your recommendation must address:

1. What customer, fee, usage, account-balance, and retention measures should management request before judging the changes?
2. Should CCBG pursue a broad update, sequence changes where evidence is available, or retain room to revise individual offerings? Explain the conditions for your choice.
3. How should management distinguish a planned decline in fee revenue from actual customer attrition, core-deposit effects, and unrelated seasonal public-fund movement?
4. What evidence would be needed before claiming that other fees, relationship growth, cost actions, or lending could offset the lost revenue?

The alternatives are constructed for analysis. Do not assume that any particular product has been approved, that changes had or had not launched by July 29, or that management committed to a specific offset. If you use numerical thresholds or financial estimates, label them as your assumptions and show how you would validate them.

Source note

The case uses cutoff-eligible company sources P01-P04 and literature A01-A03 listed in the research packet. Key facts: Q2 2026 Form 10-Q (P01); issuer Q2 release (P02); FY2025 Form 10-K (P03); and July 27 investor presentation furnished with an 8-K (P04). No later product outcome is used.