

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MACATAWA BANK CORPORATION

| | | |
|---|---|---|
| Michigan (State or other jurisdiction of incorporation or organization) | 6712 (Primary Standard Industrial Classification Code Number) | 38-3391345 (I.R.S. Employer Identification No.) |
|---|---|---|

348 South Waverly Road
Holland, Michigan 49423
(616) 820-1444
(Address, including zip code, and telephone number, including area code, of
Registrant's principal executive offices)

Benj. A. Smith, III
Chairman and Chief Executive Officer
106 E. 8th Street
Holland, Michigan 49423
(616) 396-0119
(Name, address, including zip code, and telephone number, including area code,
of agent for service)

Copy to:

| | |
|---|--|
| Donald L. Johnson Varnum, Riddering, Schmidt & Howlett llp Suite 1700 333 Bridge Street, N.W. Grand Rapids, Michigan 49504 (616) 336-6000 | John E. Freechack Barack Ferrazzano Kirschbaum Perlman & Nagelberg Suite 2700 333 W. Wacker Drive Chicago, Illinois 60606 (312) 984-3100 |
|---|--|

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this registration
statement.

If this form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, check the following box and
list the Securities Act registration statement number of the earlier effective
registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box.

CALCULATION OF REGISTRATION FEE

<TABLE>

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| Title of Each Class of Securities Being Registered | Amount to be Registered | Proposed Maximum Offering Price Per Share | Proposed Maximum Aggregate Offering Price | Amount of Registration Fee |
|--|----------------------------|--|--|----------------------------------|
| <S> | <C> | <C> | <C> | <C> |

| | | | | |
|----------------------------------|------------------|---------|--------------|---------|
| Common stock (no par value)..... | 1,610,000 shares | \$17.40 | \$28,014,000 | \$7,004 |
|----------------------------------|------------------|---------|--------------|---------|

</TABLE>

We hereby amend this registration statement on this date or dates as may be necessary to delay its effective date until we shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on the date as the Securities and Exchange Commission, acting pursuant to Section 8(a) of the Securities Act of 1933, may determine.

+++++
 +The information in this prospectus is not complete and may be changed. We +
 +cannot sell these securities until the Securities and Exchange Commission +
 +declares our registration statement effective. This prospectus is not an +
 +offer to sell these securities and is not soliciting an offer to buy these +
 +securities in any state where the offer or sale is not permitted. +
 +++++
 Subject To Completion, dated , 2001

PROSPECTUS

1,400,000 Shares
 MACATAWA BANK CORPORATION [logo]
 Common Stock

Macatawa Bank Corporation is offering 1,400,000 shares of common stock.

Macatawa Bank Corporation common stock is listed on the Nasdaq SmallCap Market under the symbol "MCBC." On May , 2001, the last reported sale price of our shares as reported on the Nasdaq SmallCap Market was \$ per share. We have applied for listing on the Nasdaq National Market System.

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page of this prospectus.

PRICE \$ PER SHARE

<TABLE>
 <CAPTION>

| <S> | Per Share Total | |
|--|-----------------|-----|
| | <C> | <C> |
| Public offering price..... | \$ | \$ |
| Underwriting discount..... | \$ | \$ |
| Proceeds, before expenses, to Macatawa Bank Corporation..... | \$ | \$ |

</TABLE>

The underwriters may also purchase up to an additional 210,000 shares from Macatawa Bank Corporation at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of common stock will be ready for delivery on or about , 2001.

Dain Rauscher Wessels

Stifel, Nicolaus & Company
 Incorporated

ABOUT THIS PROSPECTUS

You should rely only on the information provided or incorporated by reference in this prospectus. We are not making an offer to sell our common stock in any state where an offer to sell our common stock is not permitted. The information in this prospectus is accurate only as of the date of this prospectus.

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FORWARD-LOOKING STATEMENTS

This prospectus includes "forward-looking statements" as that term is used in the securities laws. All statements regarding our expected financial position, business and strategies are forward-looking statements. In addition, the words "anticipates," "believes," "estimates," "seeks," "expects," "plans," "intends," and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, and have based these expectations on our beliefs as well as assumptions we have made, these expectations may prove to be incorrect. Important factors that could cause actual results to differ materially from our expectations include, without limitation, factors like the failure of a significant number of borrowers to repay their loans, general changes in economic conditions and interest rates, and restrictions imposed on us by regulations or regulators of the banking industry. For information about factors that could cause our actual results to differ from the expectations stated in the forward-looking statements, see the text under the captions "Risk Factors," "Business," and "Management Discussion and Analysis of Financial Conditions and Results of Operations." We urge you to consider these factors carefully in evaluating the forward-looking statements contained in this prospectus. All subsequent written or oral forward-looking statements attributable to us or persons acting in our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this prospectus are made only as of the date of this prospectus. We do not intend, and undertake no obligation, to update these forward-looking statements. Further information concerning us and our business, including additional factors that could materially affect our financial results, is included in our filings with the Securities and Exchange Commission.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information and consolidated financial statements appearing elsewhere in this prospectus. Unless otherwise noted, all information in this prospectus assumes that the underwriters do not exercise the option to purchase additional shares from us in the offering. All information in this prospectus reflects the 3% stock dividend distributed to our shareholders on May 4, 2001. In addition, unless the text clearly suggests otherwise, references in this prospectus to "us," "we," "our," or "the company" include Macatawa Bank Corporation and its wholly-owned subsidiary Macatawa Bank.

This prospectus contains forward-looking statements. The outcome of the events described in these forward-looking statements is subject to risks and actual results could differ materially. The sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business" contain a discussion of some of the factors that could contribute to those differences.

Macatawa Bank Corporation

We are a bank holding company headquartered in Holland, Michigan and own Macatawa Bank. Our bank provides a wide range of commercial and consumer banking services through 13 full service branches located in Ottawa County, northern Allegan County and southwestern Kent County, Michigan. We offer commercial and personal banking services, including checking and savings accounts, certificates of deposit, safe deposit boxes, travelers' checks, money orders, trust services and commercial, mortgage and consumer loans. Since our formation in November 1997, we have grown very rapidly while maintaining excellent asset quality and attaining and improving profitability. We became profitable in 1999 with net income of \$693 thousand. Our net income increased to \$3.3 million in 2000. In the first quarter of 2001, we earned \$1.1 million as compared to \$527 thousand in the first quarter of 2000. At March 31, 2001, we had total assets of \$528.3 million, total deposits of \$418.7 million, total loans of \$438.5 million, and shareholders' equity of \$39.3 million.

The following table summarizes our growth from the start of our operations:

<TABLE>
<CAPTION>

| | At March 31, | At December 31, | | | |
|---------------------------|--------------|------------------------|-----------|-----------|----------|
| | 2001 | 2000 | 1999 | 1998 | 1997 |
| | (unaudited) | (Dollars in thousands) | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Assets..... | \$528,257 | \$499,813 | \$344,921 | \$189,229 | \$10,722 |
| Loans..... | \$438,455 | \$410,676 | \$285,374 | \$137,882 | \$ 498 |
| Deposits..... | \$418,712 | \$398,617 | \$279,370 | \$166,989 | \$ 2,712 |
| Borrowed Funds..... | \$ 66,588 | \$ 61,200 | \$ 30,000 | \$ 2,000 | \$ 0 |
| Shareholders' equity..... | \$ 39,335 | \$ 38,128 | \$ 34,526 | \$ 19,611 | \$ 7,972 |
| Deposit Accounts(1)..... | 41,773 | 38,129 | 26,622 | 14,340 | 471 |
| Branch Locations(1)..... | 13 | 13 | 13 | 8 | 1 |

</TABLE>

(1) Unaudited

We have achieved this rapid growth by opening de novo branches, hiring experienced bankers with existing customer relationships in our local market, providing outstanding customer service and capitalizing on customer dissatisfaction resulting from bank acquisitions in our markets.

Strategy

Our goal is to continue to build a highly profitable, customer-focused banking organization that generates attractive returns for our shareholders while also being a positive contributor to the communities in which we operate. Our strategy for achieving this objective includes:

- Building Our Retail and Commercial Deposit Base Through an Expanding Branch Network. Through our 13 full-service branches, we actively solicit retail and commercial customers and compete for deposits by offering personal attention, professional service and competitive interest rates. We also emphasize our local management and their strong ties with, and active commitment to, the community. In the first quarter of 2001, we opened over 3,600 net new deposit accounts, an increase of 9.6% over the number of deposit accounts at December 31, 2000. To facilitate the continued growth of our deposit base, we expect to open at least two new branches per year for the next several years in Grand Rapids or other areas of western Michigan. This expansion will enable us to serve adjacent geographic markets, and will make banking with us more convenient for existing and future customers.

- Focusing on Commercial and Commercial Real Estate Lending. While we offer a full range of consumer loan products, our primary lending focus will continue to be commercial loans and commercial real estate loans to small to medium-sized businesses. We believe that commercial customers prefer to conduct business with financial institutions like ours which demonstrate an active interest in their business and personal financial affairs, offer local decision-making by experienced loan officers, and offer a sophisticated product portfolio to meet their banking needs. At March 31, 2001, commercial loans comprised 53.2% of our loan portfolio and commercial real estate loans accounted for 19.3% of our loan portfolio.
- Hiring Experienced Employees With a Customer Service Focus. We are a customer-driven financial institution, and our ability to continue to attract and retain employees who share our customer service focus is key to our success. We believe that our ability to deliver products and services in a highly personalized manner helps differentiate us from larger, regional banks operating in our market areas. In addition, throughout our organization we emphasize the recruitment of banking professionals with significant experience in, and knowledge of, our markets. We believe this emphasis both facilitates our growth and partially mitigates the credit risks associated with our rapidly growing loan portfolio.
- Expanding our Product Offerings to Leverage Customer Relationships. A key component of our strategy is to continue to add new products and services in order to expand our customer relationships, diversify our revenue base and increase our noninterest income. For example, we began operating a trust department in January 1999, and started to offer internet banking services in the fourth quarter of 1999. While our trust department currently operates at a break-even or slightly negative net income level, we believe that our trust department will contribute to our net income as our trust business matures. We are also investigating the possibility of offering our customers additional products in the future including investment brokerage services, title insurance, casualty and life insurance, mutual funds and annuities.
- Capitalizing on Opportunities Resulting From Consolidation in our Markets. At the time of our formation in 1997, the largest bank in Ottawa County had recently been acquired by an out-of-state regional banking organization. This transaction and the ensuing employee and

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customer disruptions resulted in many opportunities for us to attract experienced personnel and establish relationships with customers wishing to conduct business with a locally-managed institution with strong ties to the community. The consolidation and disruption in our markets has continued. In August 2000, Ottawa Financial, the parent of a thrift headquartered in Holland with \$1.0 billion in assets, and more recently, Old Kent Financial, a bank holding company with the leading market share in both the Holland/Zeeland and Grand Rapids markets, were acquired by an out-of-state bank holding company. We intend to position ourselves to capitalize on any business opportunities that may result from customer dislocation associated with these transactions.

- Using Technology Effectively. We strive to use technology to increase the effectiveness and efficiency of our employees, while also providing expanded products and services to our customers. For example, we have entered into agreements with third-party service providers to provide our customers with credit cards, debit cards, ATM cards, automated telephone banking and internet banking services. In addition, in the second quarter of 2001, we expect to implement a new customer information system, which will enable us to target our marketing initiatives more effectively and help us cross-sell additional products. In general, we believe that using third-party service providers allows us to remain at the forefront of technology while minimizing the costs of delivery.

A Description of Our Market Area

Our market area includes the cities of Holland and Zeeland and their surrounding communities, as well as the Interstate I-196 corridor from Holland to metropolitan Grand Rapids. Most of our market area is located in the southern half of Ottawa County, Michigan. The Holland/Zeeland metropolitan area has a population of approximately 150,000, and Ottawa County has a population of approximately 238,000. The Holland/Zeeland area enjoys a stable and diverse economy and had an estimated median household income in 1999 of approximately \$51,000. Over 300 manufacturers operate in the Holland/Zeeland area, including major manufacturers in the office furniture industry as well as significant Tier 1 automotive parts manufacturers. Major Ottawa County employers include Donnelly Corporation, Herman Miller, Inc., Haworth, Inc., Gentex, Inc., and Johnson Controls. We believe that our market area's diverse commercial base provides significant opportunities for business banking services as well as

personal banking services for the owners and employees of the area's businesses.

Our future plans for growth include further expansion into the metropolitan Grand Rapids area. Currently we have two branches operating in the southwestern portion of metropolitan Grand Rapids, with a third scheduled to open in the summer of 2001. Grand Rapids, which is located in Kent County, has a population of approximately 198,000, the metropolitan Grand Rapids area has a population of approximately 467,000, and Kent County has a population of approximately 550,000. In 1999, Grand Rapids had an estimated median household income of approximately \$50,000. Over 1,200 manufacturers operate in Kent County. Major Kent County employers include Alticor (formerly known as Amway Corporation), Steelcase, Wolverine World Wide, and Meijer, Inc.

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About Us

Macatawa Bank was organized as a Michigan bank and opened for business on November 25, 1997. We have 13 full service branch offices, a trust office, a lending administration office, and an operations center. We are presently constructing an additional branch in the southwestern portion of the Grand Rapids metropolitan area, and expect it to open in the summer of 2001. We have also secured a site for the relocation of our Hudsonville branch into a new full service facility and are planning a new branch in north Holland. Construction of a new corporate headquarters building to be located between Holland and Zeeland is also being planned. The proposed new headquarters will allow us to consolidate our administration, human resources, trust, loan underwriting and processing, and proof and deposit operations at one location. Our bank's deposit accounts are insured by the Federal Deposit Insurance Corporation to the extent permitted by law. Our administrative office is located at 348 South Waverly Road, Holland, Michigan 49423, and our telephone number is (616) 820-1444.

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The Offering

<TABLE>

<S>

<C>

Common stock offered by
Macatawa Bank
Corporation..... 1,400,000 shares

Offering price per
share..... \$ per share

Common stock to be
outstanding after this
offering..... 5,096,789 shares(1)

Use of proceeds..... We will use the net proceeds from this offering to strengthen our capital position in anticipation of future growth, to repay \$4.0 million of indebtedness and for other general corporate purposes. After repaying the \$4.0 million of indebtedness, we will immediately contribute approximately \$3.0 million to Macatawa Bank to strengthen its capital position. The remaining net proceeds will be available for general corporate purposes, including additional contributions to Macatawa Bank's capital.

Risk factors..... See "Risk Factors" beginning on page 7 and other information included in this prospectus for a discussion of factors you should consider carefully before deciding to invest in our common stock.

Nasdaq SmallCap Market MCBC. We have applied for listing on the Nasdaq
Symbol..... National Market System.

</TABLE>

(1) The number of shares outstanding after this offering excludes 167,787 shares issuable upon the exercise of outstanding options and 78,641 shares reserved for future issuance under our stock option and purchase plans. This number also assumes that the underwriters' over-allotment option is not exercised. If the over-allotment option is exercised in full, we will issue and sell an additional 210,000 shares.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following summary presents our selected consolidated financial data for the years ended December 31, 2000, 1999 and 1998. The balance sheet and income statement data has been derived from our audited consolidated financial

statements. The following summary also presents our selected consolidated financial data at or for the three months ended March 31, 2001 and 2000. The balance sheet and income statement data has been derived from our unaudited consolidated quarterly financial statements which, in our opinion, include all adjustments (consisting of only normal, recurring adjustments) considered necessary for a fair presentation. The selected consolidated financial data should be read in conjunction with our consolidated financial statements and the related notes. The selected consolidated financial data at or for the three months ended March 31, 2001 is not necessarily indicative of our operating results for the entire year.

<TABLE>
<CAPTION>

| | At or for the three months ended March 31, | | At or for the Year ended December 31, | | |
|---|--|------------|--|------------|------------|
| | 2001 | 2000 | 2000 | 1999 | 1998 |
| | (Dollars in thousands, except per share amounts) | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Income Statement Summary: | | | | | |
| Net interest income..... | \$ 4,831 | \$ 3,537 | \$ 16,599 | \$ 10,572 | \$ 3,614 |
| Provision for loan losses..... | 522 | 487 | 1,931 | 1,967 | 2,023 |
| Net interest income after provision..... | 4,309 | 3,050 | 14,688 | 8,605 | 1,591 |
| Noninterest income..... | 828 | 406 | 2,052 | 1,528 | 683 |
| Noninterest expense..... | 3,500 | 2,929 | 12,672 | 9,440 | 4,763 |
| Income (loss) before taxes..... | 1,637 | 527 | 4,048 | 693 | (2,489) |
| Income tax expense..... | 546 | 0 | 699 | 0 | 0 |
| Net income (loss)..... | \$ 1,091 | \$ 527 | \$ 3,349 | \$ 693 | \$ (2,489) |
| Common Share Summary: | | | | | |
| Diluted earnings (loss) per share..... | \$.29 | \$.14 | \$.90 | \$.22 | \$ (1.18) |
| Dividends per share..... | .07 | 0 | .07 | 0 | 0 |
| Book value per share.... | 10.64 | 9.47 | 10.31 | 9.34 | 7.82 |
| Weighted average diluted shares outstanding..... | 3,720,050 | 3,717,466 | 3,711,051 | 3,216,625 | 2,103,178 |
| Balance Sheet Summary: | | | | | |
| Total assets..... | \$ 528,257 | \$ 392,709 | \$ 499,813 | \$ 344,921 | \$ 189,229 |
| Total loans..... | 438,455 | 325,953 | 410,676 | 285,374 | 137,882 |
| Securities..... | 51,818 | 29,582 | 48,669 | 28,281 | 27,007 |
| Noninterest-bearing deposits..... | 45,498 | 36,191 | 50,746 | 34,385 | 18,518 |
| Total deposits..... | 418,712 | 321,585 | 398,617 | 279,390 | 166,989 |
| Borrowed funds..... | 66,588 | 35,000 | 61,200 | 30,000 | 2,000 |
| Shareholders' equity.... | 39,335 | 35,002 | 38,128 | 34,526 | 19,611 |
| Capital Ratios: | | | | | |
| Total risk-based capital ratio..... | 9.9% | 12.2% | 10.4% | 14.0% | 12.4% |
| Tier 1 risk-based capital ratio..... | 8.7% | 10.9% | 9.1% | 12.7% | 11.3% |
| Tier 1 leverage ratio... | 7.7% | 9.8% | 8.2% | 10.8% | 11.8% |
| Shareholders' equity to assets..... | 7.4% | 8.9% | 7.6% | 10.0% | 10.4% |
| Selected Asset Quality Data: | | | | | |
| Nonperforming loans to total loans..... | .01% | .04% | .05% | .04% | .00% |
| Nonperforming assets to total assets..... | .02% | .03% | .04% | .03% | .00% |
| Allowance for loan losses as a percentage of total loans..... | 1.42% | 1.38% | 1.43% | 1.40% | 1.47% |
| Net charge-offs to average loans..... | .03% | .00% | .02% | .00% | .00% |
| Selected Financial Ratios: | | | | | |
| Return on average assets(1)..... | .86% | .58% | .80% | .26% | (2.91)% |
| Return on average shareholders' equity(1)..... | 10.27% | 6.23% | 9.31% | 2.43% | (15.15)% |
| Efficiency ratio(2).... | 61.85% | 74.28% | 67.94% | 78.02% | 110.84% |
| Net interest margin(1).. | 4.03% | 4.15% | 4.28% | 4.37% | 4.21% |

</TABLE>

(1) Annualized for the three month periods ended March 31, 2001 and 2000.

(2) Noninterest expense divided by the sum of net interest income plus noninterest income.

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RISK FACTORS

You should carefully consider the following risk factors before you decide to buy our common stock. You should also consider other information in this prospectus, as well as in other documents incorporated by reference.

Changes in economic conditions or interest rates may negatively affect our earnings, capital and liquidity.

The results of operations for financial institutions, including our bank, may be materially and adversely affected by changes in prevailing local and national economic conditions, including declines in real estate market values, rapid increases or decreases in interest rates and changes in the monetary and fiscal policies of the federal government. Our profitability is heavily influenced by the spread between the interest rates we earn on investments and loans and the interest rates we pay on deposits and other interest-bearing liabilities. Substantially all our loans are to businesses and individuals in western Michigan and any decline in the economy of this area could adversely affect us. Like most banking institutions, our net interest spread and margin will be affected by general economic conditions and other factors that influence market interest rates and our ability to respond to changes in these rates. At any given time, our assets and liabilities will be such that they are affected differently by a given change in interest rates. We are modestly asset sensitive at the current time. This means that the recent actions of the Open Market Committee of the Federal Reserve Board decreasing interbank interest rates will likely adversely affect our net interest income and earnings over the near term.

Our credit losses could increase and our allowance for loan losses may not be adequate to cover actual loan losses.

The risk of nonpayment of loans is inherent in all lending activities, and nonpayment, if it occurs, may have a materially adverse effect on our earnings and overall financial condition as well as the value of our common stock. Moreover, our focus on commercial lending may result in a larger concentration of loans to small businesses. As a result, we may assume greater lending risks than other banks. Additionally, we have made our loans recently, so there is no significant repayment history against which we can fully assess the adequacy of the allowance for loan losses. We make various assumptions and judgements about the collectibility of our loan portfolio and provide an allowance for potential losses based on a number of factors. If our assumptions are wrong, our allowance for loan losses may not be sufficient to cover our losses, thereby having an adverse affect on our operating results. In addition, while we have not experienced any significant charge-offs or had large numbers of nonperforming loans, due to the significant increase in loans originated since we commenced operations, we cannot assure you that we will not experience an increase in delinquencies and losses as these loans continue to mature. The actual amount of future provisions for loan losses cannot be determined at this time and may exceed the amounts of past provisions. Additions to our allowance for loan losses would decrease our net income.

Our business is subject to various lending risks depending on the nature of the borrower's business, its cash flow and our collateral.

Repayment of our commercial loans is often dependent on cash flow of the borrower, which may be unpredictable, and collateral securing these loans may fluctuate in value. Our commercial loans are primarily made based on the cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral is accounts receivable, inventory, equipment or real estate. In the case of loans secured by accounts receivable, the availability of funds for the repayment of

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these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. Other collateral securing loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. Commercial loans (excluding agricultural loans) were \$192.7 million, or 43.9% of our total loan portfolio, at March 31, 2001.

Our commercial real estate loans involve higher principal amounts than other loans, and repayment of these loans may be dependent on factors outside our control or the control of our borrowers. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans generally is dependent, in large part, on sufficient income from the properties securing the loans to cover operating expenses and debt service. Because payments on loans secured by commercial real estate often depend upon the successful operating and management of the properties, repayment of these loans may be affected by factors outside the borrower's control, including

adverse conditions in the real estate market or the economy or changes in government regulation. If the cash flow from the project is reduced, the borrower's ability to repay the loan and the value of the security for the loan may be impaired. At March 31, 2001, commercial real estate loans totaled \$84.7 million, or 19.3% of our total loan portfolio.

Our construction loans are based upon estimates of costs to construct and value associated with the completed project, and these estimates may be inaccurate. At March 31, 2001, total construction loans, including land acquisition and development, totaled \$37.4 million, or 8.5% of our total loan portfolio. Residential construction loans were \$30.7 million, of which approximately \$26.6 million were pre-sold and \$4.1 million were for future sale to unidentified buyers. Commercial construction loans comprised \$6.7 million of the total portfolio, of which 100% were pre-leased. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. Delays in completing the project may arise from labor problems, material shortages and other unpredictable contingencies. If the estimate of the cost of construction is inaccurate, we may be required to advance additional funds to complete construction. If our appraisal of the value of the completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of the project.

Our consumer loans generally have a higher risk of default than our other loans. Our consumer loans include personal loans and lines of credit available to individuals for various purposes including the purchase of automobiles, boats, other recreational vehicles, home improvements and personal investments. Consumer loans entail greater risk than our other loans, particularly in the case of consumer loans that are unsecured or secured by rapidly depreciating assets. In these cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of damage, loss or depreciation. The remaining deficiency often does not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus, are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on these loans. Consumer loans, including installment, home equity, and unsecured lines of credit, were \$58.0 million, or 13.2% of our loan portfolio, at March 31, 2001.

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Our agricultural loans involve a high degree of risk, and the ability of the borrower to repay may be affected by many factors outside of the borrower's control. At March 31, 2001, agricultural loans totaled \$40.7 million, or 9.3% of our total loan portfolio. At that date, the agricultural portfolio was made up of loans to greenhouse operations totaling \$17.3 million, loans to poultry producers totaling \$9.5 million and loans to dairy operations of \$4.4 million, with the balance of \$9.5 million diversified over a wide range of agricultural businesses, including hog, cattle and cash crop production. Payments on agricultural loans are dependent on the profitable operation or management of the agribusiness. The success of the business may be affected by many factors outside the control of the agribusinessperson, including adverse weather conditions that prevent the planting of a crop or limit crop yields (like hail, drought, and floods), loss of livestock due to disease or other factors, declines in market prices for agricultural products (both domestically and internationally) and the impact of government regulations (including changes in price supports, subsidies and environmental regulations). An occurrence of any of these could affect the ability of the borrower to repay their loan indebtedness or cause a rapid decrease in the value of the collateral securing that indebtedness, and have an adverse effect on our profitability.

We may experience difficulties in managing our growth.

While our rate of growth, in percentage terms, is expected to decline as compared to historical levels, we intend to continue to pursue a growth strategy. To sustain our continued growth, we may require additional funding to support increased lending activities. Customer deposits are our principal source of funds. As part of our strategy to increase our deposits and loan growth, we intend to expand into additional communities and seek to strengthen our position in our current markets by opening additional branch offices. While we have achieved operational profitability at a few of our new branches in 6 months, we normally expect to achieve operational profitability at a new facility in 18 to 24 months. This period of initial unprofitability is due to the impact of relatively fixed overhead expenses and the lag time associated with generating loans and deposits. To the extent that we undertake growth initiatives, we are likely to continue to experience the effects of higher

operating expenses relative to operating income from the new operations, which may have an adverse affect on our levels of net income, return on average equity and return on average assets.

In addition, we may acquire banks, related businesses or branches of other banks that we believe provide a strategic fit with our business. To the extent that we grow through acquisitions, we cannot assure you that we will be able to adequately or profitably manage this growth. Acquiring other banks, businesses, or branches involves risks commonly associated with acquisitions, including:

- . potential exposure to unknown or contingent liabilities of banks, businesses, or branches we acquire;
- . exposure to potential asset quality issues of the acquired banks, businesses, or branches;
- . difficulty and expense of integrating the operations and personnel of banks, businesses, or branches we acquire;
- . potential disruption to our business;
- . potential diversion of our management's time and attention;
- . the possible loss of key employees and customers of the banks, businesses, or branches we acquire; and
- . the need for financial reporting purposes to record and amortize core deposit premiums and/or goodwill.

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We rely heavily on our management and other key personnel, and the loss of any of them may adversely affect our operations.

We are and will continue to be dependent upon the services of our management team, including our Chairman and Chief Executive Officer, the President and Chief Executive Officer of Macatawa Bank, and our other senior managers. Losing one or more key members of the management team could adversely affect our operations. We do not maintain key man life insurance on any of our officers or directors.

Our future success is dependent on our ability to compete effectively in the highly competitive banking industry.

We face substantial competition in all phases of our operations from a variety of different competitors. Our future growth and success will depend on our ability to compete effectively in this highly competitive environment. We compete for deposits, loans and other financial services with numerous Michigan-based and out-of-state banks, thrifts, credit unions and other financial institutions as well as other entities that provide financial services. Some of the financial institutions and financial service organizations with which we compete are not subject to the same degree of regulation as we are. Most of our competitors have been in business for many years, have established customer bases, are larger, have substantially higher lending limits than we do and offer other services which we do not, including brokerage, insurance, mutual funds and international banking services. The primary competitors in our market area are Fifth Third Bancorp, Huntington Bancshares, National City Corp., Chemical Financial Corporation, and Bank of Holland. Under the Gramm-Leach-Bliley Act of 1999, effective March 11, 2000, securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. The Gramm-Leach-Bliley Act may significantly change the competitive environment in which we conduct business. The financial services industry is also likely to become more competitive as further technological advances enable more companies to provide financial services. These technological advances may diminish the importance of depository institutions and other financial intermediaries in the transfer of funds between parties.

We are subject to significant government regulation, and any regulatory changes may adversely affect us.

The banking industry is heavily regulated under both federal and state law. These regulations are primarily intended to protect customers, not our creditors or shareholders. As a bank holding company, we are also subject to extensive regulation by the Federal Reserve Board, in addition to other regulatory and self-regulatory organizations. Our ability to establish new facilities or make acquisitions is conditioned upon the receipt of the required regulatory approvals from these organizations. Regulations affecting banks and financial services companies undergo continuous change, and we cannot predict the ultimate effect of these changes, which could have a material adverse effect on our profitability or financial condition.

We continually encounter technological change, and we may have fewer resources than our competitors to continue to invest in technological improvements.

The banking industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend, in part, on our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience as well as creating additional

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efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. There can be no assurance that we will be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers.

Our articles of incorporation and by-laws and the laws of Michigan contain provisions that could make a takeover more difficult.

Our articles of incorporation and by-laws, and the laws of Michigan, include provisions which are designed to provide our board of directors with time to consider whether a hostile takeover offer is in our company's best interest and the best interests of our shareholders. These provisions, however, could discourage potential acquisition proposals and could delay or prevent a change in control. The provisions also could diminish the opportunities for a holder of our common stock to participate in tender offers, including tender offers at a price above the then-current price for our common stock. These provisions could also prevent transactions in which our shareholders might otherwise receive a premium for their shares over then-current market prices, and may limit the ability of our shareholders to approve transactions that they may deem to be in their best interests.

The Michigan Business Corporation Act contains provisions intended to protect shareholders and prohibit or discourage various types of hostile takeover activities. In addition to these provisions and the provisions of our articles of incorporation and by-laws, federal law requires the Federal Reserve Board's approval prior to acquisition of "control" of a bank holding company. All of these provisions may have the effect of delaying or preventing a change in control at the company level without action by our shareholders, and could adversely affect the price of our common stock.

We may not be able to continue to pay dividends on our common stock.

We are a holding company and substantially all of our assets are held by our bank. Our ability to continue to make dividend payments to our shareholders will depend primarily on available cash resources at the holding company level and dividends from our bank. Dividend payments or extensions of credit from our bank are subject to regulatory limitations, generally based on capital levels and current and retained earnings, imposed by regulatory agencies with authority over our bank. The ability of our bank to pay dividends is also subject to its profitability, financial condition, capital expenditures and other cash flow requirements. We cannot assure you that our bank will be able to pay dividends to us in the future.

There is a limited trading market for our common stock.

The price of our shares of common stock subject to this offering may be greater than the market price for our common stock following the offering. Our common stock is reported on the Nasdaq SmallCap Market under the symbol "MCBC." We have filed an application with Nasdaq for listing on the Nasdaq National Market System. The development and maintenance of an active public trading market depends, however, upon the existence of willing buyers and sellers, the presence of which is beyond our control or the control of any market maker. While we are a publicly-traded company, the volume of trading activity in our stock is still relatively limited. Even if a more active market develops, there can be no assurance that such a market will continue, or that our shareholders will be able to sell their shares at or above the offering price.

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USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately \$ million from the sale of 1,400,000 shares of our common stock in this offering, at an assumed public offering price of \$ per share and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' over-allotment option is exercised in full, we estimate that our net proceeds will be approximately \$ million.

We will use the net proceeds from this offering to strengthen our capital position in anticipation of future growth, to repay \$4.0 million of indebtedness, and for other general corporate purposes. After repaying \$4.0 million of indebtedness, we will immediately contribute approximately \$3.0 million of the net proceeds to Macatawa Bank to strengthen Macatawa Bank's

capital position. The remainder of the net proceeds will be deposited in our account at Macatawa Bank, and will be available for contribution to our bank's capital from time to time as needed and for general corporate purposes.

We have an \$8.0 million credit facility with a correspondent commercial bank that will expire on September 26, 2001. At March 31, 2001, we had \$4.0 million outstanding under this credit facility. The weighted average cost of the outstanding balance drawn on this credit facility was 6.9% at March 31, 2001. We intend to pay off our outstanding balance under this credit facility out of the net proceeds of this offering.

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CAPITALIZATION

The following table sets forth our unaudited total deposits, indebtedness and capitalization at March 31, 2001, and as adjusted to reflect the issuance and sale of 1,400,000 shares at an assumed offering price of \$ per share and the application of the net proceeds. The following table has also been adjusted for the 3% stock dividend distributed May 4, 2001. This information should be read in conjunction with our consolidated financial statements and the related notes.

<TABLE>
<CAPTION>

| | March 31, 2001 | |
|--|------------------------|-------------|
| | Actual | As Adjusted |
| | (Dollars in thousands) | |
| <S> | <C> | <C> |
| Deposits: | | |
| Noninterest-bearing deposits..... | \$ 45,498 | \$ 45,498 |
| Interest-bearing deposits..... | 373,214 | 373,214 |
| Total deposits..... | \$418,712 | \$418,712 |
| Indebtedness: | | |
| Long-term and short-term debt..... | \$ 4,000 | \$ -0- |
| Advances from the Federal Home Loan Bank..... | 62,588 | 62,588 |
| Total indebtedness..... | \$ 66,588 | \$ 62,588 |
| Shareholders' equity: | | |
| Preferred stock, no par value, 500,000 shares authorized, no shares issued and outstanding..... | \$ -0- | \$ -0- |
| Common stock, no par value, 9,500,000 shares authorized, 3,696,789 shares issued and outstanding, 5,096,789 shares as adjusted(1)..... | 38,653 | |
| Retained earnings..... | 211 | 211 |
| Accumulated other comprehensive income tax..... | 471 | 471 |
| Total shareholders' equity..... | \$ 39,335 | \$ |
| Total deposits, indebtedness and shareholders' equity..... | \$524,635 | \$ |
| Company regulatory capital ratios: | | |
| Total capital to risk-weighted assets..... | 9.9% | % |
| Tier 1 capital to risk-weighted assets..... | 8.7% | % |
| Tier 1 leverage ratio..... | 7.7% | % |
| Bank regulatory capital ratios:(2) | | |
| Total capital to risk-weighted assets..... | 10.7% | 11.4% |
| Tier 1 capital to risk-weighted assets..... | 9.5% | 10.1% |
| Tier 1 leverage ratio..... | 8.3% | 8.9% |

</TABLE>

- (1) The number of shares outstanding after the offering excludes 167,787 shares issuable upon the exercise of outstanding options and 78,641 shares reserved for future issuance under our stock option and purchase plans. See "Management--Executive Compensation." This number also assumes that the underwriters' over-allotment option is not exercised. If the over-allotment is exercised in full, we will issue and sell an additional 210,000 shares.
- (2) The as adjusted column assumes the contribution of \$3.0 million of the net proceeds of the offering to the bank.

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DILUTION

The net tangible book value of our common stock at March 31, 2001 was \$39.3 million, or \$10.64 per share. After giving effect to this offering at an

assumed price of \$ per share, the net tangible book value of our common stock at March 31, 2001 would have been \$ million, or \$ per share. This represents an immediate dilution to investors of \$ per share, as illustrated by the following table:

| | |
|--|-----|
| <TABLE> | |
| <S> | <C> |
| Offering price per share..... | \$ |
| Net tangible book value per share of common stock at March 31, 2001.... | \$ |
| Increase per share of common stock attributable to new investors..... | |
| Pro forma net tangible book value per share of common stock after the offering(1)..... | |
| Dilution per share of common stock to new investors(1)..... | \$ |
| </TABLE> | |

(1) The number of shares outstanding after the offering excludes 167,787 shares issuable upon the exercise of outstanding options and 78,641 shares reserved for future issuance under our stock option and purchase plans. See "Management--Executive Compensation." This number also assumes that the underwriters' over-allotment option is not exercised. If the over-allotment is exercised in full, we will issue and sell an additional 210,000 shares.

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MARKET FOR COMMON STOCK

Our common stock has been quoted on the Nasdaq SmallCap Market since December 27, 1999. From the completion of our initial public offering in April 1998 through December 27, 1999, our common stock was quoted on the OTC Bulletin Board. High and low bid prices (as reported on the OTC Bulletin Board) and high and low sales prices (as reported on the Nasdaq SmallCap Market) for each quarter are included in the following table. The following table reflects an adjustment to our historical share data for the 3% stock dividend we distributed on May 4, 2001.

| | |
|--|--------------------|
| <TABLE> | |
| <CAPTION> | |
| | High Low |
| | ----- |
| <S> | <C> <C> |
| 1998 | |
| Second quarter..... | \$14.81 \$14.08 |
| Third quarter..... | 16.02 13.59 |
| Fourth quarter..... | 16.99 14.56 |
| 1999 | |
| First quarter..... | \$16.50 \$14.32 |
| Second quarter..... | 15.05 13.11 |
| Third quarter..... | 15.05 13.59 |
| Fourth quarter..... | 15.53 12.62 |
| 2000 | |
| First quarter..... | \$15.05 \$12.75 |
| Second quarter..... | 13.47 11.17 |
| Third quarter..... | 12.86 10.32 |
| Fourth quarter..... | 13.59 10.68 |
| 2001 | |
| First quarter..... | \$14.56 \$12.99 |
| Second quarter (through May , 2001)..... | |
| </TABLE> | |

These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. The quotations do not include intra-day highs or lows. At May , 2001, the closing sales price of our common stock was \$.

At March 31, 2001, we had approximately 2,600 shareholders, consisting of approximately 650 owners of record and approximately 1,950 beneficial owners of our common stock.

DIVIDEND POLICY

We declared our first cash dividend during the fourth quarter of 2000. The dividend amount was \$.07 per share and was paid December 29, 2000. We paid a second cash dividend of \$.07 per share on March 29, 2001. On May 4, 2001, we distributed a 3% stock dividend to our shareholders.

We intend to continue to declare quarterly cash dividends in the future. We may also consider declaring stock dividends on an annual basis. We are expecting to obtain the funds for the payment of future cash dividends from the dividends we receive from Macatawa Bank out of its earnings. However, there can be no assurance that we will have the financial resources to continue to pay dividends in the future.

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Overview

We are a Michigan corporation and are the bank holding company for Macatawa Bank. Macatawa Bank commenced operations on November 25, 1997. We provide a full range of commercial and consumer banking services, as well as trust services through a network of 13 full service branches located in communities in Ottawa County, northern Allegan County and southwestern Kent County, Michigan.

While maintaining asset quality and improving profitability, we have experienced rapid and substantial growth since opening in November 1997. Assets have grown from \$189.2 million at year end 1998, to \$528.3 million at March 31, 2001. We first became profitable in 1999 with net income for that year of \$693 thousand. Net income increased to \$3.3 million for 2000 and our net income for the first quarter of 2001 was \$1.1 million as compared with \$527 thousand for the first quarter of 2000. We became fully taxable for federal and state taxes in August 2000. At December 31, 2000, we had 13 branch banking offices and 3 service facilities. We completed an underwritten initial public offering of our common stock in April 1998, resulting in net proceeds of \$14.1 million. Prior to that offering, we raised \$8.2 million in a private offering for the initial capitalization of our bank. In June 1999, we completed an offering of common stock to our shareholders resulting in net proceeds of \$14.6 million.

Financial Condition

Summary. Our total assets increased to \$528.3 million at March 31, 2001 from \$499.8 million at December 31, 2000 and \$344.9 million at December 31, 1999. This was an increase of \$154.9 million or 44.9% for the year 2000 and an increase of \$28.5 million or 5.7% for the first quarter of 2001. We believe the strong asset growth reflects the acceptance of our community banking philosophy in the growing communities we serve. Our asset growth consists primarily of growth in our loan portfolio as we continue to attract new loan customers despite the strong competition from other locally based community banks and larger regional banks. We anticipate continued growth in total assets, due to our ability to capture additional market share, continued economic growth in our market area and, in part, due to the consolidation of our local competitors into large out-of-state regional banks.

Strong deposit growth principally funded our increased total assets. Our total deposits grew to \$418.7 million at March 31, 2001 from \$398.6 million at December 31, 2000 and \$279.4 million at December 31, 1999. This was an increase of \$119.2 million or 42.7% for the year 2000 and an increase of \$20.1 million or 5.0% for the first quarter of 2001. We attribute the strong deposit growth to our quality customer service, the desire of our customers to bank with a local bank, and convenient accessibility through the expansion of our branch network. As we continue to grow, we expect our percentage rate of growth to decline.

Cash and Cash Equivalents. Our cash and cash equivalents, which include federal funds sold and short-term investments, were \$23.5 million at March 31, 2001, \$26.3 million at December 31, 2000 and \$20.6 million at December 31, 1999. The increase during 2000, as compared to 1999, was due to higher levels of customer deposit activity at year end. The decrease during the first quarter of 2001 reflected our return to more normal levels of cash and cash equivalents.

Securities. All of the securities we purchase are classified as "available for sale" and may be sold to meet our liquidity needs. The primary objective of our investing activities is to provide for the safety of the principal invested. Our secondary considerations include increased earnings, increased liquidity and

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decreased overall exposure to changes in interest rates. Our securities available for sale increased to \$51.8 million at March 31, 2001 from \$48.7 million at December 31, 2000 and from \$28.3 million at December 31, 1999. This was an increase of \$20.4 million or 72.1% during the year 2000 and an increase of \$3.1 million or 6.4% during the first quarter of 2001. The increase was the result of purchasing additional securities as a means of strengthening our liquidity ratio. We expect continued growth of our securities portfolio generally consistent with the growth of our company in order to maintain appropriate levels of liquidity. Additionally, we expect securities to increase in the upcoming quarters as we invest the proceeds of this offering, pending their deployment in loans and other earning assets.

The following table sets forth the amount of securities available for sale at the end of each period.

<TABLE>
<CAPTION>

At December 31,
At March 31, -----

| | 2001 | 2000 | 1999 |
|--|----------------|----------|----------|
| | ----- | | |
| | (In thousands) | | |
| <S> | <C> | <C> | <C> |
| U. S. Treasury and U.S. Government Agencies... | \$45,197 | \$45,991 | \$27,337 |
| Michigan municipal bonds..... | 6,621 | 2,678 | 944 |
| | ----- | ----- | ----- |
| | \$51,818 | \$48,669 | \$28,281 |
| | ===== | ===== | ===== |

</TABLE>

Excluding our holdings in the investment portfolio of U.S. Treasury and U.S. Government Agency Securities, we had no investments in securities of any one issuer which exceeded 10% of our shareholders' equity.

The following is a schedule of maturities and the weighted average yield of each category of securities we held at March 31, 2001.

<TABLE>
<CAPTION>

| | ----- | | | | | | | | | |
|---|------------------------|------------|------------------------|------------|------------------------|------------|------------------------|------------|--|------------|
| | Maturing | | | | | | | | | |
| | Due Within One Year | | One to Five Years | | Five to Ten Years | | After Ten Years | | Investments With No Contractual Maturity | |
| | Estimated Market Value | Avg. Yield | Estimated Market Value | Avg. Yield | Estimated Market Value | Avg. Yield | Estimated Market Value | Avg. Yield | Estimated Market Value | Avg. Yield |
| | ----- | | | | | | | | | |
| | (Dollars in thousands) | | | | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Available for sale: | | | | | | | | | | |
| U.S. Treasury And U.S. Government Agencies... | \$13,109 | 6.51% | \$28,431 | 6.11% | \$3,657 | 5.40% | \$ 0 | 0% | \$ 0 | 0% |
| Tax-Exempt MI municipal bonds..... | 0 | 0% | 0 | 0% | 1,886 | 4.52% | 4,735 | 4.91% | 0 | 0% |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Total..... | \$13,109 | 6.51% | \$28,431 | 6.11% | \$5,543 | 5.09% | \$4,735 | 4.91% | \$ 0 | 0% |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

</TABLE>

Loan Portfolio. Our total loan portfolio increased to \$438.5 million at March 31, 2001 as compared to \$410.7 million at December 31, 2000 and \$285.4 million at December 31, 1999. The majority of loans we make are to small and mid-sized businesses in the form of commercial and commercial real estate loans. Our combined commercial loans totaled \$318.1 million at March 31, 2001, up from \$293.5 million at December 31, 2000 and from \$201.4 million at December 31, 1999. That was an increase of \$92.1 million or 45.7% for 2000 and \$24.6 million or 8.4% for the first quarter of 2001. Our total combined commercial loans accounted for 72.6% of our total loans at March 31, 2001 and for 71.4% of our total loan portfolio at year-end for both 2000 and 1999.

Our commercial loan portfolio comprised 53.2% of our total loan portfolio at March 31, 2001. Our commercial loans totaled \$233.4 million at March 31, 2001, \$214.1 million at December 31, 2000, and \$147.2 million at December 31, 1999.

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Our commercial real estate portfolio comprises approximately 19.3% of our total loan portfolio and includes both loans to businesses for real estate and loans to residential home developers as well. Our commercial real estate loans totaled \$84.7 million at March 31, 2001, \$79.4 million at December 31, 2000, and \$54.2 million at December 31, 1999. Most of the commercial real estate loans we make are on owner-occupied real estate.

Our residential real estate loan portfolio, which also includes residential construction loans made to the individual home owner, comprises 14.2% of our total loans. However, our residential loan origination volume is significantly higher, with only a small portion of the residential home loans retained for our own portfolio. We originated \$46.6 million in residential mortgages in the first quarter of 2001, \$91.5 million for 2000, and \$105.0 million for 1999. The higher overall interest rate levels we experienced during most of 2000 resulted in lower levels of residential refinancing and, as a result, lowered our overall loan originations as compared to 1999. Due to lower interest rates in the first quarter of 2001, residential loan origination volume increased significantly, and we are expecting it to remain higher as long as interest rates remain favorable for mortgage originations.

Our consumer loan portfolio includes both loans secured by personal property, as well as home equity fixed term and line of credit loans. Our home equity loans totaled \$34.0 million at March 31, 2001, \$33.5 million at December 31, 2000, and \$22.1 million at December 31, 1999. Approximately 89.0% of our

home equity loans are underwritten with a loan to value ratio of less than 90.0%, and are considered by us to be well collateralized.

The following table reflects the composition of our loan portfolio and the corresponding percentage of our total loans represented by each class of loans as of the dates indicated.

<TABLE>
<CAPTION>

| | At March 31, | | At December 31, | | | |
|----------------------------------|--------------|------|-----------------|------|-----------|------|
| | 2001 | | 2000 | | 1999 | |
| | Amount | % | Amount | % | Amount | % |
| (Dollars in thousands) | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Commercial..... | \$233,381 | 53% | \$214,098 | 52% | \$147,232 | 52% |
| Commercial real estate.... | 84,723 | 19 | 79,444 | 19 | 54,160 | 19 |
| Residential real estate... | 62,366 | 14 | 60,822 | 15 | 44,734 | 15 |
| Consumer..... | 57,985 | 14 | 56,312 | 14 | 39,248 | 14 |
| Total loans..... | 438,455 | 100% | 410,676 | 100% | 285,374 | 100% |
| Less: | | | | | | |
| Allowance for loan losses..... | (6,243) | | (5,854) | | (3,995) | |
| Total loans receivable, net..... | \$432,212 | | \$404,822 | | \$281,379 | |

</TABLE>

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The following table shows our total loans outstanding at March 31, 2001 which, based on remaining scheduled repayments of principal, are due in the periods indicated.

<TABLE>
<CAPTION>

| | Maturing | | | |
|----------------------------------|----------------|------------|---------------|-----------|
| | Within 1 Year | 1 -5 Years | After 5 years | Total |
| | (In thousands) | | | |
| <S> | <C> | <C> | <C> | <C> |
| Commercial..... | \$124,991 | \$102,654 | \$ 5,736 | \$233,381 |
| Commercial real estate..... | 14,320 | 68,322 | 2,081 | 84,723 |
| Residential real estate..... | 7,362 | 12,033 | 42,971 | 62,366 |
| Consumer..... | 7,133 | 33,334 | 17,518 | 57,985 |
| Totals..... | \$153,806 | \$216,343 | \$68,306 | 438,455 |
| Allowance for loan losses... | | | | (6,243) |
| Total loans receivable, net..... | | | | \$432,212 |

</TABLE>

Below is a schedule of our loan amounts maturing or repricing which are classified according to their sensitivity to changes in interest rates at March 31, 2001.

<TABLE>
<CAPTION>

| | Interest Sensitivity | | |
|--|----------------------|---------------|-----------|
| | Fixed Rate | Variable Rate | Total |
| | (In thousands) | | |
| <S> | <C> | <C> | <C> |
| Due within three months..... | \$ 21,243 | \$176,073 | \$197,316 |
| Due after three months within one year.... | 38,536 | 737 | 39,273 |
| Due after one but within five years..... | 154,477 | 21,229 | 175,706 |
| Due after five years..... | 23,897 | 2,263 | 26,160 |
| Total..... | \$238,153 | \$200,302 | 438,455 |
| Allowance for loan losses..... | | | (6,243) |
| Total loans receivable, net..... | | | \$432,212 |

</TABLE>

=====

Nonperforming Assets. Our nonperforming loans include loans on nonaccrual, restructured loans, as well as loans delinquent by more than 90 days, but that are still accruing. Our total nonperforming loans at March 31, 2001 totaled \$60 thousand, as compared to \$196 thousand at December 31, 2000 and \$101 thousand at December 31, 1999. Our loan performance is reviewed regularly by an external loan review team, our own loan officers, and our senior management. When reasonable doubt exists concerning collectibility of the interest or principal of one of our loans, that loan will be placed on nonaccrual status. Any interest previously accrued but not collected at that time will be reversed and charged against current earnings. At March 31, 2001, we had no other interest bearing assets which required classification. We are not aware of any recommendations by regulatory agencies, which, if implemented, would have a material impact on our liquidity, capital or operations.

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The following table shows the composition and amount of our nonperforming assets.

<TABLE>
<CAPTION>

| | At March 31, | At December 31, | | |
|---|------------------------|-----------------|--------|-------|
| | 2001 | 2000 | 1999 | 1998 |
| | (Dollars in thousands) | | | |
| <S> | <C> | <C> | <C> | <C> |
| Nonaccrual loans..... | \$60 | \$ 155 | \$ 101 | \$ -- |
| Loans 90 days or more delinquent and still accruing interest..... | -- | 41 | -- | -- |
| Restructured loans..... | -- | -- | -- | -- |
| | ---- | ----- | ----- | ----- |
| Total nonperforming loans..... | 60 | 196 | 101 | -- |
| Other real estate owned..... | 29 | -- | -- | -- |
| | ---- | ----- | ----- | ----- |
| Total nonperforming assets..... | \$89 | \$ 196 | \$ 101 | \$ -- |
| | ==== | ===== | ===== | ===== |
| Nonperforming loans to total loans..... | .01% | .04% | .04% | .00% |
| Nonperforming assets to total assets..... | .02% | .04% | .03% | .00% |

</TABLE>

The following is a summary of our loan balances at the end of each period and the daily average balances of those loans. It also includes changes in the allowance for possible loan losses arising from loans we may have had to charge off, recoveries on loans we have previously charged off, and additions to the allowance we have expensed.

<TABLE>
<CAPTION>

| | At or for | At or for the years | | |
|---|------------------------|---------------------|-----------|-----------|
| | the three months | ended December 31, | | |
| | ended March 31, | 2000 | 1999 | 1998 |
| | 2001 | 2000 | 1999 | 1998 |
| | (Dollars in thousands) | | | |
| <S> | <C> | <C> | <C> | <C> |
| Loans: | | | | |
| Average daily balance of loans for the period..... | \$425,631 | \$347,351 | \$213,472 | \$ 60,299 |
| Amount of loans outstanding at end of period..... | 438,455 | 410,676 | 285,374 | 137,882 |
| Allowance for loan losses: | | | | |
| Balance at beginning of period..... | \$ 5,854 | \$ 3,995 | \$ 2,030 | \$ 7 |
| Addition to allowance charged to operations..... | 522 | 1,931 | 1,967 | 2,023 |
| Loans charged-off..... | (144) | (87) | (6) | -- |
| Recoveries..... | 11 | 15 | 4 | -- |
| | ----- | ----- | ----- | ----- |
| Balance at end of period..... | \$ 6,243 | \$ 5,854 | \$ 3,995 | \$ 2,030 |
| | ===== | ===== | ===== | ===== |
| Ratios: | | | | |
| Net charge-offs to average loans outstanding..... | 0.03% | .02% | .00% | .00% |
| Allowance for loan losses to loans outstanding at period end..... | 1.42% | 1.43% | 1.40% | 1.47% |

</TABLE>

Allowance for Loan Losses. Our allowance for loan losses at March 31, 2001 was \$6.2 million, an increase from \$5.9 million at December 31, 2000 and \$4.0 million at December 31, 1999. In each of these periods, our allowance for loan

losses ranged from 1.40% to 1.50% of our total loans outstanding. We have not experienced any material credit losses in our three plus years of operations. First quarter net charge-offs totaled \$133 thousand, which was the largest quarter of losses since our inception. However, this represented only .03% of average loans for the quarter and is still considered by management to be an exceptional level within the banking industry. Although our level of delinquencies has been historically low, due to the short history of our loan portfolio and the significant increases in loans we have originated since we began operations, we cannot assure you that we will not experience an increase in delinquencies and losses as our loans continue to mature. Our allowance for loan losses is maintained at a level our

management considers appropriate based upon their assessment of relevant circumstances. Our management prepares a quarterly evaluation of the allowance for loan losses. The analysis is based upon a number of factors, including a continuous review of our loan portfolio, our own loan loss experience, the banking industry's historical loan loss experience, known and inherent risks included in our loan portfolio, the composition of our loans, growth of our portfolio, and current economic conditions.

As part of the analysis, our management assigns a portion of the loan loss allowance to our entire portfolio by loan type and loan grade, and to specific credits that have been identified as problem loans, and also reviews our past loss experience. Our local economy and particular concentrations are considered, as well as a number of other factors. While the commercial loan portfolio has performed very well during our first three plus years of existence, the allowance does reflect a higher percentage allocation against that portfolio due to management's assessment of inherently higher risks in commercial lending. By their very nature, commercial loans generally have a high degree of risk due to:

- . their high dollar amounts;
- . the great discrepancy between the business activities of each customer;
- . the collateral for each loan is extremely varied;
- . the need to have more information and detail and in-depth underwriting; and
- . each customer's ability to repay their obligation may be dramatically affected by overall economic conditions.

The following table shows the allocation of the allowance for loan loss at the dates indicated to the extent specific allocations have been determined relative to particular loans.

<TABLE>
<CAPTION>

| | At December 31, | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------|
| | At March 31, 2001 | | 2000 | | 1999 | | 1998 | | |
| | % of each category | % of each category | % of each category | % of each category | % of each category | % of each category | % of each category | % of each category | |
| Allowance to total | Allowance to total | Allowance to total | Allowance to total | Allowance to total | Allowance to total | Allowance to total | Allowance to total | Allowance to total | |
| Amount | loans | Amount | loans | Amount | loans | Amount | loans | Amount | loans |
| (Dollars in thousands) | | | | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | |
| Commercial and commercial real estate..... | \$4,241 | 72.6% | \$3,902 | 71.5% | \$2,784 | 70.6% | \$1,422 | 69.4% | |
| Residential real estate..... | 168 | 14.2 | 176 | 14.8 | 112 | 15.7 | 57 | 16.3 | |
| Consumer..... | 468 | 13.2 | 435 | 13.7 | 297 | 13.7 | 165 | 14.3 | |
| Unallocated..... | 1,366 | 0.0 | 1,341 | 0.0 | 802 | 0.0 | 386 | 0.0 | |
| Total..... | \$6,243 | 100.0% | \$5,854 | 100.0% | \$3,995 | 100.0% | \$2,030 | 100.0% | |

</TABLE>

The above allocations are not intended to imply limitations on usage of our loan loss allowance. The entire allowance is available for any loan losses without regard to loan type.

Premises and Equipment. Our premises and equipment totaled \$12.1 million at March 31, 2001 and \$12.3 million at December 31, 2000 as compared to \$10.0 million at December 31, 1999. The increase in 2000 resulted primarily from our purchase of a previously leased branch facility, as well as the construction of a full service branch to replace a temporary storefront branch. Additionally, we invested in a proof processing imaging system that efficiently captures

check images as items are processed. This allows electronic retrieval of check images by our staff, and in the future it will enable us to provide images to our customers through on-line inquiries.

For the first quarter of 2001, our investment in additional premises and equipment was relatively small. However, we expect significant increases in the latter part of 2001 and through 2002. Presently we are completing the build out of a new leased branch in Grandville, have secured a site to relocate our Hudsonville branch in a new full service facility and have preliminary plans to construct a new company headquarters and a new branch in the City of Holland. We have entered into a buy-sell agreement on a parcel of land between Holland and Zeeland where we plan to construct a 25,000 to 30,000 square foot facility that will house our administration, human resources, trust, loan underwriting and processing, and proof and deposit operations. The estimated cost to purchase the land and complete the construction is \$6.2 million. We presently intend to fund the cost of the new headquarters building with long-term debt financing. Our current intention for the next several years is to open at least two additional branches each year, subject to economic conditions, our continued success in penetrating new markets, our ability to find appropriate branch sites and hire qualified employees, our evaluation of costs and other factors.

Deposits. Deposits are gathered from the communities we serve through our network of 13 branches. We offer business and consumer checking accounts, regular and money market savings accounts, and certificates of deposit having many options in their terms.

Our total deposits increased to \$418.7 million at March 31, 2001, an increase from \$398.6 million at December 31, 2000 and from \$279.4 million at December 31, 1999. We believe these increases were substantially a result of deposits from new customers. Noninterest bearing demand accounts comprised 10.9% of our total deposits at March 31, 2001, compared to 12.7% at year end 2000 and 1999. Savings accounts and NOW accounts comprised 45.8% of our total deposits at March 31, 2001, a decrease from 48.3% at the end of 2000 and 54.2% at the end of 1999. Time accounts increased as a percent of our total deposits to 43.3% at March 31, 2001, compared to 38.9% at the end of 2000 and 33.5% at the end of 1999. We attribute the growth in time accounts to our competitive pricing which allows us to maintain current customer accounts while attracting new customers and new funds. We set our deposit pricing to be competitive with other banks in our market area, without being the price leader. This has enabled us to increase deposits from new, as well as existing customers, while maintaining a strong net interest margin. We periodically purchase brokered deposits to supplement our funding sources. These are time accounts originated outside of our local market area. These brokered deposits comprised 5.7% of total deposits at March 31, 2001, as compared to 4.1% at the end of 2000 and 2.3% at the end of 1999. Our present policy is to limit brokered deposits to a maximum of 10% of our total deposits.

The following table sets forth the average deposit balances and the weighted average rates paid thereon.

<TABLE>
<CAPTION>

| | Average for the three months ended March 31, 2001 | | Average for the years ended December 31, | | | | | |
|---------------------|--|-----------------|--|-----------------|-----------|-----------------|----------|-----------------|
| | Amount | Average Rate | Amount | Average Rate | Amount | Average Rate | Amount | Average Rate |
| | ----- | | | | | | | |
| | (Dollars in thousands) | | | | | | | |
| | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Noninterest bearing | | | | | | | | |
| demand..... | \$ 43,411 | 0% | \$ 39,946 | 0% | \$ 27,186 | 0% | \$ 8,991 | 0% |
| NOW accounts..... | 50,585 | 2.3% | 45,246 | 2.6% | 29,721 | 2.6% | 10,420 | 3.0% |
| MMDA/Savings..... | 137,960 | 4.2% | 131,069 | 4.7% | 97,849 | 4.2% | 35,743 | 4.7% |
| Time..... | 168,042 | 6.4% | 123,756 | 6.4% | 68,629 | 5.5% | 20,899 | 5.7% |
| | ----- | --- | ----- | --- | ----- | --- | ----- | --- |
| Total Deposits..... | \$399,998 | 4.4% | \$340,017 | 4.5% | \$223,385 | 3.9% | \$76,053 | 4.2% |
| | ===== | === | ===== | === | ===== | === | ===== | === |

</TABLE>

The following table summarizes time deposits in amounts of \$100,000 or more by time remaining until maturity at March 31, 2001:

<TABLE>
<CAPTION>

At March 31, 2000

Amount

| <S> | (In thousands) |
|-------------------------------------|----------------|
| Three months or less..... | <C> |
| Three months or less..... | \$36,220 |
| Over 3 months through 6 months..... | 13,808 |
| Over 6 months through 1 year..... | 32,398 |
| Over 1 year..... | 16,644 |
| | ----- |
| | \$99,070 |
| | ===== |

</TABLE>

Borrowed Funds. Borrowed funds totaled \$66.6 million at March 31, 2001 as compared to \$61.2 million at December 31, 2000 and \$30.0 million at December 31, 1999. Borrowed funds increased \$31.2 million or 104.0% for 2000 and increased \$5.4 million or 8.8% during the three months ended March 31, 2001. Borrowed funds consist principally of advances from the Federal Home Loan Bank. Borrowed funds also include Federal Funds we purchase, which we use to settle our daily cash letter position with our correspondent banks. Additionally, we secured a \$5.0 million credit facility in September 2000, which was subsequently increased to \$8.0 million in March 2001. At March 31, 2001, \$4.0 million had been advanced on the credit facility and contributed to the capital of Macatawa Bank to enable the bank to maintain its regulatory capital at the well-capitalized level. The total outstanding balance we have on this credit facility will be repaid out of the proceeds of this offering.

Retained Earnings. In May 2001 we distributed a 3% stock dividend resulting in the transfer of \$1.8 million from our retained earnings to our common stock. After adjusting for the stock dividend, we had retained earnings of \$211 thousand at March 31, 2001 as compared to \$1.1 million at year end 2000 and a retained deficit of \$2.0 million at year end 1999. The retained deficit at the end of 1999 was primarily the result of our start-up losses for two months of 1997, and full year 1998. Our losses in our initial year included normal operating expenses, loan loss provision on our new and rapidly growing loan portfolio, and costs associated with expanding our branch network. Our management believes that the expenditures made in 1997 and 1998 created the infrastructure and laid the foundation for our future growth and profitability in subsequent years. We had net income of \$3.3 million in 2000, an increase from \$693 thousand in 1999. Our quarterly net income was \$1.1 million for the three months ended March 31, 2001 as compared to \$527 thousand for the three months ended March 31, 2000. We also paid out cash dividends totaling \$251 thousand during the year ended December 31, 2000 and again in the first quarter of 2001. There were no dividends paid out during either 1999 or 1998.

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Results of Operations -- Comparison of our operating results for the three months ended March 31, 2001 and 2000.

Summary of Results. Our net income for the quarter ended March 31, 2001, was \$1.1 million, an increase of \$564 thousand over the same period for 2000. The primary reason for the 107.2% increase in net income was our continued earning asset growth resulting in an increase of net interest income. This increase was partially offset by additional income tax as we became fully taxable in August 2000. The following table summarizes net income and key performance measures for the two periods presented.

<TABLE>
<CAPTION>

| | For the three months ended March 31, | |
|---------------------------------------|--|--------|
| | 2001 | 2000 |
| | ----- | ----- |
| | (Dollars in thousands, except per share amounts) | |
| <S> | <C> | <C> |
| Net Income..... | \$1,091 | \$ 527 |
| Basic earnings per share..... | \$.30 | \$.14 |
| Diluted earnings per share..... | \$.29 | \$.14 |
| Earnings ratios: | | |
| Return on average assets(1)..... | .86% | .58% |
| Return on average equity(1)..... | 10.27% | 6.23% |
| Average equity to average assets..... | 8.36% | 9.35% |
| Dividend payout ratio..... | 24.14% | 0.00% |
| Efficiency ratio..... | 61.85% | 74.28% |
| Net interest margin(1)..... | 4.03% | 4.15% |

</TABLE>

(1) The ratio has been annualized and is not necessarily indicative of the results for the entire year.

Our net income for the three months ended March 31, 2001 improved dramatically over net income for the three months ended March 31, 2000 as a result of improved net interest income. Continued strong growth in loans and deposits were primarily responsible for the increases in our net interest income. Net interest income for the quarter ended March 31, 2001 was \$4.8 million compared to \$3.5 million for the quarter ended March 31, 2000, an increase of 37.1%.

Our noninterest income totaled \$828 thousand for the quarter ended March 31, 2001, as compared to \$406 thousand for the quarter ended March 31, 2000. Noninterest expense totaled \$3.5 million for the quarter ended March 31, 2001, as compared to \$2.9 million for the quarter ended March 31, 2000.

Analysis of Net Interest Income. The following schedule presents, for the periods indicated, information regarding:

- . our total dollar amount of interest income from average earning assets and the resultant average yields;
- . our total dollar amount of interest expense on average interest-bearing liabilities and the resultant average cost;
- . our net interest income;
- . our interest rate spread; and
- . our net yield on average earning assets.

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<TABLE>
<CAPTION>

| | For the three months ended March 31, | | | | | |
|--|--------------------------------------|-------------------------|-----------------------|-----------------|-------------------------|-----------------------|
| | 2001 | | | 2000 | | |
| | Average balance | Interest earned or paid | Average yield or cost | Average balance | Interest earned or paid | Average yield or cost |
| | (Dollars in thousands) | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| ASSETS: | | | | | | |
| Taxable securities..... | \$ 44,005 | \$ 687 | 6.16% | \$ 28,048 | \$ 414 | 5.84% |
| Tax-exempt securities | | | | | | |
| (1)..... | 3,339 | 41 | 7.60% | 1,014 | 13 | 7.99% |
| Loans (2)..... | 425,631 | 9,482 | 8.93% | 301,922 | 6,611 | 8.69% |
| Federal funds sold..... | 689 | 9 | 5.50% | 1,308 | 19 | 5.70% |
| Short-term investments.... | 144 | 2 | 5.45% | 299 | 2 | 2.40% |
| Federal Home Loan Bank stock..... | 3,003 | 59 | 7.87% | 2,312 | 47 | 8.00% |
| Total interest earning assets..... | 476,811 | 10,280 | 8.65% | 334,903 | 7,106 | 8.43% |
| Noninterest earning assets: | | | | | | |
| Cash and due from banks.. | 20,546 | | | 17,513 | | |
| Other..... | 11,237 | | | 8,848 | | |
| Total assets..... | \$508,594 | | | \$361,264 | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | | | | | |
| Deposits: | | | | | | |
| Now and money market accounts..... | \$177,432 | 1,701 | 3.89% | \$146,523 | 1,466 | 4.06% |
| Savings..... | 10,979 | 50 | 1.85% | 7,859 | 37 | 1.96% |
| IRAs..... | 10,294 | 161 | 6.33% | 6,247 | 89 | 5.67% |
| Time deposits..... | 157,748 | 2,534 | 6.51% | 100,135 | 1,465 | 5.93% |
| Short-term borrowings: | | | | | | |
| Federal funds borrowed... | 3,459 | 51 | 5.86% | 1,702 | 25 | 6.00% |
| Other borrowings..... | 64,060 | 952 | 5.94% | 31,318 | 487 | 6.15% |
| Total interest bearing liabilities..... | 423,972 | 5,449 | 5.20% | 293,784 | 3,569 | 4.87% |
| Noninterest bearing liabilities: | | | | | | |
| Noninterest bearing demand accounts..... | 43,411 | | | 31,920 | | |
| Other noninterest bearing liabilities..... | 2,394 | | | 1,762 | | |
| Shareholders' equity..... | 38,817 | | | 33,798 | | |
| Total liabilities and | | | | | | |

| | | | | |
|---|-----------|-------|-----------|-------|
| shareholders' equity... | \$508,594 | | \$361,264 | |
| | ===== | | ===== | |
| Net interest income..... | \$ 4,831 | | \$3,537 | |
| | ===== | | ===== | |
| Net interest spread..... | | 3.45% | | 3.56% |
| Net interest margin..... | | 4.03% | | 4.15% |
| Ratio of average interest-bearing assets to average interest-bearing liabilities..... | 112.46% | | 114.00% | |

</TABLE>

- (1) Yields are adjusted for tax-exempt interest.
(2) Loan fees included in interest income are not material. Nonaccrual loans are included in average loans outstanding.

Our net interest margin was 4.03% for the quarter ended March 31, 2001, a decrease from net interest margin of 4.15% for the quarter ended March 31, 2000. Our interest spread, which is the difference between our yield from interest earning assets and our cost of interest bearing liabilities, was 3.45% for the first quarter of 2001, as compared to 3.56% for the same quarter in 2000. The decrease in our net interest spread reflected the cost of our interest-bearing liabilities increasing slightly faster than the yield of our interest earning assets during the first quarter of 2001. Our higher cost reflected the impact of our portfolio shifting to a larger mix of time accounts. Time accounts, with a weighted average cost of 6.51% during the quarter ended March 31, 2001, comprised 37.2% of our interest-bearing liabilities for the quarter ended March 31, 2001, as compared to 34.1% for the same period in 2000. Our average cost of time accounts was 6.51% during the first quarter of 2001, while the cost was 5.93% over the same period in 2000. We expect that our net interest margin will continue to contract modestly as assets reprice faster than liabilities in response to a decrease in interest rates. However, this trend will be at least partially mitigated by the impact of the proceeds of this offering.

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Rate/Volume Analysis of Net Interest Income. The following schedule presents the dollar amount of changes in interest income and interest expense for major components of our earning assets and interest-bearing liabilities, distinguishing between changes related to our outstanding balances and changes due to interest rates.

<TABLE>
<CAPTION>

| | For the three months ended March 31, | | | |
|---|--------------------------------------|-------|--------|---------|
| | ----- | | | |
| | 2001 vs 2000 | | | |
| | ----- | | | |
| | Increase (Decrease) Due to | | | |
| | ----- | | | |
| | Volume | Rate | Days | Total |
| | ----- | --- | --- | ----- |
| | (In thousands) | | | |
| <S> | <C> | <C> | <C> | <C> |
| Interest Income | | | | |
| Taxable securities..... | \$ 233 | \$ 35 | \$ 0 | \$ 268 |
| Tax-exempt securities..... | 30 | (2) | 0 | 28 |
| Loans..... | 2,715 | 217 | (61) | 2,871 |
| Federal funds sold..... | (9) | 0 | 0 | (9) |
| Short term investments..... | (1) | 1 | 0 | 0 |
| Federal Home Loan Bank stock..... | 14 | (1) | (1) | 12 |
| | ----- | --- | --- | ----- |
| Total interest income..... | 2,982 | 250 | (62) | 3,170 |
| | ----- | --- | --- | ----- |
| Interest Expense | | | | |
| NOWs and money market deposit accounts..... | 290 | (40) | (12) | 238 |
| Savings..... | 15 | (3) | 0 | 12 |
| IRAs..... | 57 | 16 | (1) | 72 |
| Time deposits..... | 836 | 244 | (12) | 1,068 |
| Federal funds borrowed..... | 26 | (1) | 0 | 25 |
| Other borrowings..... | 518 | (47) | (6) | 465 |
| | ----- | --- | --- | ----- |
| Total interest expense..... | 1,742 | 169 | (31) | 1,880 |
| | ----- | --- | --- | ----- |
| Net interest income..... | \$1,240 | \$ 81 | \$(31) | \$1,290 |
| | ===== | ===== | ===== | ===== |

</TABLE>

Provision for Loan Losses. Our provision for loan losses is the amount added to our allowance for loan losses to absorb probable loan losses. The amount of the provision is determined by our management, in their judgment, after reviewing the risk characteristics of our loan portfolio, the industry's and

our own historical loan loss experience, known and inherent risks included in our loan portfolio, and current economic conditions. Our provision for loan losses for the quarter ended March 31, 2001 was \$522 thousand, an increase from \$487 thousand at March 31, 2000. This amount was provided as a result of the increase in the total loan portfolio. Our management considers it prudent during the first years of operations to provide for loan losses at similar levels maintained by banks with similar loan portfolios. We will continue to monitor our loan loss performance and increase our loan loss reserve if needed to more closely align it with our own history of loss experience. Along with other financial institutions, management shares a concern for the possible continued softening of the economy in 2001. Should the economic climate continue to deteriorate, borrowers may experience difficulty, and the level of nonperforming loans, charge-offs, and delinquencies could rise and require further increases in the provision.

Noninterest Income. Noninterest income for the quarter ended March 31, 2001 was \$828 thousand, an increase of \$422 thousand, or 103.9%, over the same period last year. Service charges on deposit accounts was the single largest component of noninterest income and increased to \$314 thousand for the quarter ended March 31, 2001, compared to \$201 thousand for the quarter ended March 31, 2000. The increased service charge income was reflective of increased customer accounts. The largest increase in

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noninterest income was in gain on sale of mortgage loans, which increased by \$227 thousand over first quarter 2000. The increased gains were from higher volumes of residential mortgage financing activity as a result of the lower interest rate market during the first quarter of 2001. Higher mortgage refinancing activity is expected to continue as long as interest rates remain favorable for mortgage originations. The trust department began business on January 3, 1999. Trust revenues for the quarter ended March 31, 2001 were \$180 thousand compared to \$114 thousand for the quarter ended March 31, 2000. Trust revenues continue to improve each quarter, commensurate with the growth of trust assets. We believe trust fee income will continue to increase as the amount of trust assets under our management increases. The following table details the major components of noninterest income for the periods indicated.

<TABLE>
<CAPTION>

| | For the three months ended March 31, | |
|-------------------------------|--|--------|
| | 2001 | 2000 |
| | ----- | |
| | (In thousands) | |
| <S> | <C> | <C> |
| Deposit service charges..... | \$ 313 | \$ 201 |
| Net gains on asset sales: | | |
| Loans..... | 266 | 39 |
| Securities..... | 0 | 0 |
| Trust Fees..... | 180 | 114 |
| Other..... | 68 | 52 |
| | ----- | |
| Total noninterest income..... | \$ 828 | \$ 406 |
| | ===== | |

</TABLE>

The following schedule shows our net gains on the sale of our residential real estate mortgage loans for the periods indicated.

<TABLE>
<CAPTION>

| | For the three months ended March 31, | |
|---|--|----------|
| | 2001 | 2000 |
| | ----- | |
| | (Dollars in thousands) | |
| <S> | <C> | <C> |
| Real estate mortgage loans originated for sale..... | \$ 35,579 | \$ 8,036 |
| Real estate mortgage loan sales..... | 35,845 | 8,075 |
| Net gains on the sale of real estate mortgage loans... | 266 | 39 |
| Net gains as a percent of real estate mortgage loan sales..... | .74% | .48% |

</TABLE>

We sell the majority of our fixed-rate residential loan originations. We do not retain the servicing rights on mortgages that we sell.

Noninterest Expense. Noninterest expense totaled \$3.5 million, an increase of \$571 thousand compared to the same quarter for 2000. Salary and benefits,

and occupancy and equipment expense increased a combined \$362 thousand for the quarter. The growth in expense levels reflected the growth in branch and operational support infrastructure necessary to support increased customer activity. Other increases included advertising and promotion costs, data processing, and other expense, which includes courier, telephone, postage, and outside services. All of these costs are customer activity and branch infrastructure related, and increase as a result of new customer activity being generated.

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The following table details the major components of noninterest expense for the quarters ended March 31, 2001 and 2000.

<TABLE>
<CAPTION>

| | For the three months ended March 31, | |
|--------------------------------------|--|----------|
| | 2001 | 2000 |
| | ----- | |
| | (In thousands) | |
| <S> | <C> | <C> |
| Salaries and employee benefits..... | \$ 1,866 | \$ 1,648 |
| Occupancy and equipment..... | 295 | 255 |
| Furniture and equipment expense..... | 367 | 263 |
| Legal and professional fees..... | 66 | 51 |
| Advertising..... | 124 | 70 |
| Supplies..... | 85 | 104 |
| Data processing fees..... | 102 | 74 |
| Other operating expenses..... | 595 | 464 |
| | ----- | |
| Total noninterest expense..... | \$ 3,500 | \$ 2,929 |
| | ===== | |

</TABLE>

Results of Operations -- Comparison of our operating results for the years ended December 31, 2000, 1999 and 1998.

Summary of Results. Our net income for 2000 totaled \$3.3 million compared to 1999 net income of \$693 thousand and a 1998 net loss of \$2.5 million. Our increase in income was due to the continued growth of our customer base and respective loan and deposit portfolios, driving increased net interest income. The following table summarizes net income and key performance measures for the three years presented.

<TABLE>
<CAPTION>

| | For the years ended December 31, | | |
|---------------------------------------|---|--------|-----------|
| | 2000 | 1999 | 1998 |
| | ----- | | |
| | (Dollars in thousands, except per share data) | | |
| <S> | <C> | <C> | <C> |
| Net income (loss)..... | \$3,349 | \$ 693 | \$(2,489) |
| Basic earnings (loss) per share..... | .91 | .22 | (1.18) |
| Earnings (loss) ratios: | | | |
| Return on average assets..... | .80% | .26% | (2.91%) |
| Return on average equity..... | 9.31% | 2.43% | (15.15%) |
| Average equity to average assets..... | 8.63% | 10.86% | 19.59% |
| Efficiency ratio..... | 67.94% | 78.02% | 110.84% |
| Net interest margin..... | 4.27% | 4.37% | 4.21% |

</TABLE>

Our net income for the year 2000 improved dramatically over 1999 net income primarily as a result of improved net interest income. Continued strong growth in our loans made possible by the increase in deposits received is primarily responsible for the increases in our net interest income. Our net interest income increased by \$6.0 million or 56.6% to \$16.6 million in 2000 compared to \$10.6 million in 1999.

Our noninterest income totaled \$2.1 million for 2000, as compared to \$1.5 million for 1999, and \$683 thousand for 1998. Noninterest expense totaled \$12.7 million for 2000, as compared to \$9.4 million for 1999, and \$4.8 million for 1998. We became fully taxable during 2000, after utilizing all tax loss carry forwards from 1998. Our federal income tax expense totaled \$699 thousand for 2000, whereas in both 1999 and 1998 we did not include a provision for tax expense. We expect our effective tax rate for future years will be 34.0%, with a marginal rate of approximately 33.5% due to tax-free investments.

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Analysis of Net Interest Income. The following schedule presents, for the periods indicated, information regarding:

- . our total dollar amount of interest income from average earning assets and the resultant average yields;
- . our total dollar amount of interest expense on average interest-bearing liabilities and the resultant average cost;
- . our net interest income;
- . our interest rate spread; and
- . our net yield on average earning assets.

<TABLE>
<CAPTION>

| For the years ended December 31, | | | | | | | | | |
|--|-----------------|-------------------------|-----------------------|-----------------|-------------------------|-----------------------|-----------------|-------------------------|-----------------------|
| ----- | | | | | | | | | |
| | 2000 | | | 1999 | | | 1998 | | |
| | Average Balance | Interest Earned or Paid | Average Yield or Cost | Average Balance | Interest Earned or Paid | Average Yield or Cost | Average Balance | Interest Earned or Paid | Average Yield or Cost |
| ----- | | | | | | | | | |
| (Dollars in Thousands) | | | | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| ASSETS: | | | | | | | | | |
| Taxable securities..... | \$ 35,459 | \$ 2,166 | 6.11% | \$ 21,444 | \$ 1,226 | 5.71% | \$16,471 | \$ 986 | 5.99% |
| Tax-exempt securities(1)..... | 1,639 | 86 | 7.56% | 172 | 9 | 5.23% | 0 | 0 | 0.00% |
| Loans(2)..... | 347,351 | 31,788 | 9.15% | 213,472 | 18,379 | 8.61% | 60,299 | 5,340 | 8.85% |
| Federal funds sold..... | 1,616 | 99 | 6.13% | 4,166 | 204 | 4.90% | 8,421 | 446 | 5.30% |
| Short-term investments.. | 169 | 6 | 3.55% | 1,132 | 56 | 4.95% | 605 | 32 | 5.29% |
| Federal Home Loan Bank stock..... | 2,332 | 193 | 8.28% | 1,593 | 127 | 7.97% | 0 | 0 | 0.00% |
| ----- | | | | | | | | | |
| Total interest earning assets..... | 388,566 | 34,338 | 8.85% | 241,979 | 20,001 | 8.27% | 85,796 | 6,804 | 7.93% |
| Noninterest earning assets: | | | | | | | | | |
| Cash and due from banks..... | 18,624 | | | 12,828 | | | 4,054 | | |
| Other..... | 9,707 | | | 6,694 | | | 2,220 | | |
| ----- | | | | | | | | | |
| Total assets..... | \$416,897 | | | \$261,501 | | | \$92,070 | | |
| ===== | | | | | | | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | | | | | | | | |
| Deposits: | | | | | | | | | |
| NOW and money market accounts..... | \$159,419 | 6,655 | 4.17% | \$116,914 | 4,548 | 3.89% | \$43,336 | 1,915 | 4.42% |
| Savings..... | 9,222 | 177 | 1.92% | 6,123 | 117 | 1.91% | 2,153 | 43 | 2.00% |
| IRAs..... | 7,674 | 465 | 6.06% | 4,533 | 247 | 5.45% | 1,096 | 64 | 5.84% |
| Time deposits..... | 123,756 | 7,916 | 6.40% | 68,629 | 3,787 | 5.52% | 20,304 | 1,164 | 5.73% |
| Short-term borrowings: | | | | | | | | | |
| Federal funds borrowed..... | 2,022 | 131 | 6.48% | 695 | 37 | 5.32% | 78 | 4 | 5.13% |
| Other borrowings..... | 38,850 | 2,394 | 6.16% | 12,126 | 692 | 5.71% | 0 | 0 | 0.00% |
| ----- | | | | | | | | | |
| Total interest bearing liabilities..... | 340,943 | 17,738 | 5.20% | 209,020 | 9,428 | 4.51% | 66,967 | 3,190 | 4.77% |
| Noninterest bearing liabilities | | | | | | | | | |
| Noninterest bearing demand accounts..... | 38,679 | | | 23,690 | | | 8,407 | | |
| Other noninterest bearing liabilities... | 1,315 | | | 3,305 | | | 271 | | |
| Shareholders' equity.... | 35,960 | | | 25,486 | | | 16,425 | | |
| ----- | | | | | | | | | |
| Total liabilities and shareholders' equity..... | \$416,897 | | | \$261,501 | | | \$92,070 | | |
| ===== | | | | | | | | | |
| Net interest income..... | | \$16,600 | | | \$10,573 | | | \$3,614 | |
| ----- | | | | | | | | | |
| Net interest spread..... | | | 3.65% | | | 3.76% | | | 3.16% |
| Net interest margin..... | | | 4.28% | | | 4.37% | | | 4.21% |
| Ratio of average interest bearing assets to average interest bearing liabilities.... | | 113.97% | | | 115.77% | | | 128.12% | |

</TABLE>

- (1) Yields are adjusted for tax-exempt interest.
(2) Loan fees included in interest income are not material. Nonaccrual loans are included in average loans outstanding.

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Our net interest margin was 4.28% for full year 2000, a decrease from 1999 net interest margin of 4.37%. Net interest margin for 1998 was 4.21%. Our interest spread, which is the difference between our yield from interest earning assets and our cost of interest bearing liabilities, was 3.65% for 2000, as compared to 3.76% for 1999, and 3.16% for 1998. The decrease in our net interest spread reflected the cost of our interest-bearing liabilities rising slightly faster than the yield of our interest earning assets during 2000. Our increasing cost reflects the impact of our portfolio shifting to a higher mix of time accounts. Time accounts, with a weighted average cost of 6.40% during 2000, comprised 36.3% of our interest-bearing liabilities at December 31, 2000, as compared to 32.8% at the end of 1999, and 31.1% at the end of 1998. Our average cost of time accounts was 5.52% during 1999, while the 1998 cost was 5.73%.

Rate/Volume Analysis of Net Interest Income. The following schedule presents the dollar amount of changes in interest income and interest expense for major components of our earning assets and interest-bearing liabilities, distinguishing between changes related to our outstanding balances and changes due to interest rates.

<TABLE>
<CAPTION>

For the years ended December 31,

| | 2000 vs 1999 | | | 1999 vs 1998 | | |
|-------------------------------------|-----------------------------------|---------------------------------|----------------------------------|-----------------------------------|---------------------------------|----------------------------------|
| | Increase (Decrease) Due to Volume | Increase (Decrease) Due to Rate | Increase (Decrease) Due to Total | Increase (Decrease) Due to Volume | Increase (Decrease) Due to Rate | Increase (Decrease) Due to Total |
| | (In thousands) | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Interest income | | | | | | |
| Taxable securities..... | \$ 851 | \$ 89 | \$ 940 | \$ 286 | \$ (47) | \$ 239 |
| Tax-exempt securities... | 77 | -- | 77 | 9 | -- | 9 |
| Loans..... | 12,186 | 1,223 | 13,409 | 13,192 | (152) | 13,040 |
| Federal funds sold..... | (147) | 42 | (105) | (211) | (31) | (242) |
| Short term investments.. | (38) | (12) | (50) | 26 | (2) | 24 |
| Federal Home Loan Bank stock..... | 61 | 5 | 66 | 127 | -- | 127 |
| Total interest income.. | 12,990 | 1,347 | 14,337 | 13,429 | (232) | 13,197 |
| Interest expenses | | | | | | |
| NOWs and money market accounts..... | \$ 1,754 | \$ 353 | \$ 2,107 | \$ 2,888 | \$ (255) | \$ 2,633 |
| Savings..... | 59 | 1 | 60 | 76 | (2) | 74 |
| IRAs..... | 188 | 30 | 218 | 188 | (5) | 183 |
| Time deposits..... | 3,446 | 683 | 4,129 | 2,668 | (45) | 2,623 |
| Federal funds borrowed.. | 84 | 10 | 94 | 33 | -- | 33 |
| Other borrowings..... | 1,643 | 59 | 1,702 | 692 | -- | 692 |
| Total interest expense..... | 7,174 | 1,136 | 8,310 | 6,545 | (307) | 6,238 |
| Net interest income.... | \$ 5,816 | \$ 211 | \$ 6,027 | \$ 6,884 | \$ 75 | \$ 6,959 |

</TABLE>

Provision for Loan Losses. Our provision for loan losses is the amount added to our allowance for loan losses to absorb probable loan losses. The amount of the provision is determined by our management, in their judgment, after reviewing the risk characteristics of our loan portfolio, the industry's and our own historical loan loss experience, known and inherent risks included in originated loans and our loan portfolio, and current economic conditions. Our provision for loan losses for 2000 totaled \$1.9 million, approximately the same as the 1999 provision of \$2.0 million. The loan loss provision for 1998 totaled \$2.0 million. While we have not sustained any significant losses in our loan portfolio, our management considers it prudent during the first years of our operations to provide for loan losses at a level which is consistent with levels maintained by banks with similar size loan portfolios to ours. Our management will continue to monitor our loan loss performance and increase our loan loss reserve if needed to more closely align it with our own loss experience history.

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Noninterest Income. Noninterest income totaled \$2.1 million in 2000, an increase of 40% over 1999 noninterest income of \$1.5 million. Noninterest

income for 1998 totaled \$683 thousand. Deposit service charges increased by \$483 thousand, or 73.1% during 2000 compared to 1999. The growth in our service charge income reflected the significant growth in our customer base. Trust revenues totaled \$531 thousand for 2000, an increase of \$302 thousand or 131.9% over 1999 trust revenue of \$229 thousand. 1999 was the first year of operations for our trust department. We believe trust fee income will continue to increase as the amount of trust assets under our management increases. Our gain on sale of loans declined \$262 thousand for the year 2000 to \$362 thousand. The higher overall level of interest rates reduced the mortgage loans we originated during 2000 compared to 1999, and resulted in fewer loans sold to secondary markets.

The following table details major components of noninterest income for the years of 2000, 1999, and 1998.

<TABLE>
<CAPTION>

| | For the years ended December 31, | | |
|-------------------------------|-------------------------------------|---------|-------|
| | 2000 | 1999 | 1998 |
| | (In thousands) | | |
| <S> | <C> | <C> | <C> |
| Service fee income..... | \$1,144 | \$ 661 | \$157 |
| Net gains on asset sales: | | | |
| Loans..... | 361 | 624 | 520 |
| Securities..... | 0 | 0 | 0 |
| Trust fees..... | 531 | 228 | 0 |
| Other..... | 16 | 15 | 6 |
| | ----- | ----- | ---- |
| Total noninterest income..... | \$2,052 | \$1,528 | \$683 |
| | ===== | ===== | ===== |

</TABLE>

The following table shows our net gains on the sale of residential real estate mortgage loans.

<TABLE>
<CAPTION>

| | For the years ended December 31, | | |
|---|-------------------------------------|----------|----------|
| | 2000 | 1999 | 1998 |
| | (Dollars in thousands) | | |
| <S> | <C> | <C> | <C> |
| Real estate mortgage loans originated for sale.. | \$47,007 | \$54,715 | \$44,146 |
| Real estate mortgage loan sales..... | 47,368 | 55,339 | 44,667 |
| | ----- | ----- | ----- |
| Net gains on the sale of real estate mortgage loans..... | \$ 361 | \$ 624 | \$ 521 |
| | ===== | ===== | ===== |
| Net gains as a percent of real estate mortgage loan sales..... | 0.76% | 1.13% | 1.17% |

</TABLE>

We sell the majority of our fixed-rate obligations. We do not retain the servicing rights for real estate mortgages that we sell.

Noninterest Expense. Noninterest expense for 2000 was \$12.7 million, compared to \$9.4 million for 1999, and \$4.8 million for 1998. The main components of our noninterest expense were salaries and benefits, and occupancy and equipment expense. These two items comprised approximately 73% of our noninterest expense for 2000, down slightly from approximately 74% for 1999 noninterest expense. Increases in both salary/benefit and occupancy/equipment expenses are primarily due to the full year impact of five new branches we added in the last half of 1999. During 2000 and 1999 we experienced increases in expenses related to our larger branch structure including courier, data processing, advertising, professional service fees, postage, and telephone. We also became fully taxable for the Michigan Single Business Tax during 2000, causing other operating expenses to increase by \$231 thousand compared to 1999 which did not include Single Business Tax expense. Our total noninterest expense for 1999 increased \$4.7 million as compared to 1998, reflecting the full year impact of six branches which we opened throughout 1998.

The following table details major components of noninterest expense for the years of 2000, 1999, and 1998.

<TABLE>
<CAPTION>

For the years ended
December 31,

| | 2000 | 1999 | 1998 |
|--------------------------------------|----------|---------|---------|
| (In thousands) | | | |
| <S> | <C> | <C> | <C> |
| Salaries and employee benefits..... | \$ 6,865 | \$5,408 | \$2,726 |
| Occupancy and equipment..... | 1,094 | 841 | 305 |
| Furniture and equipment expense..... | 1,244 | 777 | 253 |
| Legal and professional fees..... | 248 | 135 | 199 |
| Advertising..... | 366 | 267 | 199 |
| Supplies..... | 348 | 343 | 233 |
| Data processing fees..... | 561 | 401 | 197 |
| Other operating expenses..... | 1,946 | 1,268 | 651 |
| Total noninterest expense..... | \$12,672 | \$9,440 | \$4,763 |

</TABLE>

Liquidity and Capital Resources

Equity Capital. We obtained initial equity capital, in the amount of \$8.2 million, as a result of a private placement on behalf of Macatawa Bank in November 1997. We raised additional equity capital of \$14.1 million in our initial public offering completed in April 1998. Due to our rapid growth, additional equity capital was required. In June 1999, we raised \$14.6 million of equity capital net proceeds in an offering made to our shareholders. Substantially all of the proceeds of this offering were subsequently contributed to Macatawa Bank's capital to support required regulatory capital levels. Our continuing asset growth required us to contribute an additional \$8.0 million of capital to Macatawa Bank during 2000. The contributed capital came from our cash reserves, as well as from borrowings arranged to provide capital flexibility. At December 31, 2000, Macatawa Bank's Tier 1 capital was 8.9%. Its Tier 1 capital decreased to 8.3% at March 31, 2001 due to our increased lending activities.

We secured a \$5.0 million credit facility during September 2000, to provide additional capital required to maintain Macatawa Bank at or above required regulatory capital levels. We increased the total limit of our credit under this facility to \$8.0 million in March 2001. The balance outstanding on this line of credit was \$4.0 million at December 31, 2000 and at March 31, 2001. We intend to use a portion of the proceeds of this offering to pay off this line of credit.

The following table shows various capital ratios at March 31, 2001:

<TABLE>
<CAPTION>

| | At March 31, 2001 | | |
|---|--------------------------|-------------------------|--------------------------------------|
| | Tier 1 Leverage Ratio | Tier 1 Capital Ratio | Total Risk-Based Capital Ratio |
| <S> | <C> | <C> | <C> |
| Minimum regulatory requirement for capital adequacy..... | 4.0% | 4.0% | 8.0% |
| Well capitalized regulatory level..... | 5.0% | 6.0% | 10.0% |
| Consolidated..... | 7.7% | 8.7% | 9.9% |
| Bank..... | 8.3% | 9.5% | 10.7% |

</TABLE>

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The following table shows the dollar amounts by which our capital (on a consolidated basis) exceeded current regulatory minimum requirements on a dollar amount basis at March 31, 2001:

<TABLE>
<CAPTION>

| | At March 31, 2001 | | |
|--|---|--|---|
| | Tier 1 Leverage to Average Assets | Tier 1 Capital to Risk Weighted Assets | Total Risk-Based Capital to Risk Weighted Assets |
| (In thousands) | | | |
| <S> | <C> | <C> | <C> |
| Capital balances: | | | |
| Required regulatory capital..... | \$20,327 | \$17,938 | \$35,877 |
| Capital in excess of regulatory minimums..... | 18,540 | 20,929 | 8,596 |
| Actual capital balances..... | \$38,867 | \$38,867 | \$44,473 |

</TABLE>

The liquidity of a financial institution reflects its ability to provide funds to meet loan requests, to accommodate possible outflows of deposits and to take advantage of interest rate market opportunities. Our sources of liquidity include loan payments by our borrowers, maturity and sales of our securities available for sale, growth of our deposits and deposit equivalents, federal funds sold, our borrowings from the Federal Home Loan Bank, and our issuance of common stock. Liquidity management involves the ability to meet the cash flow requirements of our customers. Our customers may be either borrowers with credit needs or depositors wanting to withdraw funds.

Market Risk Analysis

Our primary market risk exposure is interest rate risk and, to a lesser extent, liquidity risk. All of Macatawa Bank's transactions are denominated in U.S. dollars with no specific foreign exchange exposure. Macatawa Bank has only limited agricultural-related loan assets, and therefore has no significant exposure to changes in commodity prices. Therefore, our market risk exposure is mainly comprised of our sensitivity to interest rate risk. Our balance sheet has sensitivity, in various categories of assets and liabilities to changes in prevailing rates in the U.S. for prime rate, mortgage rates, U.S. Treasury rates and various money market indexes. Our asset/liability management process aids us in providing liquidity while maintaining a balance between interest earning assets and interest bearing liabilities.

We use two interest rate risk measurement techniques in our interest rate risk management. The first is static gap analysis. This measures the difference between the dollar amounts of interest sensitive assets and liabilities that may be refinanced or repriced during a given time period. A significant repricing gap could result in a negative impact to our net interest margin during periods of changing market interest rates. The following table summarizes our interest rate repricing gaps for selected maturity periods as of March 31, 2001.

<TABLE>
<CAPTION>

Estimated Maturity or Repricing At March 31, 2001

| | <3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
|--|-----------|-------------|-----------|--------------|-----------|
| (Dollars in thousands) | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| ASSETS: | | | | | |
| Fixed rate loans..... | \$ 21,243 | \$ 38,536 | \$154,477 | \$23,897 | \$238,153 |
| Variable rate loans..... | 176,073 | 737 | 21,229 | 2,263 | 200,302 |
| Taxable securities..... | 2,013 | 11,097 | 28,431 | 3,656 | 45,197 |
| Tax-exempt securities... | -- | -- | -- | 6,621 | 6,621 |
| Other securities..... | -- | -- | -- | 3,129 | 3,129 |
| Federal funds sold..... | 3,000 | -- | -- | -- | 3,000 |
| Loan loss reserve..... | -- | -- | -- | -- | (6,243) |
| Cash & due from banks... | -- | -- | -- | -- | 20,505 |
| Fixed assets..... | -- | -- | -- | -- | 12,117 |
| Other assets..... | -- | -- | -- | -- | 5,476 |
| Total..... | \$202,329 | \$ 50,370 | \$204,137 | \$39,566 | \$528,257 |
| LIABILITIES: | | | | | |
| Time deposits \$100,000 and over..... | \$ 36,585 | \$ 45,338 | \$ 16,558 | \$ 589 | \$ 99,070 |
| Time deposits under \$100,000..... | 10,585 | 41,355 | 21,200 | -- | 73,140 |
| Repo's & borrowed money..... | 4,000 | 10,528 | 21,060 | 31,000 | 66,588 |
| Savings & IRA's..... | 13,408 | 3,242 | 4,547 | 604 | 21,801 |
| NOW & money market accounts..... | 179,203 | -- | -- | -- | 179,203 |
| Noninterest bearing deposits..... | -- | -- | -- | -- | 45,498 |
| Other liabilities & equity..... | -- | -- | -- | -- | 42,957 |
| Total..... | \$243,781 | \$100,463 | \$ 63,365 | \$32,193 | \$528,257 |
| Period interest rate gap..... | (41,452) | (50,093) | 140,772 | 7,373 | |
| Cumulative interest rate gap..... | (41,452) | (91,545) | 49,227 | 56,600 | |
| Cumulative interest rate gap to total assets.... | (7.85)% | (17.33)% | 9.32% | 10.71% | |
| Rate sensitive assets to rate sensitive | | | | | |

| | | | | |
|---------------------|-----|------|------|------|
| liabilities..... | .83 | 0.50 | 3.22 | 1.23 |
| Cumulative rate | | | | |
| sensitive assets to | | | | |
| rate sensitive | | | | |
| liabilities..... | .83 | .73 | 1.12 | 1.13 |

The above table shows that total liabilities maturing or repricing within one year exceed assets maturing within one year by \$92 million. However, the repricing and cash flows of various categories of assets and liabilities are subject to competitive and other influences that are beyond our control. As a result, various assets and liabilities indicated above as maturing or repricing within a stated period may, in fact, mature or reprice in other periods or at different volumes.

The second interest rate risk measurement used is simulation analysis. We use a computer-based earnings simulation model to estimate the effects of various interest rate environments on the balance sheet structure and net interest income. The simulation model assesses the direction and magnitude of variations in net interest income resulting from potential changes in market interest rates. Key assumptions in the model include repayment speeds on various loan and investment assets, cash flows and maturities of interest-sensitive assets, cash flows and maturities of interest-sensitive liabilities, and changes in market conditions impacting loan and deposit pricing.

In running the simulation model, we first forecast the next twelve months of net interest income under an assumed environment of constant market interest rates. Next, immediate and parallel interest rate

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shocks are constructed in the model. These rate shocks reflect changes of equal magnitude to all market interest rates. The next twelve months of net interest income are then forecast under each of the rate shock scenarios. The resulting change in net interest income is an indication of the sensitivity of our earnings to directional changes in market interest rates. This model is based solely on parallel changes in market rates and does not reflect the levels of interest rate risk that may arise from other factors such as changes in the spreads between key market rates or in the shape of the Treasury yield curve. The net interest income sensitivity is monitored by the Asset/Liability Committee which evaluates the results in conjunction with acceptable interest rate risks to maintain our net interest income levels.

The following table shows the suggested impact on net interest income over the next twelve months, based on our balance sheet as of March 31, 2001.

<TABLE>
<CAPTION>

| <S> | Percent Change in Net Interest Income ----- | <C> |
|---|---|-----|
| Interest Rate Scenario: | | |
| Interest rates down 200 basis points..... | (8.07)% | |
| Interest rates down 100 basis points..... | (4.04)% | |
| No change in interest rates..... | 0 | |
| Interest rates up 100 basis points..... | 4.04% | |
| Interest rates up 200 basis points..... | 8.07% | |

</TABLE>

The above results indicate that we are interest sensitive on the asset side, with more asset repricing opportunities in either an up or down interest rate scenario. In addition to changes in interest rates, the level of future net interest income is also dependent on a number of other variables, including: the growth, composition and absolute levels of loans, deposits, and other earning assets and interest-bearing liabilities; economic and competitive conditions; potential changes in lending, investing and deposit gathering strategies; and client preferences.

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BUSINESS

We are a bank holding company headquartered in Holland, Michigan and own Macatawa Bank. Our bank provides a wide range of commercial and consumer banking services through 13 full service branches located in Ottawa County, northern Allegan County and southwestern Kent County, Michigan. We offer commercial and personal banking services, including checking and savings accounts, certificates of deposit, safe deposit boxes, travelers' checks, money orders, trust services and commercial, mortgage and consumer loans. Since our formation in November 1997, we have grown very rapidly while maintaining excellent asset quality and attaining and improving profitability. We became profitable in 1999 with net income of \$693 thousand. Our net income increased to \$3.3 million in 2000. In the first quarter of 2001, we earned \$1.1 million as compared with \$527 thousand in the first quarter of 2000. At March 31, 2001,

we had total assets of \$528.3 million, total deposits of \$418.7 million, 41,773 deposit accounts, and shareholders' equity of \$39.3 million.

We attribute much of our success and rapid growth to our ability to fill a void in the Holland/Zeeland communities that resulted from the acquisition of First Michigan Bank Corporation in early 1997. First Michigan, which was headquartered in Holland, was the dominant bank in the Holland/Zeeland communities and was managed and substantially owned by individuals who lived in the area. When Macatawa Bank was formed, it was the only locally owned and managed commercial bank in the Holland/Zeeland area. We were able to quickly establish a branch network in the area and hire many highly motivated and customer service focused employees who were previously employed by First Michigan or other area banking offices. Most of our employees, including our senior management, have lived in the Holland/Zeeland area for many years and are well-known to and respected by customers and prospective customers in the area.

Strategy

Our goal is to continue to build a highly profitable, customer-focused banking organization that generates attractive returns for our shareholders while also being a positive contributor to the communities in which we operate. Our strategy for achieving this objective includes:

- . Building Our Retail and Commercial Deposit Base Through an Expanding Branch Network. Through our 13 full-service branches, we actively solicit retail and commercial customers and compete for deposits by offering personal attention, professional service and competitive interest rates. We also emphasize our local management and their strong ties with and active commitment to the community. In the first quarter of 2001, we opened over 3,600 net new deposit accounts, an increase of 9.6% over the number of deposit accounts at December 31, 2000. To facilitate the continued growth of our deposit base, we expect to open at least two new branches per year for the next several years in Grand Rapids or other areas in western Michigan. This expansion will enable us to serve adjacent geographic markets, and will make banking with us more convenient for existing and future customers.
 - . Focusing on Commercial and Commercial Real Estate Lending. While we offer a full range of consumer loan products, our primary lending focus will continue to be commercial real estate loans and commercial loans to small to medium-sized businesses. We believe that commercial customers prefer to conduct business with financial institutions like ours which demonstrate an active interest in their business and personal financial affairs, offer local decision-making by experienced loan officers, and offer a sophisticated product portfolio to meet their banking needs. At March 31, 2001, commercial loans comprised 53.2% of our loan portfolio and commercial real estate loans accounted for 19.3% of our loan portfolio.
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- . Hiring Experienced Employees With a Customer Service Focus. We are a customer-driven financial institution, and our ability to continue to attract and retain employees who share our customer service focus is key to our success. We believe that our ability to deliver products and services in a highly personalized manner helps differentiate us from larger, regional banks operating in our market areas. In addition, throughout our organization we emphasize the recruitment of banking professionals with significant experience and knowledge of our markets. This emphasis both facilitates our growth and mitigates the credit risks associated with our rapidly growing loan portfolio.
 - . Expanding our Product Offerings to Leverage Customer Relationships. A key component of our strategy is to continue to add new products and services in order to expand our customer relationships, diversify our revenue base and increase our noninterest income. For example, we began operating a trust department in January 1999, and started to offer internet banking services in the fourth quarter of 1999. While our trust department currently operates at a break even or slightly negative net income level, we believe that our trust department will contribute to our net income as our trust business matures. We are investigating the possibility of offering our customers additional products in the future including investment brokerage services, title insurance, life and casualty insurance, mutual funds and annuities.
 - . Capitalizing on Opportunities Resulting From Consolidation in our Markets. At the time of our formation in 1997, the largest bank in Ottawa County had recently been acquired by an out-of-state regional banking organization. This transaction and the resulting employee and customer disruption resulted in many opportunities for us to attract experienced personnel and establish relationships with customers wishing to conduct business with a locally-managed institution with strong ties to the community. The consolidation and disruption in our markets has continued. In August 2000, Ottawa Financial, the parent of

a thrift headquartered in Holland with \$1.0 billion in assets and more recently, Old Kent Financial, a bank holding company with the leading market share in both the Holland/Zeeland and Grand Rapids markets were acquired by an out-of-state regional bank holding company. We intend to position ourselves to capitalize on any business opportunities that may result from customer dislocation and general market disruption associated with these transactions.

- . Using Technology Effectively. We strive to use technology to increase the effectiveness and efficiency of our employees, while also providing expanded products and services to our customers. For example, we have entered into agreements with third-party service providers to provide our customers with credit cards, debit cards, ATM cards, automated telephone banking and internet banking services. In addition, in the second quarter of 2001, we expect to implement a new customer information system, which will enable us to target our marketing initiatives more effectively and help us cross-sell additional products. In general, we believe that using third-party service providers allows us to remain at the forefront of technology while minimizing the costs of delivery.

A Description of Our Market Area

Our market area includes the cities of Holland and Zeeland and their surrounding communities, as well as the Interstate I-196 corridor from Holland to metropolitan Grand Rapids and portions of northern Allegan County. Most of our branches are located in the southern half of Ottawa County, Michigan. We believe that the economic and demographic climate in our region of Michigan creates significant opportunity for the expansion and growth of our banking and business services in the future.

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Ottawa County. The Holland/Zeeland metropolitan area has a population of approximately 150,000, and Ottawa County has a population of approximately 238,000. Ottawa County enjoys a stable and diverse economy and had an estimated median household income in 1999 of approximately \$51,000. Over 300 manufacturers have operations in the Holland/Zeeland area.

Ottawa County is home to several large manufacturers including:

- . Prince Corporation, a division of Johnson Controls -- A producer of automotive interior parts.
- . Bill Mar Foods -- A producer of food products and processed dinners.
- . Gentex Corporation -- A tier 1 supplier and manufacturer of electronic auto mirrors.
- . Herman Miller, Inc. -- A worldwide leader in the production of modular office systems and furniture.
- . Lifesavers Co. -- A producer of candy, mints and chewing gum.
- . Thermotron Industries Inc. -- A producer of environmental test equipment.
- . Haworth, Inc. -- A worldwide leader in the production of modular office systems and furniture.
- . Donnelly Corporation -- A tier 1 supplier and manufacturer of auto mirrors, modular windows and other auto parts.

According to available industry data, at June 30, 2000, deposits in Ottawa County banks, thrifts, and credit unions totaled approximately \$2.6 billion.

Kent County. Most of the metropolitan Grand Rapids area is contained within Kent County, Michigan. Metropolitan Grand Rapids is comprised of the cities of Grand Rapids, East Grand Rapids, Grandville, Kentwood, Walker, Wyoming, Cutlerville, Jenison and Byron Center plus the townships of Ada, Cascade, Grand Rapids, Byron and Plainfield. Kent County's total population in 1999 numbered 574,000 with 467,000 residents located within the metropolitan Grand Rapids area. The largest centers of population are the cities of Grand Rapids with 198,000 residents, Wyoming with 69,000 residents and Kentwood with 45,000 residents, respectively, for the year 1999. The metropolitan Grand Rapids area had a median household income of \$50,000 in 1999, and is the economic and business center of western Michigan. The metropolitan Grand Rapids area is located almost equi-distant from Chicago and Detroit.

Kent County is home to several large employers including:

- . Meijer Inc. -- A regional retailer of groceries and general goods.
- . Spectrum Health -- A regional hospital.

- . Steelcase -- A worldwide leader in the manufacture of office furniture.
- . Alticor (formerly Amway Corporation) -- A manufacturer and distributor of home, personal and nutritional products.
- . Wolverine Worldwide -- A producer of footwear and leather goods.

According to available industry data, at June 30, 2000, deposits in Kent County banks, thrifts, and credit unions totaled approximately \$8.5 billion.

Grand Rapids Metropolitan Statistical Area. Ottawa and Allegan Counties (our primary market area) and Kent County (the portion of our market area targeted for expansion), along with Muskegon

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County, comprise the Grand Rapids Metropolitan Statistical Area as defined by U.S. Census Bureau. The Grand Rapids Metropolitan Statistical Area, as a whole, has a dynamic, yet stable, economy and is home to over 25,000 businesses, including more than 2,200 manufacturers. Manufacturing employment in this area expanded 20% from 1989 to 1999 as compared to a 1% decrease in Michigan and a 4% decrease for the United States in manufacturing employment over the same time interval.

The positive economic climate in the Grand Rapids Metropolitan Statistical Area has also been attracting the attention of business analysts and the national business media. In its December 7, 2000 issue, Inc. magazine ranked Grand Rapids 13th in its list of "Best Cities to Start and Grow a Company in Now". In 1998, Fortune magazine listed Grand Rapids as one of its "Top 10 Cities for Business in the U.S.," and the Anderson Economic Group ranked the Grand Rapids Metropolitan Statistical Area first in the nation for overall business climate in a recent survey.

Products and Services

Deposit Services. We offer a broad range of deposit services, including checking accounts, savings accounts and time deposits of various types. Transaction accounts and time certificates are tailored to our principal market area at rates competitive with those offered in our area. All deposit accounts are insured by the FDIC up to the maximum amount permitted by law. We solicit these accounts from individuals, businesses, associations, churches, nonprofit organizations, financial institutions and government authorities. We may also use alternative funding sources as needed, including advances from Federal Home Loan Banks, brokered certificates of deposit, conduit financing and the packaging of loans for securitization and sale.

Lending Services. We provide a wide spectrum of lending services, including commercial (including agricultural), commercial real estate, residential real estate, and consumer loans. Our primary focus is on general commercial and commercial real estate loans to our local business clientele. At March 31, 2001, our combined total commercial loans accounted for almost 73% of our loan portfolio. We have a very experienced staff of lending officers who know our communities and customers well. They actively market our lending services to current and prospective customers. Certain risks attendant to our lending activities are described under "Risk Factors."

The interest rates we charge and the security we require for each loan made are dependent upon the specific situations of each customer and details of each transaction. The rate structure and security requirements of each loan vary with the degree of risk, maturity, underwriting, servicing costs, principal amount, the customer's past and present financial condition, the relationship between us and the customer, the use of the loan proceeds and other factors that are specific to that customer and transaction.

Although we take a progressive and competitive approach to lending, we stress high quality in our loans. On a regular basis, our board of directors reviews selected loans to monitor the implementation of our lending policies and procedures. In addition, the loan committee of our board of directors also reviews our larger loans for prior approval when the loan request exceeds established limits for our lending officers. Our lending officers are given great latitude and support from our management and staff to work with our customers to meet their various needs and demands, while maintaining the quality of our loan portfolio.

We also maintain a loan review process designed to promote early identification of credit quality problems. Our board of directors on a regular basis reviews any past due loans and identified problem loans. Additionally, our loan officers are held directly responsible for any problem loans. This helps us maintain our high loan quality standards by aligning the desires of our management and our loan staff to keep problem loans to a minimum.

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Regulatory and supervisory loan-to-value limits are established by Section 304 of the Federal Deposit Insurance Corporation Improvement Act of 1991. Our

internal limitations follow those limits and in some cases are more restrictive than those required by the regulators. Banking laws and regulations also limit the amount that we can lend to any single customer. Generally, we apply an in-house lending limit that is less than our legal lending limit. Our legal lending limit at March 31, 2001 was \$9.9 million and following the offering will increase to approximately \$.

We have established relationships with correspondent banks and other independent financial institutions to provide other services requested by our customers, including loan participations where the requested loan amounts exceed our policies or legal lending limits.

Commercial Loans. Commercial loans are made primarily to small and mid-sized businesses. Our areas of emphasis in commercial lending include, but are not limited to, manufacturing and business service companies. We also lend to agricultural businesses for greenhouse operations, poultry and livestock production, dairy operations and cash cropping. These loans are and will be both secured and unsecured and are made available for general operating purposes, acquisition of fixed assets, purchases of equipment and machinery, financing of inventory and accounts receivable, as well as any other purposes we consider appropriate. We generally look to a borrower's business operations as the principal source of repayment but will also receive, when appropriate, mortgages on real estate, security interests in inventory, accounts receivable and other personal property and/or personal guarantees. Terms of our commercial loans generally range from one to five years, and the majority of these loans have interest rates that vary in relation to the prime rate or U.S. Treasury Index.

Many of our commercial loan customers have either had past lending transactions with us or our loans officers. This allows us to personalize the lending process and become intimately familiar with our customers. This knowledge enhances our customer service, but more importantly provides extensive knowledge of our customers' businesses. This allows us to better understand the needs of our business customers and recognize current or potential problems that will affect the ability of the customer to repay the loan. Conversely this intimate knowledge of our customers also lets us recognize opportunities for both our borrowers and us.

Commercial Real Estate Loans. Our commercial real estate loans, like our commercial loans, are made primarily to small and mid-sized businesses. While we look to the borrower's business to generate sufficient funds to repay the debt, we secure the loan with a mortgage on the real estate. The vast majority of commercial real estate loans we make are on owner-occupied properties as opposed to properties held for purely investment purposes. We feel that owner occupied properties will be less susceptible to neglect and deterioration causing a decline in property value and likelihood of repayment of the loan upon default. These loans are usually written with a five year maturity and amortized on the basis of a 15 year period.

Residential Real Estate Loans. We originate residential mortgage loans, which are generally long-term with either fixed or variable interest rates. We are vulnerable to changes in interest rates generally, but particularly with respect to our residential real estate loans. When interest rates drop, we are susceptible to refinancing, and when interest rates and unemployment rises due to economic factors, we may experience an increase in the default rate on our mortgage portfolio. Our general policy, which is subject to review by our management as a result of changing market and economic conditions and other factors, is to retain all variable interest rate mortgage loans in our loan portfolio and to sell all fixed rate loans in the secondary market, without retaining any of the servicing rights.

The retention of variable rate loans in our loan portfolio helps to reduce our exposure to fluctuations in interest rates. However, variable rate loans generally pose credit risks different from the risks inherent

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in fixed rate loans, primarily because as interest rates rise, the underlying payments from the borrowers rise, thereby increasing the potential for default.

Consumer Loans and Lines of Credit. We make personal loans and lines of credit available to our consumers for various purposes, like the purchase of automobiles, boats and other recreational vehicles, home improvements and personal investments. The majority of our consumer loans are home equity loans secured by secondary residential mortgages. The consumer loans we make generally have shorter terms and higher interest rates than residential mortgages. In making these loans, we emphasize the amount of the down payment, credit status, employment stability, and monthly income of the consumer. Our current policy is to retain substantially all of these loans.

Trust Services. We provide trust services to individuals, businesses and estates. These services include custodial and agency accounts, investment services, employee benefit plans and IRAs and personal trust and estate administration services. Of the \$247.1 million in assets held by our trust department at March 31, 2001, \$146.0 million were held in custodial or agency

accounts without investment authority and \$101.1 million were held in other accounts as to which our trust department had investment authority. When trust documents grant our trust department investment authority, our trust department may manage the investment of the trust assets internally or outsource these services depending on the amount and nature of the trust assets. While smaller accounts are generally managed internally, investment management of larger, more complex asset portfolios is outsourced. At March 31, 2001, investment management of approximately 30% of the trust assets we held with investment authority was outsourced. Unless our trust customers have a preferred investment advisory firm, our trust department will retain one of two preapproved firms to provide the outside investment advisory services needed by our customers. The investment advisory firm generally retained is Smith & Associates Investment Management Services, which is owned by Benj. A. Smith III, our Chairman and Chief Executive Officer. See "Certain Transactions."

Competition

Our primary market area includes Ottawa County, northern Allegan County and southwestern Kent County, all located in western Michigan. There are many bank, thrift and credit union offices located within our market area as well as other providers of financial services. Most of our competitors are branches of larger financial institutions like Fifth Third, National City, Huntington Bank, Chemical Financial and Bank of Holland. Most of our competitors have been in business many years, have established customer bases, are larger and have higher lending limits than we do. We compete for loans principally through our ability to communicate effectively with our customers and to understand and meet their needs. Our management believes that our personal service philosophy enhances our ability to compete favorably in attracting individuals and small businesses. We actively solicit customers and compete for deposits by offering our customers personal attention, professional service, and competitive interest rates.

Employees

As of March 31, 2001, we had 124 full-time and 73 part-time employees. We have assembled a staff of experienced, dedicated and highly qualified professionals whose goal is to provide outstanding service. The majority of our management team has at least 10 years of banking experience, and several key personnel have more than 20 years of banking experience. None of our employees is represented by a collective bargaining agreement with us.

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Property and Locations

Our administrative offices are located at 348 South Waverly Road, Holland, Michigan 49423, and the telephone number is (616) 820-1444. Our main banking office is located at 51 E. Main Street, Zeeland, Michigan 49464, and the telephone number is (616) 748-9491.

We currently have 13 branch offices and three other administrative locations. Our facilities are located in Ottawa County, Allegan County and Kent County, Michigan. Our branch locations and deposits as of March 31, 2001 were as follows:

| Location of Facility | Use | Opening Date | Deposits |
|--------------------------------------|---------------|--------------|---------------|
| | | | (In millions) |
| <S> | <C> | <C> | <C> |
| 51 E. Main Street, Zeeland* | Main Office | 11-25-97 | \$75 |
| 139 E. 8th Street, Holland* | Branch Office | 01-19-98 | 58 |
| 701 Maple Avenue, Holland | Branch Office | 04-13-98 | 41 |
| 2020 Baldwin Street, Jenison | Branch Office | 07-01-98 | 53 |
| 6299 Lake Michigan Dr., Allendale | Branch Office | 07-15-98 | 34 |
| 489 Butternut Dr., Holland | Branch Office | 10-01-98 | 26 |
| 699 E. 16th Street, Holland | Branch Office | 11-02-98 | 21 |
| 41 N. State Street, Zeeland | Branch Office | 12-11-98 | -- (/1/) |
| 102 South Washington, Douglas | Branch Office | 05-24-99 | 17 |
| 1760 -- 44th Street, Wyoming* | Branch Office | 06-21-99 | 15 |
| 4758 -- 136th Street, Hamilton* | Branch Office | 09-01-99 | 12 |
| 5215 Cherry Avenue, Hudsonville* | Branch Office | 11-22-99 | 30 |

| | | | |
|-------------------------------------|------------------------------|----------|---|
| 20 E. Lakewood Blvd., Holland | Branch Office | 12-20-99 | 7 |
| 250 E. 8th Street, Holland* | Operations Center | | |
| 106 E. 8th Street, Holland* | Trust Department | | |
| 348 South Waverly Road, Holland* | Loan Center & Admin. Offices | | |

</TABLE>

(1) Included with 51 E. Main, Zeeland Branch
* Leased facility

We believe our facilities are well-maintained and adequately insured. Because of our growth, we are continually evaluating the need for additional space and branches. At the present time, we are completing the build out at a new leased branch in the city of Grandville. We will begin operations in this Grandville branch in the summer of 2001. We have also secured a site for the relocation of our Hudsonville branch to a full service facility which we plan to own, with construction to commence in the summer of 2001. We also have reserved a parcel of land in the north section of the City of Holland for a new branch. At this time we are not obligated to make any payments on the land. We are planning to start the construction of this branch in late 2001 or early 2002.

We also are in the early stages of planning our new Macatawa Bank Corporation headquarters. We presently have a buy-sell agreement to purchase approximately 17 acres of land located between Holland and Zeeland. We expect construction to begin in late 2001 and completion in 2002. We will retain approximately 10 acres for our new headquarters and will sell the remaining land at the completion of the construction. The proposed three story building will contain 25,000 to 30,000 square feet and will be designed to be expandable to 100,000 square feet. We will own the building and be its sole tenant. Upon completion, we will consolidate our administration, human resources, trust, loan underwriting and processing, and proof and deposit operations in the new facility. We estimate the cost to purchase the land to be approximately \$1.2 million and approximate construction costs to be \$5.0 million. We plan to fund the construction of this new facility with long term debt financing.

MANAGEMENT

Directors and Executive Officers

Our directors and executive officers and those of Macatawa Bank are as follows:

<TABLE>
<CAPTION>

| Name | Positions with Macatawa Bank Age Corporation | Positions with Macatawa Bank |
|--------------------------|---|---|
| - - - - - | - - - - - | - - - - - |
| <S> | <C> <C> | <C> |
| Benj. A. Smith, III..... | 57 Chairman, Chief Executive Officer and Director | Chairman and Director |
| Philip J. Koning..... | 46 Secretary and Director | President, Chief Executive Officer and Director |
| Steven L. Germond..... | 48 Chief Financial Officer | Chief Financial Officer |
| Ray D. Tooker..... | 58 | Senior Vice President --Loan Administration |
| G. Thomas Boylan..... | 78 Director | Director |
| Robert E. DenHerder..... | 46 Director | Director |
| John F. Koetje..... | 65 Director | Director |
| James L. Batts..... | 42 | Director |
| Jessie F. Dalman..... | 67 | Director |
| Wayne J. Elhart..... | 46 | Director |
| James L. Jurries..... | 59 | Director |

</TABLE>

We have a classified board of directors, with directors serving staggered three-year terms, which expire at the relevant annual shareholders meeting. The terms of Messrs. Koning and DenHerder expire in 2002, the terms of Messrs. Smith and Boylan expire in 2003 and the term of Mr. Koetje expires in 2004. There are no family relationships between any of our directors or executive officers named above.

Experience of Directors and Executive Officers

The experience and backgrounds of our directors and executive officers and

those of Macatawa Bank are summarized as follows:

Benj. A. Smith, III is the Chairman, Chief Executive Officer and a director of Macatawa Bank Corporation, and is also Chairman and a director of Macatawa Bank. Mr. Smith is an investment advisor and has served from 1992 to the present as the President of Smith & Associates Investment Management Services, an investment management firm located in Holland, Michigan. Prior to 1992, Mr. Smith gained 21 years of banking experience at FMB and its subsidiary FMB-First Michigan Bank of Zeeland, Michigan. During his employment at FMB, he was primarily responsible for the consolidation of the trust department and its investment function, the development and introduction of mutual funds at FMB, the establishment of a broker-dealer operation and the implementation of various employee compensation and stock ownership plans. From 1991 to 1992, Mr. Smith served as Chief Executive Officer of FMB-Financial Group, a wholly owned subsidiary of FMB, which was comprised of a life insurance subsidiary, a trust services bank, a registered broker-dealer and an investment advisory company.

Philip J. Koning has served as President and a director for Macatawa Bank since its inception in November 1997 and currently serves as its Chief Executive Officer as well. Mr. Koning also serves as the

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Secretary and a director for Macatawa Bank Corporation. Mr. Koning was employed by Smith & Associates Investment Management Services from May 1997 to February 1998. Mr. Koning has over 25 years of commercial banking experience, including from 1984 to 1997 with First of America Bank in Holland, where he served as a Community Bank President.

Steven L. Germond, C.P.A. is the Chief Financial Officer and Treasurer of Macatawa Bank Corporation as well as the Chief Financial Officer of Macatawa Bank. Mr. Germond started with us in June 2000. From January 1999 until June 2000, Mr. Germond was the Vice President of Retail Finance with Old Kent Bank, and prior to that time, he was with National City Bank and its Michigan predecessors, where he started in 1984.

Ray D. Tooker is the Senior Vice President of Loan Administration with Macatawa Bank. Mr. Tooker started with Macatawa Bank in May 1999. Before joining us, Mr. Tooker was a Senior Vice President and Regional Credit Officer with Huntington Bank from September 1997 until April 1998. Prior to that, Mr. Tooker was employed by FMB-First Michigan Bank for over 30 years, where he most recently served as Senior Vice President of Loan Administration.

G. Thomas Boylan is a director of Macatawa Bank Corporation as well as being on the board of directors of Macatawa Bank. Mr. Boylan is the President of Light Metals Corporation, a manufacturing company located in Wyoming, Michigan, where he has been employed since 1947.

John F. Koetje is a director of Macatawa Bank Corporation as well as being on the board of directors of Macatawa Bank. Mr. Koetje is a partner in John F. Koetje and Associates, a West Michigan builder of residential and light commercial real estate and apartment complexes where he has been employed for 35 years.

Robert E. DenHerder is a director of Macatawa Bank Corporation as well as being on the board of directors of Macatawa Bank. Mr. DenHerder is a business consultant and investor based in Holland, Michigan. From January 1980 to December 1999, Mr. DenHerder served as the President of Uniform Color Co., a company located in Holland, Michigan, which manufactures color concentrate for the plastics industry, primarily for automotive suppliers.

James L. Batts is a director of Macatawa Bank. Mr. Batts is the Vice-Chairman of Belfry Development Corporation, a real estate development company. From 1993 until 2000, Batts Inc., a manufacturer of coat hangers, employed Mr. Batts, most recently as Vice President, International.

Jessie F. Dalman is a director of Macatawa Bank. Ms. Dalman previously served in the Michigan House of Representatives representing the 90th District (Holland) from 1990 to 1998. Ms. Dalman served as Minority Vice Chair of the Education Committee and as a member of the Judiciary Committee and the Colleges and Universities Committee. Prior to her election to the Michigan legislature, Ms. Dalman served for twelve years as an Ottawa County Commissioner representing Holland City and Park Township.

Wayne J. Elhart is a director of Macatawa Bank. Mr. Elhart has served since 1990 as the President of Elhart Pontiac GMC Jeep in Holland, Michigan. Mr. Elhart serves as the President of both the West Michigan Pontiac Dealers Advertising Association and the Out of State Jeep Dealers Advertising Association.

James L. Jurries is a director of Macatawa Bank. Mr. Jurries has served since 1992 as President of Jurries Capital Management, Inc., a real estate, venture capital and investment company located in

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Holland, Michigan. From 1989 to 1992, Mr. Jurries owned and developed a ten-store Blockbuster Video franchise which he sold to Blockbuster Video in 1992. Mr. Jurries also worked as a commercial loan officer for seven years.

Director Compensation

Directors of Macatawa Bank Corporation are not separately compensated for their service as directors of the holding company. All the directors of Macatawa Bank, including those who also serve as directors of Macatawa Bank Corporation, during 1999 and 2000, received an annual retainer of \$4,000, and were paid \$500 per board meeting attended and \$250 per committee meeting attended. For 2001, the annual retainer has been increased to \$5,000 and meeting fees remain the same as in prior years. All directors are reimbursed for their out-of-pocket expenses for each meeting attended. Additionally, all directors were granted options to purchase shares of our common stock in 1998 before they began to receive cash compensation.

Executive Compensation

We do not separately compensate any of the executive officers at Macatawa Bank Corporation, all of whom are also, executive officers of Macatawa Bank and are paid for their services by Macatawa Bank. The following table sets forth the annual and long-term compensation paid by us to our Chief Executive Officer, and our other most highly compensated executive officers who had annual compensation or annual rates of compensation in excess of \$100,000 for 2000.

Summary Compensation Table

<TABLE>

<CAPTION>

| Name and Principal Position | Year | Annual Compensation | | Long Term Compensation | |
|--|----------------------|---------------------------------|-------------------------------|----------------------------------|---------------------------|
| | | Salary | Other Annual Compensation(\$) | Securities Underlying Options(#) | All Other Compensation(1) |
| Benj. A. Smith, III..... Chairman of the Board and Chief Executive Officer of Macatawa Bank Corporation | 2000 1999 1998 | \$150,000 75,000 32,500 | \$ 0 0 0 | 0 0 31,930 | \$ 0 0 0 |
| Philip J. Koning..... Chief Executive Officer and President of Macatawa Bank | 2000 1999 1998 | \$161,000 155,000 144,184 | \$15,000 6,000 0 | 3,090 3,090 12,360 | \$3,003 3,829 3,020 |
| Steven L. Germond (2)... Chief Financial Officer of Macatawa Bank Corporation and Macatawa Bank | 2000 1999 1998 | \$ 61,346 0 0 | \$ 7,500 0 0 | 2,884 0 0 | \$ 131 0 0 |
| Ray D. Tooker (3)..... Senior Vice President -- Loan Administration of Macatawa Bank | 2000 1999 1998 | \$120,002 78,462 0 | \$10,000 5,000 0 | 1,030 4,120 0 | \$ 251 642 0 |

</TABLE>

- (1) Includes an automobile allowance (\$2,644 in 2000, \$2,521 in 1999 and \$2,637 in 1998) paid by us for the benefit of Mr. Koning, as well as term life insurance premiums paid for the benefit of executive officers listed above.
- (2) Mr. Germond was hired effective June 5, 2000, at an annual salary of \$110,000. The Summary Compensation Table discloses compensation from his hire date through December 31, 2000.
- (3) Mr. Tooker was hired effective May 3, 1999, at an annual salary of \$120,000. The Summary Compensation Table discloses his 1999 compensation from his date of hire through December 31, 1999.

Option Grants in 2000. Shown below is information on grants of stock options pursuant to our stock compensation plan.

<TABLE>

<CAPTION>

| Name | Individual Grants | | | | Annual Rates Of Stock Price Appreciation For Option Term(3) | |
|------------------------|--|---|--|-----------------|---|-----------|
| | Number of Securities Underlying Options Granted(1) | Percent of Total Options Granted to Employees in 2000 | Exercise or Base Price (per share) (2) | Expiration Date | 5% | 10% |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Philip J. Koning..... | 3,090 | 12.7% | \$12.38 | 12-21-10 | \$ 24,055 | \$ 60,960 |
| Steven L. Germond..... | 824 | 3.4% | 12.38 | 12-21-10 | 6,414 | 16,256 |
| | 2,060 | 8.5% | 11.65 | 06-15-10 | 15,093 | 38,250 |
| Ray D. Tooker..... | 1,030 | 4.2% | 12.38 | 12-21-10 | 8,018 | 20,320 |

- (1) Indicates number of shares which may be purchased pursuant to options granted in 2000 under the stock compensation plan as of December 31, 2000. During 2000, we granted to eligible employees options to purchase an aggregate of 24,308 of our shares. These options may not be exercised in full or in part prior to the expiration of one year from the date of grant.
- (2) The exercise price equals the prevailing market price of our common stock on the date of grant. The exercise price may be paid in cash, by the delivery of previously owned shares of our common stock, or through the withholding of shares of our common stock otherwise issuable upon exercise or a combination thereof.
- (3) These amounts are based on assumed rates of appreciation over the entire option period without any discount to present value. Actual gains, if any, on stock option exercises will be dependent on overall market conditions and on the future performance of our common stock. There can be no assurance that the amounts reflected in this table will be realized.

Year-End Options Values. Shown below is information with respect to unexercised options to purchase shares of our common stock granted under our stock option plans to our senior executives and held by them at December 31, 2000. None of the our senior executives exercised any stock options during 2000.

<TABLE>
<CAPTION>

| Name | Number of Shares Subject to Unexercised Options Held At December 31, 2000 | | Value of Unexercised In-the-Money Options at December 31, 2000 | |
|--------------------------|---|---------------|--|---------------|
| | Exercisable | Unexercisable | Exercisable | Unexercisable |
| <S> | <C> | <C> | <C> | <C> |
| Benj. A. Smith, III..... | 31,930 | 0 | \$22,500 | \$ 0 |
| Philip J. Koning..... | 15,450 | 3,090 | 33,750 | 3,000 |
| Steven L. Germond..... | 0 | 2,884 | 0 | 4,300 |
| Ray D. Tooker..... | 4,120 | 1,030 | 0 | 1,000 |

Benefits. We provide group health and life insurance benefits and supplemental unemployment benefits to our regular employees, including our executive officers. In January 1999, we implemented a 401(k) plan.

Employee Stock Purchase Plan. We have adopted an employee stock purchase plan which provides our employees with a convenient means to purchase shares of our common stock through payroll deductions. Purchases of our shares are made on behalf of participating employees on the open market. At March 31, 2001, 6,077 shares had been purchased under the plan.

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PRINCIPAL SHAREHOLDERS

The table below sets forth, as of April 25, 2001, information regarding the beneficial ownership of our common stock by each person who is known to us to be the beneficial owner of more than 5% of our common stock, each of our directors, each of our executive officers named in the summary compensation table, and all of our directors and executive officers as a group, both before and after giving effect to this offering. The table has been adjusted to reflect the 3.0% stock dividend distributed May 4, 2001.

<TABLE>
<CAPTION>

| Name of Beneficial Owner(1) | Number of Shares | | Percent of Outstanding Common Stock | |
|-----------------------------|--|-----------------------|-------------------------------------|-----------------------|
| | Beneficially Owned Before the Offering | After the Offering(2) | Before the Offering | After the Offering(2) |

| <S> | <C> | <C> | <C> | <C> |
|---|---------|-----|-------|-------|
| Benj. A. Smith, III(3).. | 276,495 | | 7.5% | 5.4% |
| Philip J. Koning(4)..... | 53,303 | | 1.4% | 1.1% |
| Steven L. Germond..... | 2,266 | | * | * |
| G. Thomas Boylan(5)..... | 134,853 | | 3.6% | 2.7% |
| Robert E. DenHerder(5).. | 137,093 | | 3.7% | 2.7% |
| John F. Koetje(6)..... | 86,469 | | 2.3% | 1.7% |
| Ray D. Tooker(7)..... | 7,210 | | * | * |
| All executive officers and directors as a group (7 persons)(8)... | 697,689 | | 18.9% | 13.7% |

</TABLE>

* Represents less than 1% of ownership.

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting power and investment power with respect to shares. Shares issuable upon the exercise of stock options that are currently exercisable or become exercisable within 60 days from April 25, 2001 are considered outstanding for the purpose of calculating the common stock beneficially owned by that person.
- (2) The number of shares of common stock deemed outstanding after this offering includes the 1,400,000 shares of common stock offered for sale by us in this offering, but does not include any of the up to 210,000 additional shares of common stock to be purchased from us if the underwriters' over-allotment option is exercised in full.
- (3) Includes options to purchase 31,930 shares, 3,090 shares owned by Mr. Smith's spouse, and 30,900 shares held in trust for the benefit of Mr. Smith's spouse. Also includes 103,129 shares with respect to which Smith & Associates, an investment advisory firm controlled by Mr. Smith, has voting power, but with respect to which Mr. Smith disclaims beneficial ownership.
- (4) Includes options to purchase 15,450 shares of common stock exercisable within 60 days.
- (5) Includes options to purchase 6,180 shares of common stock exercisable within 60 days.
- (6) Includes options to purchase 2,060 shares of common stock exercisable within 60 days.
- (7) Includes options to purchase 4,120 shares of common stock exercisable within 60 days.
- (8) Includes options to purchase 45,320 shares of common stock exercisable within 60 days.

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CERTAIN TRANSACTIONS

Our directors and officers have had and are expected to have banking and other transactions with us in the ordinary course of our business. Related party loans totaled approximately \$12.7 million at March 31, 2001. All transactions between us and affiliated persons, including our 5% shareholders, are and will be on terms no less favorable to us than could be obtained from independent third parties. Any loans and commitments to lend we make to affiliated persons are and will be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions we make with unaffiliated parties of similar creditworthiness. Any of these transactions will be approved by a majority of our independent directors who do not have an interest in the transaction and who will have access, at our expense, to our legal counsel.

Mr. Benj. A. Smith, III, our Chairman and Chief Executive Officer, is also the sole owner and President of Smith & Associates Investment Management Services, an investment advisory firm. Approximately \$126 million of the \$247 million in assets held by our trust department at March 31, 2001, represent accounts referred by Smith & Associates to our trust department. These assets were previously held in custodial accounts with other financial institutions. Smith & Associates received no compensation for these referrals. Smith & Associates may continue to refer additional accounts to our trust department, although we do not expect the dollar amount of future referrals to be as large as the initial referrals to our trust department. Most of the accounts referred by Smith & Associates to our trust department are custodial accounts as to which our trust department has no investment responsibility or authority. Our trust department is compensated from these accounts for its custodial services. Payments to Smith & Associates for investment services are made from these custodial accounts to Smith & Associates based on arrangements made directly between Smith & Associates and the trust grantors.

When trust documents give our trust department investment authority, depending on the size and nature of the trust, the trust asset investment services may be handled internally or outsourced. Our trust department handles the investment of smaller accounts internally. However, our trust department is not yet internally staffed to perform active investment management services for larger, more complex trusts. For these trusts, our trust department outsources investment management services to Smith & Associates or other unaffiliated investment advisory firms based on the trust customer's preference. Our trust

department receives no compensation for these referrals just as it pays no compensation for accounts referred to it. All investment management services provided to our trust department by Smith & Associates have been and will be entered into on terms that are no less favorable to us or our customers than those which can be obtained from unaffiliated third parties. In 2000, total payments to Smith & Associates for investment management services performed on behalf of our trust department were less than \$110,000. The total of these fees was less than the custodial fee revenue received by our trust department from custodial accounts referred by Smith & Associates to our trust department.

In addition, we lease our trust administration office located at 106 E. 8th Street in Holland from a corporation wholly-owned by Mr. Smith. The 2001 monthly rent under this lease is \$2,200. This lease arrangement will terminate when our new headquarters is completed. Presently, we also rent our temporary Wyoming branch location, on a short-term lease, from John F. Koetje, a member of our board of directors. The monthly rent under the lease is \$2,770 and the lease terminates on April 30, 2002. The terms of both leases were negotiated on an arm's-length basis. We believe that the rents and other terms reflect fair market value. See "Business -- Properties."

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SUPERVISION AND REGULATION

The following is a summary of various statutes and regulations affecting Macatawa Bank Corporation and Macatawa Bank. This summary is qualified in its entirety by these statutes and regulations. A change in applicable laws or regulations may have a material effect on us and our profitability and growth.

General

Financial institutions and their holding companies are extensively regulated under federal and state law. Consequently, our growth and earnings performance can be affected not only by management decisions and general economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. Those authorities include, but are not limited to, the Board of Governors of the Federal Reserve System, the FDIC, the Commissioner of the Michigan Office of Financial and Insurance Services, Division of Financial Institutions, the Internal Revenue Service, state taxing authorities, and the Securities and Exchange Commission. The effect of all of the statutes, regulations and policies can be significant, and cannot be predicted with a high degree of certainty.

Federal and state laws and regulations generally applicable to financial institutions and their holding companies regulate, among other things, the scope of business, investments, reserves against deposits, capital levels relative to operations, lending activities and practices, the nature and amount of collateral for loans, the establishment of branches, mergers, consolidations and the payment of dividends. The system of supervision and regulation applicable to us establishes a comprehensive framework for our operations and is intended primarily for the protection of the FDIC's deposit insurance funds, our depositors, and the public, rather than our shareholders.

Federal law and regulations establish supervisory standards applicable to the lending activities of our bank, including internal controls, credit underwriting, loan documentation and loan-to-value ratios for loans secured by real property.

The Company

General. Macatawa Bank Corporation is a bank holding company, and is registered with, and subject to regulation by, the Federal Reserve Board under the Bank Holding Company Act, as amended. Under the Bank Holding Company Act, we are subject to periodic examination by the Federal Reserve Board, and are required to file with the Federal Reserve Board periodic reports of our operations and any additional information as the Federal Reserve Board may require.

In accordance with Federal Reserve Board policy, we are expected to act as a source of financial strength to Macatawa Bank and to commit resources to support Macatawa Bank in circumstances where we might not do so absent this policy. In addition, if the Michigan Office of Financial and Insurance Services deems our capital to be impaired, it may require us to restore our capital by a special assessment upon us as Macatawa Bank's sole shareholder. If we were to fail to pay any special assessment, the directors of Macatawa Bank would be required, under Michigan law, to sell our shares to the highest bidder at either a public or private auction and use the proceeds of the sale to restore Macatawa Bank's capital.

Investments and Activities. In general, any direct or indirect acquisition by us of any voting shares of any bank which would result in our direct or indirect ownership or control of more than 5% of any

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class of voting shares of that bank, and any merger or consolidation between us and another bank holding company, will require the prior written approval of the Federal Reserve Board under the Bank Holding Company Act. In acting on any of these applications, the Federal Reserve Board must consider various statutory factors, including among others, the effect of the proposed transaction on competition in relevant geographic and product markets, and each party's financial condition, managerial resources, and record of performance under the Community Reinvestment Act. Effective September 29, 1995, bank holding companies may acquire banks located in any state in the United States without regard to geographic restrictions or reciprocity requirements imposed by state law, but subject to certain conditions, including limitations on the aggregate amount of deposits that may be held by the acquiring company and all of its insured depository institution affiliates.

The merger or consolidation of an existing bank subsidiary of ours with another bank, or the acquisition by a bank subsidiary of ours of assets of another bank, or the assumption of liability by a bank subsidiary of ours to pay any deposits in another bank, will require the prior written approval of the responsible federal depository institution regulatory agency under the Bank Merger Act, based upon a consideration of statutory factors similar to those outlined above with respect to the Bank Holding Company Act. In addition, in these cases an application to, and the prior approval of, the Federal Reserve Board under the Bank Holding Company Act and/or the Michigan Office of Financial and Insurance Services under the Michigan Banking Code, may be required.

With certain limited exceptions, the Bank Holding Company Act prohibits any bank holding company from engaging, either directly or indirectly through a subsidiary, in any activity other than managing or controlling banks unless the proposed non-banking activity is one that the Federal Reserve Board has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Under current Federal Reserve Board regulations, permissible non-banking activities including mortgage banking, equipment leasing, securities brokerage, and consumer and commercial finance company operations. Well-capitalized and well-managed bank holding companies may engage de novo in certain types of non-banking activities without prior notice to, or approval of, the Federal Reserve Board, provided that written notice of the new activity is given to the Federal Reserve Board within 10 business days after the activity is commenced. If a bank holding company wishes to engage in a non-banking activity by acquiring a going concern, prior notice and/or prior approval will be required, depending upon the activities in which the company to be acquired is engaged, the size of the company to be acquired and the financial and managerial condition of the acquiring bank company.

In evaluating a proposal to engage (either de novo or through the acquisition of a going concern) in a non-banking activity, the Federal Reserve Board will consider various factors, including the financial and managerial resources of the bank holding company and the relative public benefits and adverse effects which may be expected to result from the performance of the activity by an affiliate of the bank holding company. The Federal Reserve Board may apply different standards to activities proposed to be commenced de novo and activities commenced by acquisition, in whole or in part, of a going concern.

Eligible bank holding companies that elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance activities and any other activity that the Federal Reserve Board, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature, incidental to any such financial activity or complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The Bank Holding Company Act generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank or financial holding companies. While we believe we are eligible to elect to operate

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as a financial holding company, as of the date of this filing, we have not applied for approval to operate as a financial holding company.

Capital Requirements. The Federal Reserve Board uses capital adequacy guidelines in its examination and regulation of bank holding companies. If capital falls below minimum guidelines, a bank holding company may, among other things, be denied approval to acquire or establish additional banks or non-bank businesses.

The Federal Reserve Board's capital guidelines establish the following minimum regulatory capital requirements for bank holding companies:

- . a leverage capital requirement expressed as a percentage of total assets, and
- . a risk-based requirement expressed as a percentage of total risk-weighted assets.

The leverage capital requirement consists of a minimum ratio of Tier 1 capital (which consists principally of shareholders' equity) to total assets of 3% for the most highly rated companies, with minimum requirements of 4% for all others. The risk-based requirement consists of a minimum ratio of total capital to total risk-weighted assets of 8%, of which at least one-half must be Tier 1 capital.

The risk-based and leverage standards presently used by the Federal Reserve Board are minimum requirements, and higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, Federal Reserve Board regulations provide that additional capital may be required to take adequate account of, among other things, interest rate risk and the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (i.e., Tier 1 capital less all intangible assets), well above the minimum levels. The Federal Reserve Board has not advised us of any specific minimum Tier 1 Capital leverage ratio that is applicable to us.

Dividends. Macatawa Bank Corporation is a corporation separate and distinct from Macatawa Bank. Most of our revenues will be received in the form of dividends, if any, paid by our bank. Thus, our ability to pay dividends to our shareholders will indirectly be limited by statutory restrictions on our bank's ability to pay dividends. See "Supervision and Regulation -- Macatawa Bank --

Dividends." Further, the Federal Reserve Board has issued a policy statement on the payment of cash dividends by bank holding companies. In the policy statement, the Federal Reserve Board expressed its view that a bank holding company experiencing earnings weaknesses should not pay cash dividends exceeding its net income or which can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. Additionally, the Federal Reserve Board possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies. Similar enforcement powers over our bank are possessed by the FDIC. The "prompt corrective action" provisions of federal law and regulation authorizes the Federal Reserve Board to restrict the payment of dividends by us if our insured bank fails to meet specified capital levels.

In addition to the restrictions on dividends imposed by the Federal Reserve Board, the Michigan Business Corporation Act provides that dividends may be legally declared or paid only if after the distribution a corporation, like us, can pay its debts as they come due in the usual course of business and its total assets equal or exceed the sum of its liabilities plus the amount that would be needed to satisfy

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the preferential rights upon dissolution of any holders of preferred stock whose preferential rights are superior to those receiving the distribution. We are authorized to issue preferred stock but we have no current plans to issue any preferred stock.

The Bank

General. Macatawa Bank is a Michigan banking corporation and our deposit accounts are insured by the Bank Insurance Fund of the FDIC. As a Bank Insurance Fund-insured Michigan chartered bank, we are subject to the examination, supervision, reporting and enforcement requirements of the Michigan Office of Financial and Insurance Services, Division of Financial Institutions, as the chartering authority for Michigan banks, and the FDIC, as administrator of the Bank Insurance Fund. These agencies and the federal and state laws applicable to our bank and its operations, extensively regulate various aspects of the banking business including, among other things, permissible types and amounts of loans, investments and other activities, capital adequacy, branching, interest rates on loans and on deposits, the maintenance of noninterest bearing reserves on deposit accounts, and the safety and soundness of banking practices.

Deposit Insurance. As an FDIC-insured institution, we are required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums, based upon their respective levels of capital and results of supervisory evaluation. Institutions classified as well-capitalized (as defined by the FDIC) and considered healthy pay the lowest premium while institutions that are less than adequately capitalized (as defined by the FDIC) and considered of substantial supervisory concern pay the highest premium. Risk classification of all insured institutions is made by the FDIC for each semi-annual assessment period.

The Federal Deposit Insurance Act requires the FDIC to establish assessment rates at levels which will maintain the Deposit Insurance Fund at a mandated

reserve ratio of not less than 1.25% of estimated insured deposits. Accordingly, the FDIC established the schedule of Bank Insurance Fund insurance assessments for the first semi-annual assessment period of 2001, ranging from 0% of deposits for institutions in the lowest risk category to .27% of deposits for institutions in the highest risk category.

The FDIC may terminate the deposit insurance of any insured depository institution if the FDIC determines, after a hearing, that the institution or its directors have engaged or are engaging in unsafe or unsound practices, or have violated any applicable law, regulation, order, or any condition imposed in writing by, or written agreement with, the FDIC, or if the institution is in an unsafe or unsound condition to continue operations. The FDIC may also suspend deposit insurance temporarily during the hearing process for a permanent termination of insurance if the institution has no tangible capital.

Commissioner Assessments. Michigan banks are required to pay supervisory fees to the Michigan Office of Financial and Insurance Services to fund its operations. The amount of supervisory fees paid by a bank is based upon total assets, as reported to the Michigan Office of Financial and Insurance Services.

FICO Assessments. Pursuant to federal legislation enacted September 30, 1996, our bank, as a member of the Bank Insurance Fund, is subject to assessments to cover the payments on outstanding obligations of the Financing Corporation. The Financing Corporation was created in 1987 to finance the recapitalization of the Federal Savings and Loan Insurance Corporation, the predecessor to the FDIC's Savings Association Insurance Fund which insures the deposits of thrift institutions. Until January 1, 2000, the Financing Corporation assessments made against Bank Insurance Fund members could not exceed 20% of the amount of Financing Corporation assessments made against Savings Association

Insurance Fund members. Currently, Savings Association Insurance Fund members pay the Financing Corporation assessments at a rate equal to approximately 0.063% of deposits while Bank Insurance Fund members pay Financing Corporation assessments at a rate equal to approximately 0.013% of deposits. Between January 1, 2000 and the maturity of the outstanding Financing Corporation obligations in 2019, Bank Insurance Fund members and Savings Association Insurance Fund members will share the cost of the interest on the Financing Corporation bonds on a pro rata basis. It is estimated that Financing Corporation assessments during this period will be less than 0.025% of deposits.

Capital Requirements. The FDIC has established the following minimum capital standards for state-chartered, FDIC-insured non-member banks: a leverage requirement consisting of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly-rated banks with minimum requirements of 4% for all others, and a risk-based capital requirement consisting of a minimum ratio of total capital to total risk-weighted assets of 8%, at least one-half of which must be Tier 1 capital. Tier 1 capital consists principally of shareholders' equity. These capital requirements are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, FDIC regulations provide that higher capital may be required to take adequate account of, among other things, interest rate risk and the risks posed by concentrations of credit, nontraditional activities or securities trading activities.

Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized." Federal regulations define these capital categories as follows:

<TABLE>
<CAPTION>

| | Total Risk- Based Capital Ratio | Tier 1 Risk-Based Capital Ratio | Leverage Ratio |
|--|--|--|---|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Well capitalized..... | 10% or above | 6% or above | 5% or above |
| Adequately capitalized.. | 8% or above | 4% or above | 4% or above |
| Undercapitalized..... | Less than 8% | Less than 4% | Less than 4% |
| Significantly undercapitalized..... | Less than 6% | Less than 3% | Less than 3% |
| Critically undercapitalized..... | -- | -- | A ratio of tangible equity to total assets of 2% or less |

</TABLE>

Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: requiring the submission of a capital

restoration plan; placing limits on asset growth and restrictions on activities; requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; restricting transactions with affiliates; restricting the interest rate the institution may pay on deposits; ordering a new election of directors of the institution; requiring that senior executive officers or directors be dismissed; prohibiting the institution from accepting deposits from correspondent banks; requiring the institution to divest certain subsidiaries; prohibiting the payment of principal or interest on subordinated debt; and ultimately, appointing a receiver for the institution.

In general, a depository institution may be reclassified to a lower category than is indicated by its capital levels if the appropriate federal depository institution regulatory agency determines the institution to be otherwise in an unsafe or unsound condition or to be engaged in an unsafe or unsound practice. This could include a failure by the institution, following receipt of a less-than-satisfactory rating on its most recent examination report, to correct the deficiency.

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Dividends. Under Michigan law, our bank is restricted as to the maximum amount of dividends it may pay on its common stock owned by us. Our bank may not pay dividends except out of net profits after deducting losses and bad debts. A Michigan state bank may not declare or pay a dividend unless the bank will have a surplus amounting to at least 20% of its capital after the payment of the dividend. If our bank has a surplus less than the amount of its capital, it may not declare or pay any dividend to us until an amount equal to at least 10% of net profits for the preceding one-half year (in the case of quarterly or semi-annual dividends) or full-year (in the case of annual dividends) has been transferred to surplus. A Michigan state bank may, with the approval of the Michigan Office of Financial and Insurance Services, Division of Financial Institutions, by vote of shareholders owning 2/3 of the stock eligible to vote increase its capital stock by a declaration of a stock dividend, provided that after the increase the bank's surplus equals at least 20% of its capital stock, as increased. Our bank may not declare or pay any dividend to us until the cumulative dividends on preferred stock (should any preferred stock be issued and outstanding) have been paid in full. Macatawa Bank's articles of incorporation do not authorize the issuance of preferred stock and there are no current plans to seek authorization to do so.

Federal law generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee if the depository institution would thereafter be undercapitalized. The FDIC may prevent an insured bank from paying dividends if the bank is in default of payment of any assessment due to the FDIC. In addition, the FDIC may prohibit the payment of dividends by the bank, if the dividend payment is determined, by reason of the financial condition of the bank, to be an unsafe and unsound banking practice.

Insider Transactions. Our bank is subject to certain restrictions imposed by the Federal Reserve Act on any extensions of credit to us or our subsidiaries, on investments in our securities or securities of our subsidiaries, and the acceptance of our securities or securities of our subsidiaries as collateral for loans. Certain limitations and reporting requirements are also placed on extensions of credit by our bank to our directors and officers, the directors and officers of our bank, to our principal shareholders, and to "related interests" of our directors and officers and principal shareholders. In addition, federal law and regulations may affect the terms upon which any person becoming a director or officer of our company or one of our subsidiaries or a principal shareholder in our company may obtain credit from banks with which our bank maintains a correspondent relationship.

Safety and Soundness Standards. The federal banking agencies have adopted guidelines to promote the safety and soundness of federally insured depository institutions. These guidelines establish standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings. In general, the guidelines prescribe the goals to be achieved in each area, and each institution will be responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. The preamble to the guidelines states that the agencies expect to require a compliance plan from an institution whose failure to meet one or more of the standards is so severe that it could threaten the safe and sound operation of the institution. Failure to submit an acceptable compliance plan or failure to adhere to a compliance plan that has been accepted by the appropriate regulator would constitute grounds for further enforcement action.

State Bank Activities. Under federal law and FDIC regulations, FDIC-insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not

permissible for a national bank. Federal law, as implemented by FDIC regulations, also prohibits FDIC-insured state banks and their subsidiaries, subject to certain exceptions, from

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engaging as principal in any activity that is not permitted for a national bank or its subsidiary, respectively, unless the bank meets, and continues to meet, its minimum regulatory capital requirements and the FDIC determines the activity would not pose a significant risk to the deposit insurance fund of which the bank is a member. Impermissible investments and activities must be divested or discontinued within certain time frames set by the FDIC in accordance with federal law. These restrictions are not currently expected to have a material impact on our operations.

Eligible state banks are also authorized to engage, through "financial subsidiaries," in numerous activities that are permissible for financial holding companies (as described above) and any activities that the Secretary of the Treasury, in consultation with the Board, determines is financial in nature or incidental to the financial activity. As of the date of this filing, we have not applied for approval to establish any financial subsidiaries.

Consumer Protection Laws. Our business includes making a variety of types of loans to individuals. In making these loans, we are subject to Michigan usury and regulatory laws and to various federal statutes, including the privacy of consumer financial information provisions of the Gramm-Leach-Bliley Act and regulations promulgated thereunder, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Real Estate Settlement Procedures Act, and the Home Mortgage Disclosure Act, and the regulations promulgated thereunder, which prohibit discrimination, specify disclosures to be made to borrowers regarding credit and settlement costs, and regulate the mortgage loan servicing activities of our bank, including the maintenance and operation of escrow accounts and the transfer of mortgage loan servicing. Our bank is subject to extensive deposit-related guidelines under Michigan and federal law and regulations, including the Truth in Savings Act, the Expedited Funds Availability Act, the Bank Secrecy Act, the Electronic Funds Transfer Act, and the Federal Deposit Insurance Act. Violation of these laws could result in the imposition of significant damages and fines upon us and our directors and officers.

Branching Authority. Michigan banks have the authority under Michigan law to establish branches anywhere in the State of Michigan, subject to receipt of all required regulatory approvals (including the approval of the Michigan Office of Financial and Insurance Services and the FDIC).

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 allows banks to establish interstate branch networks through acquisitions of other banks, subject to various conditions, including various limitations on the aggregate amount of deposits that may be held by the surviving bank and all of its insured depository institution affiliates. The establishment of de novo interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) is allowed by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 only if specifically authorized by state law. The legislation allowed individual states to "opt-out" of interstate branching authority by enacting appropriate legislation prior to June 1, 1997.

Michigan did not opt out of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, and now permits both U.S. and non-U.S. banks to establish branch offices in Michigan. The Michigan Banking Code permits, in appropriate circumstances and with the approval of the Michigan Office of Financial and Insurance Services the following activities:

- . the acquisition of all or substantially all of the assets of a Michigan-chartered bank by an FDIC-insured bank, savings bank, or savings and loan association located in another state;
- . the acquisition by a Michigan-chartered bank of all or substantially all of the assets of an FDIC-insured bank, savings bank or savings and loan association located in another state;

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- . the consolidation of one or more Michigan-chartered banks and FDIC-insured banks, savings banks or savings and loan associations located in other states having laws permitting the consolidation, with the resulting organization chartered by Michigan;
- . the establishment by a foreign bank, which has not previously designated any other state as its home state under the International Banking Act of 1978, of branches located in Michigan; and
- . the establishment or acquisition of branches in Michigan by FDIC-insured banks located in other states, the District of Columbia or U.S.

territories or protectorates having laws permitting Michigan-chartered banks to establish branches in that jurisdiction.

Further, the Michigan Banking Code permits, upon written notice to the Michigan Office of Financial and Insurance Services:

- . the acquisition by a Michigan-chartered bank of one or more branches (not comprising all or substantially all of the assets) of an FDIC-insured bank, savings bank or savings and loan association located in another state, the District of Columbia, or a U.S. territory or protectorate
- . the establishment by Michigan-chartered banks of branches located in other states, the District of Columbia, or U.S. territories or protectorates, and
- . the consolidation of one or more Michigan-chartered banks and FDIC-insured banks, savings banks or savings and loan associations located in other states, with the resulting organization chartered by one of these other states.

Federal Reserve System. Federal Reserve Board regulations, as presently in effect, require depository institutions to maintain noninterest earning reserves against their transaction accounts (primarily NOW and regular checking accounts), as follows: for transaction accounts aggregating \$42.8 million or less, the reserve requirement is 3% of total transaction accounts, and for transaction accounts aggregating in excess of \$42.8 million, the reserve requirement is \$1.284 million plus 10% of the aggregate amount of total transaction accounts in excess of \$42.8 million. The first \$5.5 million of otherwise reservable balances are exempted from the reserve requirements. These reserve requirements are subject to annual adjustment by the Federal Reserve Board. Macatawa Bank is in compliance with the foregoing requirements.

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DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 9,500,000 shares of common stock and 500,000 shares of preferred stock, no par value. As of the date of this prospectus, there were 3,696,789 shares of our common stock issued and outstanding. We have not issued any shares of preferred stock.

Michigan law allows our board of directors to issue additional shares of stock up to the total amount of common stock and preferred stock authorized without obtaining the prior approval of our shareholders. Registrar and Transfer Company is the transfer agent for our common stock.

Common Stock

Dividend Rights. Subject to any prior rights of holders of our preferred stock then outstanding, the holders of our common stock will be entitled to dividends when, as and if declared by our board of directors out of funds legally available therefor. Under Michigan law, dividends may be legally declared or paid only if after the distribution the corporation can pay its debts as they come due in the usual course of business and the corporation's total assets equal or exceed the sum of its liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of any holders of our preferred stock then outstanding whose preferential rights are superior to those receiving the distribution. See "Supervision and Regulation -- The Company -- Dividends."

Funds for the payment of dividends by us are expected to be obtained primarily from dividends paid to us by our bank. There can be no assurance that we will have funds available for dividends, or that if the funds are available, that dividends will be declared by our board of directors.

Voting Rights. Subject to the rights, if any, of holders of shares of our preferred stock then outstanding, all voting rights are vested in the holders of shares of our common stock. Each share of our common stock entitles the holder thereof to one vote on all matters, including the election of directors. Our shareholders do not have cumulative voting rights.

Outstanding Options. As of March 31, 2001, we had issued options to approximately 80 employees and directors to purchase an aggregate of 167,787 shares of our common stock at exercise prices ranging from \$9.71 to \$16.02 per share pursuant to our stock compensation plan and directors stock option plan. These options have expiration dates ranging from March 19, 2008 to December 10, 2010. We have reserved for issuance under these option plans 246,428 shares of common stock, including 128,647 shares already subject to outstanding options. As of March 31, 2001, no options granted under either the stock compensation plan or the directors stock option plan had been exercised.

Preemptive Rights. Holders of our common stock do not have preemptive rights.

Liquidation Rights. Subject to any prior rights of any holders of our preferred stock then outstanding, holders of our common stock are entitled to share on a pro rata basis in our net assets which remain after satisfaction of all liabilities.

Reports to Shareholders. We will furnish our shareholders with annual reports containing audited financial information and, for the first three quarters of each fiscal year, quarterly reports containing unaudited financial information. See "Available Information."

Shares Available for Issuance. The availability for issuance of a substantial number of shares of our common and preferred stock at the discretion of our board of directors will provide us with the

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flexibility to take advantage of opportunities to issue stock in order to obtain capital, as consideration for possible acquisitions and for other purposes (including, without limitation, the issuance of additional shares through stock splits and stock dividends in appropriate circumstances). There are, at present, no plans, understandings, agreements or arrangements concerning the issuance of additional shares of our capital stock, except for an aggregate of 246,428 shares of our common stock reserved for issuance under our stock option plans.

Uncommitted authorized but unissued shares of our common stock may be issued from time to time to any persons and for any consideration as our board of directors may determine and holders of the then outstanding shares of our common stock may or may not be given the opportunity to vote thereon, depending upon the nature of the transactions, applicable law and the judgment of our board of directors regarding the submission of any issuance to our shareholders. As noted, our shareholders will have no preemptive rights to subscribe to newly issued shares.

Moreover, it will be possible that additional shares of our common stock would be issued for the purpose of making an acquisition by an unwanted suitor of a controlling interest in our company more difficult, time consuming or costly or would otherwise discourage an attempt to acquire control of our company. Under these circumstances, the availability of authorized and unissued shares of our common stock may make it more difficult for our shareholders to obtain a premium for their shares. The authorized and unissued shares could be used to create voting or other impediments or to frustrate a person seeking to obtain control of our company by means of a merger, tender offer, proxy contest or other means. These shares could be privately placed with purchasers who might cooperate with our board of directors in opposing any attempt by a third party to gain control of us. The issuance of new shares of our common stock could also be used to dilute ownership of a person or entity seeking to obtain control of our company. Although we do not currently contemplate taking any of these actions, shares of our capital stock could be issued for the purposes and effects described above, and our board of directors reserves its rights (if consistent with its fiduciary responsibilities) to issue stock for these purposes.

Preferred Stock

Our board of directors is authorized to issue preferred stock in one or more series, from time to time, with full or limited voting powers, or without voting powers, and with all designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions upon the preferred stock, as may be provided in the resolution or resolutions adopted by our board of directors. The authority of our board of directors includes, but is not limited to, the determination or fixing of the following with respect to shares of any class or series of preferred stock:

- . the number of shares and designation of any series of preferred stock;
- . the dividend rate and whether dividends are to be cumulative;
- . whether shares are to be redeemable, and, if so, whether redeemable for cash, property or rights;
- . the rights to which the holders of shares shall be entitled, and the preferences, if any, over any other series;
- . whether the shares shall be subject to the operation of a purchase, retirement or sinking fund, and, if so, upon what conditions;
- . whether the shares will be convertible into or exchangeable for shares of any other class or of any other series of any class of capital stock and the terms and conditions of the conversion or exchange;

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- . the voting powers, full or limited, if any, of the shares;

- . whether the issuance of any additional shares, or of any shares of any other series, will be subject to restrictions as to issuance, or as to the powers, preferences or rights of any of these other series; and
- . any other preferences, privileges and powers and relative, participating, optional or other special rights and qualifications, limitations or restrictions.

Our board of directors, without shareholder approval, can issue preferred stock with voting and conversion rights which could adversely affect the voting power of our common stock.

Anti-Takeover Provisions

In addition to the utilization of authorized but unissued shares as described above, our articles of incorporation and the Michigan Business Corporation Act contain other provisions which could be utilized by us to impede certain efforts to acquire control of our company. Those provisions include the following:

Control Share Provisions. The Michigan Business Corporation Act contains provisions intended to protect shareholders and prohibit or discourage certain types of hostile takeover activities. The control share provisions regulate the acquisition of "control shares" of large public Michigan corporations.

The control share provisions establish procedures governing "control share acquisitions." A control share acquisition is defined as an acquisition of shares by an acquirer which, when combined with other shares held by that person or entity, would give the acquirer voting power at or above any of the following thresholds: 20%, 33 1/3% or 50%. Under the control share provisions, an acquirer may not vote "control shares" unless the corporation's disinterested shareholders vote to confer voting rights on the control shares. The acquiring person, officers of the target corporation, and directors of the target corporation who are also employees of the corporation are precluded from voting on the issue of whether the control shares shall be accorded voting rights. The Control Share Provisions do not affect the voting rights of shares owned by an acquiring person prior to the control share acquisition.

The control share provisions entitle corporations to redeem control shares from the acquiring person under certain circumstances. In other cases, the control share provisions confer dissenters' rights upon all of a corporation's shareholders except the acquiring person.

The control share provisions apply only to an "issuing public corporation." We fall within the statutory definition of an "issuing public corporation." The control share provisions automatically apply to any "issuing public corporation" unless the corporation "opts out" of the statute by so providing in its articles of incorporation or bylaws. We have not "opted out" of the control share provisions.

Fair Price Provisions. Provisions of the Michigan Business Corporation Act create the fair price provisions which establish a statutory scheme similar to the supermajority and fair total price provisions found in many corporate charters. The fair price provisions provide that a supermajority vote of 90% of the total shareholders and no less than two-thirds of the votes of noninterested shareholders must approve a "business combination." The fair price provisions define a "business combination" to encompass any merger, consolidation, share exchange, sale of assets, stock issue, liquidation, or reclassification of securities involving an "interested shareholder" or certain "affiliates." An "interested shareholder" is generally any person who owns 10% or more of the outstanding voting shares of the company. An "affiliate" is a person who directly or indirectly controls, is controlled by, or is under common control with a specified person.

The supermajority vote required by the fair price provisions do not apply to business combinations that satisfy certain conditions. These conditions include that the purchase price to be paid for the shares of the company is at least equal to the greater of (a) the market value of the shares or (b) the highest per share price paid by the interested shareholder within the preceding two-year period or in the transaction in which the shareholder became an interested shareholder, whichever is higher; and once a person has become an interested shareholder, the person must not become the beneficial owner of any additional shares of the company except as part of the transaction which resulted in the interested shareholder becoming an interested shareholder or by virtue of proportionate stock splits or stock dividends.

The requirements of the fair price provisions do not apply to business combinations with an interested shareholder that a company's board of directors has approved or exempted from the requirements of the fair price provisions by resolution at any time prior to the time that the interested shareholder first became an interested shareholder.

Classified Board. Our board of directors is classified into three classes, with each class serving a staggered, three-year term. This classification could have the effect of extending the time during which our board of directors could control our operating policies even though opposed by the holders of a majority of the outstanding shares of common stock.

Under our articles of incorporation, all nominations for directors by one of our shareholders must be delivered to us in writing at least 60, but not more than 90, days prior to the annual meeting of our shareholders. A nomination that is not received within this period will not be placed on the ballot. Our board of directors believes that advance notice of nominations by our shareholders will afford a meaningful opportunity to consider the qualifications of the proposed nominees and, to the extent deemed necessary or desirable by our board of directors, will provide an opportunity to inform our shareholders about these qualifications. Although this nomination procedure does not give our board of directors any power to approve or disapprove our shareholders' nominations for the election of directors, this nomination procedure may have the effect of precluding a nomination for the election of directors at a particular annual meeting if the proper procedures are not followed.

Our articles of incorporation provide that any one or more of our directors may be removed at any time, with or without cause, but only by either: the affirmative vote of a majority of our "Continuing Directors" and at least 80% of our directors or the affirmative vote, at a meeting of our shareholders called for that purpose, of the holders of at least 80% of the voting power of the then-outstanding shares of our capital stock entitled to vote generally in the election of directors, voting together as a single class. A "Continuing Director" is generally defined in our articles of incorporation as any member of our board of directors who is unaffiliated with any "interested shareholder" (generally, an owner of 10% or more of our outstanding voting shares) and was a member of our board of directors prior to the time an interested shareholder became an interested shareholder, and any successor of a Continuing Director who is unaffiliated with an interested shareholder and is recommended to succeed a Continuing Director by a majority of the Continuing Directors then on our board of directors.

Any vacancies on our board of directors for any reason, and any newly created directorships resulting from any increase in the number of directors, may be filled only by our board of directors, acting by an affirmative vote of a majority of the continuing directors and an 80% majority of all of the directors then in office, although less than a quorum. Any directors so chosen hold office until the next annual meeting of our shareholders at which directors are elected to the class to which this director was named and until their respective successors are duly elected and qualified or their resignation or removal. No decrease in the number of directors may shorten the term of any incumbent director.

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Notice of Shareholder Proposals. Under our articles of incorporation, the only business that may be conducted at an annual or special meeting of our shareholders is business that has been brought before the meeting by or at the direction of the majority of our directors or by a shareholder who provides timely notice of the proposal in writing to the secretary of our company and the proposal is a proper subject for action by our shareholders under Michigan law or whose proposal is included in our proxy materials in compliance with all the requirements set forth in the applicable rules and regulations of the Securities and Exchange Commission. To be timely, a shareholder's notice of proposal must be delivered to, or mailed to and received at the principal executive offices of our company not less than 60 days prior to the date of the originally scheduled annual meeting regardless of any postponements, deferrals or adjournments of that meeting to a later date. With respect to special meetings, notice must be received by us no more than 10 days after we mail notice of the special meeting. Our shareholder's notice of proposal must set forth in writing each matter the shareholder proposes to bring before the meeting including:

- . the name and address of the shareholder submitting the proposal, as it appears on our books and records;
- . a representation that the shareholder: (a) is a holder of record of our stock entitled to vote at the meeting, (b) will continue to hold our stock through the date on which the meeting is held, and (c) intends to vote in person or by proxy at the meeting and to submit the proposal for shareholder vote;
- . a brief description of the proposal desired to be submitted to the meeting for shareholder vote and the reasons for conducting this business at the meeting; and
- . the description of any financial or other interest of the shareholder in the proposal.

This procedure may limit to some degree the ability of our shareholders to

initiate discussions at our annual shareholder meetings. It may also preclude the conducting of business at a particular meeting if the proposed notice procedures have not been followed.

Certain Shareholder Action. Our articles of incorporation require that any shareholder action must be taken at an annual or special meeting of our shareholders, that any meeting of shareholders must be called by our board of directors or our Chairman of the Board, and prohibits shareholder action by written consent. Our shareholders are not permitted to call a special meeting of shareholders or require that our board of directors call a special meeting. The Michigan Business Corporation Act permits shareholders holding in the aggregate 10% or more of all of the shares entitled to vote at a meeting to request the circuit court of the county in which our principal place of business or registered office is located to order a special meeting of shareholders for good cause shown.

Amendment or Repeal of Certain Provisions of the Articles. Under Michigan law, our board of directors need not adopt a resolution setting forth an amendment to our articles of incorporation before our shareholders may vote on it. Unless our articles of incorporation provide otherwise, amendments of our articles of incorporation generally require the approval of the holders of a majority of our outstanding stock entitled to vote, and if the amendment would increase or decrease the number of authorized shares of any class or series of our capital stock, or the par value of these shares, or would adversely affect the rights, powers, or preferences of any class or series of our capital stock, a majority of the outstanding stock of this class or series also would be required to approve the amendment.

Our articles of incorporation require that in order to amend, repeal or adopt any provision inconsistent with Article VIII relating to our board of directors, Article IX relating to shareholder proposals or Article X with respect to shareholder actions, the affirmative vote of at least 80% of the

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issued and outstanding shares of our common stock entitled to vote in the election of directors, voting as a single class must be received; provided, however, that this amendment or repeal or inconsistent provision may be made by a majority vote of our shareholders at any meeting of the shareholders duly called and held where the amendment has been recommended for approval by at least 80% of all directors then holding office and by a majority of the "continuing directors." These amendment provisions could render it more difficult to remove management or for a person seeking to effect a merger or otherwise gain control of our company. These amendment requirements could therefore adversely affect the potential realizable value of our shareholders' investments.

Board Evaluation of Certain Offers. Article XII of our articles of incorporation provides that our board of directors shall not approve, adopt or recommend any offer of any person or entity (other than by us) to make a tender or exchange offer for any of our common stock, to merge or consolidate us with any other entity, or to purchase or acquire all or substantially all of the our assets, unless and until our board of directors has evaluated the offer and determined that the offer would be in compliance with all applicable laws and that the offer is in our best interests and that of our shareholders. In doing so, our board of directors may rely on an opinion of legal counsel who is independent from the offeror, and/or it may test the legal compliance in front of any court or agency that may have appropriate jurisdiction over the matter.

In making its determination, our board of directors must consider all factors it deems relevant, including but not limited to:

- . the adequacy and fairness of the consideration to be received by us and/or our shareholders, considering historical trading prices of our capital stock, the price that could be achieved in a negotiated sale of our company as a whole, past offers, and our future prospects;
- . the potential social and economic impact of the proposed transaction on us, our subsidiaries, our employees, customers and vendors;
- . the potential social and economic impact of the proposed transaction on the communities in which we operate or are located;
- . the business and financial condition and earnings prospects of the proposed acquiring person or entity; and
- . the competence, experience and integrity of the proposed acquiring person or entity and its or their management.

In order to amend, repeal, or adopt any provision that is inconsistent with Article XII of our articles of incorporation, at least 80% of our shareholders, voting together as a single class, must approve the change, unless the change has been recommended for approval by at least 80% of our directors, in which case a majority of our voting stock could approve the action.

Indemnification of Directors and Officers

Our articles of incorporation provide that we shall indemnify our present and past directors, officers, and other persons as our board of directors may authorize, to the fullest extent permitted by law.

Our articles of incorporation contain indemnification provisions concerning third party actions as well as actions brought on our company's behalf by our shareholders. Our articles of incorporation provide that we shall indemnify any person who was or is a party or is threatened to be made a party to any actual or threatened civil, criminal, or administrative or investigative action, suit or proceeding (whether brought by

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or in the name of our company, a subsidiary or otherwise) in which a director or executive officer is a witness or which is brought against a director or executive officer in his or her capacity as a director, officer, employee, agent or fiduciary of our company or of any corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which the director or executive officer was serving at our request.

FDIC regulations impose limitations on indemnification payments which could restrict, in certain circumstances, payments by us or our bank to our directors or officers otherwise permitted under the Michigan Business Corporation Act or the Michigan Banking Code, respectively.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of our company pursuant to the provisions discussed above or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission this indemnification is against public policy as expressed in the Securities Act and is unenforceable.

We have purchased directors' and officers' liability insurance for our directors and officers and those of Macatawa Bank.

The Michigan Business Corporation Act permits corporations to limit the personal liability of their directors in certain circumstances. Our articles of incorporation provide that a director of our company shall not be personally liable to us or our shareholders for monetary damages for breach of the director's fiduciary duty. However, they do not eliminate or limit the liability of a director for any breach of a duty, act or omission for which the elimination or limitation of liability is not permitted by the Michigan Business Corporation Act, currently including, without limitation, the following:

- . the breach of the director's duty of loyalty to Macatawa Bank Corporation or our shareholders;
- . acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- . illegal loans, distributions of dividends or assets, or stock purchases as described in Section 551(1) of the Michigan Business Corporation Act; and
- . transactions from which the director derived an improper personal benefit.

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SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the sale of all shares offered, we expect to have approximately 5,096,789 shares of our common stock outstanding. The 1,400,000 shares of our common stock offered in this Offering have been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and may generally be resold without registration under the Securities Act of 1933 unless they were acquired by our directors, executive officers, or other affiliates or those of our bank. These affiliates of our company may generally only sell shares of our common stock pursuant to Rule 144 of the Securities Act of 1933.

In general, under Rule 144 as currently in effect, an affiliate (as defined in Rule 144) of our company may sell shares of our common stock within any three-month period in an amount limited to the greater of 1% of the outstanding shares of our company's common stock (50,970 shares immediately following this offering) or the average weekly trading volume in our company's common stock during the four calendar weeks preceding any affiliate sale. Sales under Rule 144 are also subject to certain manner-of-sale provisions, notice requirements and the availability of current public information about us.

As of March 31, 2001, we had issued options to approximately 80 employees and directors to purchase an aggregate of 167,787 shares of our common stock at

exercise prices ranging from \$9.71 to \$16.02 per share pursuant to our stock compensation plan and directors stock option plan. These options have expiration dates ranging from March 19, 2008 to December 10, 2010. We have reserved for issuance under these option plans 246,428 shares of common stock. At March 31, 2001, no options granted under either the stock compensation plan or the directors stock option plan had been exercised.

We and our executive officers and directors have agreed that for a period of 120 days after the date of this prospectus, we and they will not, without the prior written consent of Dain Rauscher Wessels, directly or indirectly offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of or otherwise dispose of or transfer (subject to certain exceptions) any shares of our common stock or securities convertible into or exchangeable or exercisable for shares of our common stock.

No predictions can be made as to the effect, if any, that sales of shares or the availability of shares for sale will have on the prevailing market price of our common stock after completion of this offering. Nevertheless, sales of substantial amounts of our common stock in the public market could have an adverse effect on prevailing market prices.

UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters named below have severally agreed to purchase from us an aggregate of 1,400,000 shares of common stock in the amount set forth opposite their respective names.

<TABLE>
<CAPTION>

| Underwriters ----- | Number of Shares ----- |
|---|------------------------------|
| <S> | <C> |
| Dain Rauscher Incorporated..... | |
| Stifel, Nicolaus & Company, Incorporated..... | |
| | ----- |
| Total..... | 1,400,000 ===== |

</TABLE>

The underwriting agreement provides that the underwriters' obligations are subject to specified conditions precedent and that the underwriters are committed to purchase all of the shares of our common stock offered hereby if the underwriters purchase any of such shares of common stock.

The underwriters have advised us that they propose to offer the shares of common stock to the public at the public offering price set forth on the cover page of this prospectus and to selected dealers at such price less a concession not in excess of \$ per share. The underwriters may allow and such dealers may realow a discount not in excess of \$ per share to certain other brokers and dealers. After the offering, the public offering price, concession, discount and other selling terms may be changed by the underwriters.

We have granted to the underwriters an option, exercisable for 30 days after the date of this prospectus, to purchase up to 210,000 additional shares of our common stock solely to cover over-allotments, if any, at the same price per share to be paid by the underwriters for the other shares of common stock offered hereby.

The underwriters' commissions are shown in the following table. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

<TABLE>
<CAPTION>

| | No Exercise | Full Exercise |
|----------------|-------------|---------------|
| | ----- | ----- |
| <S> | <C> | <C> |
| Per Share..... | \$ ---- | \$ ---- |
| Total..... | \$ ==== | \$ ==== |

</TABLE>

In connection with the offering of the shares of our common stock, the underwriters and any selling group members and their respective affiliates may engage in transactions effected in accordance with Rule 104 of the Securities and Exchange Commission's Regulation M that are intended to stabilize, maintain or otherwise affect the market price of the shares of our common stock. Such transactions may include over-allotment transactions in which an underwriter creates a short position for its own account by selling more shares of our

common stock than it is committed to purchase from us. In such a case, to cover all or part of the short position, the underwriters may purchase shares of our common stock in the open market following completion of the initial offering of the shares of our common stock. The underwriters also may engage in stabilizing transactions in which they bid for, and purchase, shares of our common stock at a level above that which might otherwise prevail in the open market for the purpose of preventing or retarding a decline in the market price of the shares of our common stock. The underwriters also may reclaim any selling concession allowed to a dealer if the underwriters repurchase shares distributed by that dealer. Any of the foregoing transactions may result in the maintenance of a price for the shares of our

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common stock at a level above that which might otherwise prevail in the open market. Neither Macatawa Bank Corporation nor the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the shares of our common stock. The underwriters are not required to engage in any of the foregoing transactions and, if commenced, such transactions may be discontinued at any time without notice.

We agreed to indemnify the underwriters and their controlling persons against specified liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect thereof.

We and our executive officers and directors have agreed that for a period of 120 days after the date of this prospectus, we and they will not, without the prior written consent of Dain Rauscher Wessels, directly or indirectly offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of or otherwise dispose of or transfer (subject to certain exceptions) any shares of our common stock or securities convertible into or exchangeable or exercisable for shares of our common stock.

LEGAL PROCEEDINGS

Neither Macatawa Bank Corporation nor Macatawa Bank is a party to any material pending legal proceeding. Our management believes there is no litigation threatened in which we face potential loss or exposure or which will materially affect our shareholders' equity or our business or financial condition upon completion of this offering.

LEGAL MATTERS

The validity of the shares of our common stock offered by this prospectus will be passed upon for us by Varnum, Riddering, Schmidt & Howlett llp, Grand Rapids, Michigan. Members of Varnum, Riddering, Schmidt & Howlett llp own in the aggregate approximately 23,125 shares of our common stock. Certain legal matters relating to this offering will be passed upon for the underwriters by Barack Ferrazzano Kirschbaum Perlman & Nagelberg, Chicago, Illinois.

EXPERTS

The consolidated financial statements of Macatawa Bank Corporation as of December 31, 2000 and 1999 and for the years ended December 31, 2000, 1999 and 1998, included in this prospectus have been audited by Crowe, Chizek and Company LLP, independent public accountants, as indicated in their report accompanying the financial statements. These financial statements are included in reliance upon this report given upon the authority of Crowe Chizek as experts in auditing and accounting.

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AVAILABLE INFORMATION

We are subject to the informational requirements of Section 15(d) of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports with the SEC. Copies of these reports can be inspected at and copied at the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices located at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and Room 1400, 75 Park Place, New York, New York 10007. Copies of these materials can also be obtained at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, we are required to file electronic versions of these documents with the SEC through its Electronic Data Gathering, Analysis and Retrieval (EDGAR) system. The SEC maintains a World Wide Web site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

We have filed a registration statement with the SEC in accordance with the provisions of the Securities Act. This prospectus does not contain all of the information set forth in the registration statement, certain portions of which

have been omitted as permitted by the rules and regulations of the SEC. For further information pertaining to the shares of our common stock offered hereby and us, reference is made to the registration statement, including the exhibits filed as a part of this registration statement.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of our company pursuant to the provisions discussed above under "Description of Capital Stock -- Indemnification of Directors and Officers" or otherwise, we have been advised that in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

INCORPORATION OF INFORMATION
WE FILE WITH THE SEC

The following documents, which we have filed with the SEC, are incorporated by reference in this prospectus:

- (1) Our annual report on Form 10-K for the fiscal year ended December 31, 2000; and
- (2) Our report on Form 10-Q for the quarter ended March 31, 2001.

All documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and before the termination of this offering of the shares of our common stock shall be deemed incorporated by reference in this prospectus and to be a part of this prospectus from the respective dates of filing these documents.

We will provide without charge to each person to whom a copy of this prospectus is delivered, upon the person's written or oral request, a copy of any and all of the information incorporated by reference in this prospectus, other than exhibits to these documents, unless the exhibits are specifically incorporated by reference into the information that this prospectus incorporates. Requests should be directed to Macatawa Bank Corporation, Attention: Steven L. Germond, 348 South Waverly Road, Holland, Michigan 49423, telephone number (616) 820-1444.

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Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus shall be deemed modified, superseded or replaced for purposes of this prospectus to the extent that a statement contained in this prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference in this prospectus modifies, supersedes or replaces that statement. Any statement that is modified, superseded or replaced shall not be deemed, except as so modified, superseded or replaced, to constitute a part of this prospectus.

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Macatawa Bank Corporation
Zeeland, Michigan

We have audited the accompanying consolidated balance sheets of Macatawa Bank Corporation as of December 31, 2000 and 1999 and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Macatawa Bank Corporation at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with generally accepted accounting principles.

Crowe, Chizek and Company LLP

Grand Rapids, Michigan
January 24, 2001, except Note 18, which
is dated April 11, 2001

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MACATAWA BANK CORPORATION
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

<TABLE>
<CAPTION>

| | March 31, 2001 | December 31, 2000 | December 31, 1999 |
|---|----------------------|----------------------|----------------------|
| | ----- (Unaudited) | ----- | ----- |
| <S> | <C> | <C> | <C> |
| ASSETS | | | |
| Cash and due from banks..... | \$ 20,505 | \$ 26,305 | \$ 20,554 |
| Federal funds sold..... | 3,000 | 0 | 0 |
| | ----- | ----- | ----- |
| | 23,505 | 26,305 | 20,554 |
| Securities available for sale, at fair value..... | 51,818 | 48,669 | 28,281 |
| Federal Home Loan Bank stock..... | 3,129 | 2,550 | 2,312 |
| Total loans..... | 438,455 | 410,676 | 285,374 |
| Allowance for loan losses..... | (6,243) | (5,854) | (3,995) |
| | ----- | ----- | ----- |
| | 432,212 | 404,822 | 281,379 |
| Premises and equipment--net..... | 12,117 | 12,264 | 9,998 |
| Accrued interest receivable..... | 3,259 | 3,271 | 1,904 |
| Other assets..... | 2,217 | 1,932 | 493 |
| | ----- | ----- | ----- |
| Total assets..... | \$528,257 | \$499,813 | \$344,921 |
| | ===== | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Deposits | | | |
| Noninterest-bearing..... | \$ 45,498 | \$ 50,746 | \$ 34,385 |
| Interest-bearing..... | 373,214 | 347,871 | 245,005 |
| | ----- | ----- | ----- |
| Total..... | 418,712 | 398,617 | 279,390 |
| Federal Home Loan Bank advances..... | 62,588 | 51,000 | 30,000 |
| Note payable..... | 4,000 | 4,000 | 0 |
| Federal funds purchased..... | 0 | 6,200 | 0 |
| Accrued expenses and other liabilities... | 3,622 | 1,868 | 1,005 |
| | ----- | ----- | ----- |
| Total liabilities..... | 488,922 | 461,685 | 310,395 |
| Shareholders' equity | | | |
| Preferred stock, no par value, 500,000 shares authorized; no shares issued and outstanding..... | -- | -- | -- |
| Common stock, no par value, 9,500,000 shares authorized; 3,696,789, 3,589,315 and 3,588,565 shares issued and outstanding at March 31, 2001, December 31, 2000 and 1999, respectively..... | 38,653 | 36,890 | 36,883 |
| Retained earnings (deficit)..... | 211 | 1,137 | (1,961) |
| Accumulated other comprehensive income (loss)..... | 471 | 101 | (396) |
| | ----- | ----- | ----- |
| Total shareholders' equity..... | 39,335 | 38,128 | 34,526 |
| | ----- | ----- | ----- |
| Total liabilities and shareholders' equity..... | \$528,257 | \$499,813 | \$344,921 |
| | ===== | ===== | ===== |

</TABLE>

See accompanying notes to consolidated financial statements.

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MACATAWA BANK CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands)

<TABLE>
<CAPTION>

| | Three months ended March 31, | | Years ended December 31, | | |
|--|---------------------------------|-------------|-----------------------------|----------|-----------|
| | 2001 | 2000 | 2000 | 1999 | 1998 |
| | (Unaudited) | (Unaudited) | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Interest income | | | | | |
| Loans, including fees..... | \$ 9,482 | \$6,611 | \$31,787 | \$18,379 | \$ 5,339 |
| Investments..... | 798 | 495 | 2,551 | 1,621 | 1,465 |
| | ----- | ----- | ----- | ----- | ----- |
| Total interest income..... | 10,280 | 7,106 | 34,338 | 20,000 | 6,804 |
| Interest expense | | | | | |
| Deposits..... | 4,446 | 3,056 | 15,213 | 8,699 | 3,186 |
| Other..... | 1,003 | 513 | 2,526 | 729 | 4 |
| | ----- | ----- | ----- | ----- | ----- |
| Total interest expense..... | 5,449 | 3,569 | 17,739 | 9,428 | 3,190 |
| | ----- | ----- | ----- | ----- | ----- |
| Net interest income..... | 4,831 | 3,537 | 16,599 | 10,572 | 3,614 |
| Provision for loan losses... | (522) | (487) | (1,931) | (1,967) | (2,023) |
| | ----- | ----- | ----- | ----- | ----- |
| Net interest income after provision for loan losses.. | 4,309 | 3,050 | 14,668 | 8,605 | 1,591 |
| Noninterest income | | | | | |
| Service charges and fees... | 314 | 201 | 1,144 | 661 | 157 |
| Gain on sales of loans..... | 266 | 39 | 361 | 623 | 520 |
| Trust fees..... | 180 | 114 | 531 | 229 | 0 |
| Other..... | 68 | 52 | 16 | 15 | 6 |
| | ----- | ----- | ----- | ----- | ----- |
| Total noninterest income... | 828 | 406 | 2,052 | 1,528 | 683 |
| Noninterest expense | | | | | |
| Salaries and benefits..... | 1,866 | 1,648 | 6,865 | 5,408 | 2,727 |
| Occupancy expense of premises..... | 295 | 255 | 1,094 | 841 | 305 |
| Furniture and equipment expense..... | 367 | 263 | 1,244 | 777 | 253 |
| Legal and professional fees..... | 66 | 51 | 248 | 135 | 199 |
| Advertising..... | 124 | 70 | 366 | 267 | 199 |
| Supplies..... | 85 | 104 | 348 | 343 | 233 |
| Data processing fees..... | 102 | 74 | 561 | 401 | 196 |
| Other expense..... | 595 | 464 | 1,946 | 1,268 | 651 |
| | ----- | ----- | ----- | ----- | ----- |
| Total noninterest expenses..... | 3,500 | 2,929 | 12,672 | 9,440 | 4,763 |
| | ----- | ----- | ----- | ----- | ----- |
| Income (loss) before income tax expense..... | 1,637 | 527 | 4,048 | 693 | (2,489) |
| Income tax expense..... | 546 | 0 | 699 | 0 | 0 |
| | ----- | ----- | ----- | ----- | ----- |
| Net income (loss)..... | \$ 1,091 | \$ 527 | \$ 3,349 | \$ 693 | \$(2,489) |
| | ===== | ===== | ===== | ===== | ===== |
| Comprehensive income (loss)..... | \$ 1,461 | \$ 476 | \$ 3,846 | \$ 292 | \$(2,484) |
| | ===== | ===== | ===== | ===== | ===== |
| Basic earnings (loss) per share..... | \$ 0.30 | \$ 0.14 | \$ 0.91 | \$ 0.22 | \$(1.18) |
| | ===== | ===== | ===== | ===== | ===== |
| Diluted earnings (loss) per share..... | \$ 0.29 | \$ 0.14 | \$ 0.90 | \$ 0.22 | \$(1.18) |
| | ===== | ===== | ===== | ===== | ===== |

</TABLE>

See accompanying notes to consolidated financial statements.

F-4

MACATAWA BANK CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Dollars in thousands)

<TABLE>
<CAPTION>

| | Common Stock | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|--|-----------------|-----------------------------------|---|----------------------------------|
| <S> | <C> | <C> | <C> | <C> |
| Balance, January 1, 1998..... | \$ 8,138 | \$ (165) | \$ 0 | \$ 7,973 |
| Net loss..... | | (2,489) | | (2,489) |
| Other comprehensive income (loss): | | | | |
| Net change in unrealized gain (loss) on securities available for sale, net of tax of \$2,346..... | | | 5 | 5 |
| Comprehensive loss..... | | | | (2,484) |
| Proceeds from sale of 1,495,000 shares of common stock on April 7, 1998..... | 14,123 | | | 14,123 |
| Balance, December 31, 1998..... | 22,261 | (2,654) | 5 | 19,612 |
| Net income..... | | 693 | | 693 |
| Other comprehensive income (loss): | | | | |
| Net change in unrealized gain (loss) on securities available for sale, net of tax of (\$206,457)..... | | | (401) | (401) |
| Comprehensive income..... | | | | 292 |
| Proceeds from sale of 1,153,440 shares of common stock on June 4, 1999..... | 14,622 | | | 14,622 |
| Balance, December 31, 1999..... | 36,883 | (1,961) | (396) | 34,526 |
| Net income..... | | 3,349 | | 3,349 |
| Other comprehensive income (loss): | | | | |
| Net change in unrealized gain (loss) on securities available for sale, net of tax of \$256... | | | 497 | 497 |
| Comprehensive income..... | | | | 3,846 |
| Common stock issued upon exercise of stock options (750 shares)... | 7 | | | 7 |
| Cash dividends at \$.07 per share..... | | (251) | | (251) |
| Balance, December 31, 2000..... | 36,890 | 1,137 | 101 | 38,128 |
| Net income (unaudited)..... | | 1,091 | | 1,091 |
| Other comprehensive income (loss) (unaudited): | | | | |
| Net change in unrealized gain (loss) on securities available for sale, net of tax of \$191... | | | 370 | 370 |
| Comprehensive income..... | | | | 1,461 |
| Issued 107,474 shares in payment of 3% stock dividend (unaudited)..... | 1,763 | (1,766) | | (3) |
| Cash dividends at \$.07 per share (unaudited)..... | | (251) | | (251) |
| Balance, March 31, 2001 (unaudited)..... | \$38,653 | \$ 211 | \$ 471 | \$39,335 |

</TABLE>

See accompanying notes to consolidated financial statements.

F-5

MACATAWA BANK CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

<TABLE>
<CAPTION>

| Three months ended March 31, | Years ended December 31, |
|---------------------------------|--------------------------|
|---------------------------------|--------------------------|

| | 2001 | 2000 | 2000 | 1999 | 1998 |
|--|-------------|-------------|-----------|-----------|------------|
| | (Unaudited) | (Unaudited) | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Cash flows from operating activities: | | | | | |
| Net income (loss)..... | \$ 1,091 | \$ 527 | \$ 3,349 | \$ 693 | \$ (2,489) |
| Adjustments to reconcile net income (loss) to net cash from operating activities | | | | | |
| Depreciation and amortization..... | 313 | 249 | 1,232 | 737 | 271 |
| Provision for loan losses..... | 522 | 487 | 1,931 | 1,967 | 2,022 |
| Origination of loans for sale..... | (35,579) | (8,036) | (47,007) | (54,715) | (44,146) |
| Proceeds from sales of loans originated for sale..... | 35,845 | 8,075 | 47,368 | 55,338 | 44,667 |
| Gain on sales of loans..... | (266) | (39) | (362) | (623) | (520) |
| Net change in Organizational costs..... | 0 | 0 | 0 | 0 | 66 |
| Accrued interest receivable and other assets..... | (273) | (437) | (3,010) | (1,107) | (1,221) |
| Accrued expenses and other liabilities..... | 1,562 | 143 | 810 | 583 | 588 |
| Net cash from operating activities..... | 3,215 | 969 | 4,311 | 2,873 | (762) |
| Cash flows from investing activities: | | | | | |
| Loan originations and payments, net..... | (27,913) | (40,578) | (125,373) | (147,494) | (137,384) |
| Purchase of FHLB stock..... | (579) | 0 | (238) | (2,312) | 0 |
| Activity in securities available for sale | | | | | |
| Purchases..... | (17,580) | (1,372) | (19,598) | (16,879) | (29,000) |
| Maturities..... | 15,000 | 0 | 0 | 15,000 | 4,000 |
| Additions to premises and equipment..... | (175) | (1,924) | (3,534) | (3,610) | (6,715) |
| Net cash from investing activities..... | (31,247) | (43,874) | (148,743) | (155,295) | (169,099) |
| Cash flows from financing activities: | | | | | |
| Net increase (decrease) in short-term borrowings..... | (6,200) | 0 | 6,200 | (2,000) | 2,000 |
| Proceeds from note payable..... | 0 | 0 | 4,000 | 0 | 0 |
| Proceeds from FHLB advances..... | 16,852 | 25,000 | 56,000 | 51,000 | 0 |
| Repayments on FHLB advances..... | (5,264) | (20,000) | (35,000) | (21,000) | 0 |
| Net increase in deposits..... | 20,095 | 42,195 | 119,227 | 112,401 | 164,276 |
| Cash dividends paid.... | (251) | 0 | (251) | 0 | 0 |
| Proceeds from the issuance of common stock..... | 0 | 0 | 7 | 14,622 | 14,123 |
| Net cash from financing activities..... | 25,232 | 47,195 | 150,183 | 155,023 | 180,399 |
| Net change in cash and cash equivalents..... | (2,800) | 4,290 | 5,751 | 2,601 | 10,538 |
| Beginning cash and cash equivalents..... | 26,305 | 20,554 | 20,554 | 17,953 | 7,415 |
| Ending cash and cash equivalents..... | \$ 23,505 | \$ 24,844 | \$ 26,305 | \$ 20,554 | \$ 17,953 |

Supplemental disclosures of cash flow information
Cash paid during the

| | | | | | | |
|-------------------|----------|----------|-----------|----------|----------|--|
| period for | | | | | | |
| Interest..... | \$ 5,078 | \$ 2,844 | \$ 17,100 | \$ 9,213 | \$ 2,726 | |
| Income taxes..... | 392 | 0 | 1,975 | 0 | 0 | |

</TABLE>

See accompanying notes to consolidated financial statements.

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MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2001 (Unaudited),
and years ended December 31, 2000 and 1999

Note 1. Summary of Significant Accounting Policies

Nature of Operations

Macatawa Bank Corporation (the "Company") became the bank holding company for Macatawa Bank (the "Bank") on February 23, 1998, when all of the Bank's outstanding common stock (842,025 shares) was converted into all of the outstanding common stock of the Company (968,329 shares) and all of the Bank's shareholders became all of the Company's shareholders. The exchange ratio in the conversion was 1.15 shares of Company common stock for each share of Bank common stock. The Bank's common stock had been issued to its shareholders as of November 7, 1997 as a result of a private offering of the Bank's common stock at a price of \$10 per share or a total of \$8,175,000. As this was essentially an internal reorganization, the consolidated financial statements are presented by including operations of the Company and Bank for all periods presented. Further share and per share data has been adjusted for the conversion ratio of 1.15 shares of Company stock for one share of Bank stock.

Macatawa Bank Corporation is a regional, community-based financial institution, located in Zeeland, Michigan. The Bank's primary services include accepting deposits and making commercial, mortgage and installment loans in the Michigan counties of Allegan, Ottawa and Kent. The Bank also operates a trust department, which provides fiduciary, investment and other related services. The Bank commenced its application process on May 21, 1997, completed its common stock sale on November 7, 1997 and opened for operations on November 25, 1997 after several months of work by incorporators and employees in preparing applications with the various regulatory agencies and obtaining insurance and building space. The costs associated with the organization of the Company are included in the 1998 income statement.

The Company completed an underwritten initial public offering of common stock on April 7, 1998, which resulted in net proceeds to the Company of \$14,123,378. On April 30, 1999, the Company had another common stock offering and sold 1,188,043 shares, raising \$14,622,270.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Macatawa Bank, after elimination of intercompany accounts and transactions.

Use of Estimates

To prepare financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses and the fair values of financial instruments are particularly subject to change.

Concentration of Credit Risk

Loans are granted to, and deposits are obtained from, customers primarily in the western Michigan area as described above. Substantially all loans are secured by specific items of collateral, including residential real estate, commercial real estate, commercial assets and consumer assets. Other financial instruments, which potentially subject the Company to concentrations of credit risk, include deposit accounts in other financial institutions.

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MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Cash Flow Reporting

Cash and cash equivalents include cash on hand, demand deposits with other financial institutions and short-term securities (securities with maturities of

equal to or less than 90 days and federal funds sold). Cash flows are reported net for customer loan and deposit transactions, interest-bearing time deposits with other financial institutions and short-term borrowings with maturities of 90 days or less.

Securities

Securities available for sale consist of those securities which might be sold prior to maturity due to changes in interest rates, prepayment risks, yield and availability of alternative investments, liquidity needs or other factors. Securities classified as available for sale are reported at their fair value and the related unrealized holding gain or loss is reported in other comprehensive income.

Interest income includes amortization of purchase premium or discount. Gains and losses on sales are based on the amortized cost of the security sold. Securities are written down to fair value when a decline in fair value is not temporary.

Loans

Loans are reported at the principal balance outstanding, net of the allowance for loan losses, and charge-offs. Loans held for sale are reported at the lower of cost or market, on an aggregate basis. While the Company does sell loans on the secondary market, there were no loans held for sale at March 31, 2001 (unaudited), December 31, 2000 or 1999. Loans are sold servicing released, therefore no mortgage servicing right assets are established.

Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Interest income is not reported when full loan repayment is in doubt, typically when the loan is impaired or payments are past due over 90 days (180 days for residential mortgages). Payments received on such loans are reported as principal reductions.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance, increased by the provision for loan losses and recoveries, and decreased by charge-offs. Management estimates the allowance balance required based on known and inherent risks in the portfolio, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

Loan impairment is reported when full payment under the loan terms is not expected. Impairment is evaluated in aggregate for smaller-balance loans of similar nature such as residential mortgage and consumer loans, and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Loans are evaluated for impairment when payments are delayed, typically 90 days or more, or when the internal grading system indicates a doubtful classification.

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MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Foreclosed Assets

Assets acquired through or instead of loan foreclosure are initially recorded at fair value when acquired, establishing a new cost basis. If fair value declines, a valuation allowance is recorded through expense. Costs after acquisition are expensed. The Bank held \$29,000 in foreclosed assets at March 31, 2001 (unaudited), and no foreclosed assets at December 31, 2000 or 1999.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using both straight-line and accelerated methods over the estimated useful lives of the respective assets. Maintenance, repairs and minor alterations are charged to current operations as expenditures occur and major improvements are capitalized. These assets are reviewed for impairment under SFAS No. 121 when events indicate the carrying amount may not be recoverable.

Stock Compensation

Employee compensation expense under stock option plans is reported if options are granted below market price at grant date. Pro forma disclosures of net income and earnings per share are shown using the fair value method of SFAS No. 123 to measure expense for options granted, using an option pricing model

to estimate fair value.

Income Taxes

Income tax expense is the sum of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Fair Values of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed separately. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates. The fair value estimates of existing on-and off-balance sheet financial instruments do not include the value of anticipated future business or the values of assets and liabilities not considered financial instruments.

Earnings (Loss) Per Share

Basic earnings (loss) per share is net income (loss) divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options. Earnings and dividends per share are restated for stock dividends, including the 3% stock dividend paid on May 4, 2001.

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MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, net of tax.

Segment Reporting

The Company, through the branch network of the Bank, provides a broad range of financial services to individuals and companies in western Michigan. These services include demand, time and savings deposits; lending; ATM processing; cash management; and trust services. While the Company's management team monitors the revenue streams of the various Company products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the Company's banking operations are considered by management to be aggregated in one reportable operating segment.

New Accounting Pronouncements

Beginning January 1, 2001, a new accounting standard required all derivatives to be recorded at fair value. Unless designated as hedges, changes in these fair values are recorded in the income statement. Fair value changes involving hedges will generally be recorded by offsetting gains and losses on the hedge and on the hedges item, even if the fair value of the hedged item is not otherwise recorded. Adoption of this standard on January 1, 2001 did not have a material effect.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Dividend Restriction

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Company or by the Company to shareholders.

Reclassifications

Certain amounts on the 2000, 1999 and 1998 consolidated financial statements have been reclassified to conform with the 2001 presentation.

Note 2. Cash and Due from Banks

The Company was required to have \$4,642,000, \$5,120,000 and \$2,597,000 of cash on hand or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements at March 31, 2001 (unaudited), and year end 2000 and 1999. These balances do not earn interest.

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MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Note 3. Securities

As of the dates indicated, the Company classified all of its securities as available for sale. The amortized cost and fair values of securities at the end of the period were as follows (dollars in thousands):

<TABLE>
<CAPTION>

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Values |
|---|-------------------|------------------------------|-------------------------------|----------------|
| <S> | <C> | <C> | <C> | <C> |
| March 31, 2001 (Unaudited) | | | | |
| U.S. Treasury securities and obligations of U.S. Government agencies..... | \$44,651 | \$546 | \$ 0 | \$45,197 |
| State and municipal bonds..... | 6,453 | 168 | 0 | 6,621 |
| | ----- | ----- | ----- | ----- |
| | \$51,104 | \$714 | \$ 0 | \$51,818 |
| | ===== | ===== | ===== | ===== |
| December 31, 2000 | | | | |
| U.S. Treasury securities and obligations of U.S. Government agencies..... | \$45,927 | \$192 | \$(128) | \$45,991 |
| State and municipal bonds..... | 2,588 | 90 | 0 | 2,678 |
| | ----- | ----- | ----- | ----- |
| | \$48,515 | \$282 | \$(128) | \$48,669 |
| | ===== | ===== | ===== | ===== |

<CAPTION>

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Values |
|---|-------------------|------------------------------|-------------------------------|----------------|
| <S> | <C> | <C> | <C> | <C> |
| December 31, 1999 | | | | |
| U.S. Treasury securities and obligations of U.S. Government agencies..... | \$27,926 | \$ 0 | \$(589) | \$27,337 |
| State and municipal bonds..... | 955 | 1 | (12) | 944 |
| | ----- | ----- | ----- | ----- |
| | \$28,881 | \$ 1 | \$(601) | \$28,281 |
| | ===== | ===== | ===== | ===== |

</TABLE>

Contractual maturities of debt securities at March 31, 2001 and December 31, 2000 were as follows (dollars in thousands):

<TABLE>
<CAPTION>

| | Amortized Cost | Fair Value |
|---------------------------------|-------------------|---------------|
| <S> | <C> | <C> |
| March 31, 2001 (Unaudited) | | |
| Due in one year or less..... | \$ 0 | \$ 0 |
| Due from one to five years..... | 41,013 | 41,540 |
| Due from five to ten years..... | 5,497 | 5,543 |
| Due after ten years..... | 4,594 | 4,735 |
| | ----- | ----- |
| | \$51,104 | \$51,818 |
| December 31, 2000 | | |
| Due in one year or less..... | \$13,976 | \$13,974 |
| Due from one to five years..... | 31,951 | 32,017 |
| Due from five to ten years..... | 415 | 430 |
| Due after ten years..... | 2,173 | 2,248 |
| | ----- | ----- |
| | \$48,515 | \$48,669 |
| | ===== | ===== |

</TABLE>

MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

At periods ending March 31, 2001 (unaudited), December 31, 2000 and 1999, securities with a book value of approximately \$1,000,000, \$1,000,000 and \$1,500,000, respectively, were pledged as security for public deposits and for other purposes required or permitted by law.

There were no sales of securities for the periods ended March 31, 2001 (unaudited), December 31, 2000, 1999 and 1998.

In addition, \$45,000,000, \$45,000,000 and \$26,000,000 of the securities at periods ending March 31, 2001 (unaudited), December 31, 2000 and 1999 were used as collateral for advances from the Federal Home Loan Bank.

Note 4. Loans

Loans were as follows (dollars in thousands):

<TABLE>
<CAPTION>

| | March 31, 2001 | December 31, ----- 2000 1999 ----- | |
|-----------------|-------------------|--|-----------|
| | (Unaudited) | | |
| <S> | <C> | <C> | <C> |
| Commercial..... | \$318,103 | \$293,541 | \$201,392 |
| Mortgage..... | 62,366 | 60,823 | 44,734 |
| Consumer..... | 57,986 | 56,312 | 39,248 |
| | ----- | ----- | ----- |
| | \$438,455 | \$410,676 | \$285,374 |
| | ===== | ===== | ===== |

</TABLE>

Activity in the allowance for loan losses is as follows (dollars in thousands):

<TABLE>
<CAPTION>

| | Three months ended March 31, | | Years ended December 31, | | |
|--|---------------------------------|-------------|-----------------------------|---------|---------|
| | 2001 | 2000 | 2000 | 1999 | 1998 |
| | (Unaudited) | (Unaudited) | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Beginning balance..... | \$5,854 | \$3,995 | \$3,995 | \$2,030 | \$ 7 |
| Provision charged to operating expense..... | 522 | 487 | 1,931 | 1,967 | 2,023 |
| Loans charged-off..... | (144) | 0 | (87) | (6) | 0 |
| Recoveries..... | 11 | 0 | 15 | 4 | 0 |
| | ----- | ----- | ----- | ----- | ----- |
| Ending balance..... | \$6,243 | \$4,482 | \$5,854 | \$3,995 | \$2,030 |
| | ===== | ===== | ===== | ===== | ===== |

</TABLE>

Impaired loans were as follows (dollars in thousands):

<TABLE>
<CAPTION>

| | March 31, 2001 | December 31, ----- 2000 1999 ----- | |
|---|-------------------|--|-------|
| | (Unaudited) | | |
| <S> | <C> | <C> | <C> |
| Loans with no allocated allowance for loan losses..... | \$1,389 | \$1,393 | \$ 0 |
| Loans with allocated allowance for loan losses... | 125 | 231 | 0 |
| | ----- | ----- | ----- |
| | \$1,514 | \$1,624 | \$ 0 |
| | ===== | ===== | ===== |
| Amount of the allowance for loan losses allocated..... | \$ 31 | \$ 93 | \$ 0 |

</TABLE>

<TABLE>
<CAPTION>

| | Three months ended March 31, 2001 | Years ended December 31, | | |
|---|--------------------------------------|-----------------------------|------|------|
| | | 2000 | 1999 | 1998 |
| | (Unaudited) | | | |
| <S> | <C> | <C> | <C> | <C> |
| Average of impaired loans during the period..... | \$1,534 | \$472 | \$ 0 | \$ 0 |
| Interest income recognized during impairment..... | 31 | 33 | 0 | 0 |
| Cash-basis interest income recognized.... | 31 | 27 | 0 | 0 |

</TABLE>

Note 5. Premises and Equipment-Net

Premises and equipment were as follows (dollars in thousands):

<TABLE>
<CAPTION>

| | March 31, 2001 | December 31, | |
|------------------------------------|-------------------|--------------|---------|
| | | 2000 | 1999 |
| | (Unaudited) | | |
| <S> | <C> | <C> | <C> |
| Land..... | \$ 1,859 | \$ 1,859 | \$1,574 |
| Building..... | 5,925 | 5,886 | 3,825 |
| Leasehold improvements..... | 1,049 | 1,049 | 1,090 |
| Furniture and equipment..... | 5,842 | 5,707 | 4,517 |
| | 14,675 | 14,501 | 11,006 |
| Less accumulated depreciation..... | (2,558) | (2,237) | (1,008) |
| | \$12,117 | \$12,264 | \$9,998 |

</TABLE>

Depreciation expense was \$329,626, \$254,754, \$1,267,801, \$738,616, and \$271,458 for each of the periods ending March 31, 2001 (unaudited), March 31, 2000 (unaudited), December 31, 2000, 1999 and 1998.

The Bank leases certain office and branch premises and equipment under operating lease agreements. Total rental expense for all operating leases aggregated \$68,404, \$59,805, \$243,640, \$305,516 and \$117,886 for each of the periods ending March 31, 2001 (unaudited), March 31, 2000 (unaudited), December 31, 2000, 1999 and 1998. Future minimum rentals under noncancelable operating leases as of March 31, 2001 (unaudited) and December 31, 2000 are as follows (dollars in thousands):

<TABLE>
<CAPTION>

| | March 31, 2001 | December 31, 2000 |
|-----------|-------------------|----------------------|
| | | |
| <S> | <C> | <C> |
| 2001..... | \$255 | \$228 |
| 2002..... | 218 | 171 |
| 2003..... | 105 | 58 |
| 2004..... | 22 | 18 |
| 2005..... | 0 | 0 |
| | \$600 | \$475 |

</TABLE>

Note 6. Deposits

Deposits are summarized as follows (dollars in thousands):

<TABLE>
<CAPTION>

| | March 31, | December 31, | |
|---------------------------------|-------------|--------------|-----------|
| | 2001 | 2000 | 1999 |
| | (Unaudited) | | |
| <S> | <C> | <C> | <C> |
| Noninterest-bearing demand..... | \$ 45,498 | \$ 50,746 | \$ 34,385 |
| Money market..... | 128,658 | 125,428 | 100,773 |
| NOW and Super NOW..... | 50,719 | 56,973 | 43,237 |
| Savings..... | 12,547 | 10,549 | 7,422 |
| Certificates of deposit..... | 181,290 | 154,921 | 93,573 |
| | ----- | ----- | ----- |
| | \$418,712 | \$398,617 | \$279,390 |
| | ===== | ===== | ===== |

</TABLE>

The following table depicts the maturity distribution of certificates of deposits (dollars in thousands):

<TABLE>
<CAPTION>

| | March 31, | December 31, |
|-----------|-------------|--------------|
| | 2001 | 2000 |
| | (Unaudited) | |
| <S> | <C> | <C> |
| 2001..... | \$111,145 | \$103,503 |
| 2002..... | 61,101 | 47,772 |
| 2003..... | 6,272 | 2,438 |
| 2004..... | 762 | 300 |
| 2005..... | 908 | 906 |

</TABLE>

The Bank had approximately \$99,070,000, \$83,855,000 and \$50,179,000 in time certificates of deposit, which were in denominations of \$100,000 or more at March 31, 2001 (unaudited), December 31, 2000 and 1999.

Brokered deposits totaled approximately \$24,339,000, \$16,338,000 and \$6,365,000 at March 31, 2001 (unaudited), December 31, 2000 and 1999. At March 31, 2001 (unaudited) and December 31, 2000, brokered deposits had interest rates ranging from 5.15% to 7.30% and 5.65% to 7.30%, respectively, and maturities ranging from one month to three years.

Note 7. Federal Home Loan Bank Advances

Advances from the Federal Home Loan Bank were as follows (dollars in thousands):

<TABLE>
<CAPTION>

| | March 31, | December 31, | |
|--|-------------|--------------|----------|
| | 2001 | 2000 | 1999 |
| | (Unaudited) | | |
| <S> | <C> | <C> | <C> |
| Maturities from October 2001 through December 2010, fixed rate from 5.08% to 6.68%, averaging 5.82% at March 31, 2001..... | \$62,588 | \$51,000 | \$15,000 |
| Maturities from March 2000 through June 2000, variable rates of 4.05%..... | 0 | 0 | 15,000 |
| | ----- | ----- | ----- |
| | \$62,588 | \$51,000 | \$30,000 |
| | ===== | ===== | ===== |

</TABLE>

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MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Each advance is payable at its maturity date, with a prepayment penalty. The advances were collateralized by securities totaling \$45,000,000, \$45,000,000 and \$26,000,000 and first mortgage loans totaling \$49,000,000, \$50,000,000 and \$47,000,000 under a blanket lien arrangement at March 31, 2001 (unaudited), December 31, 2000 and 1999.

Maturities over the next five years are (dollars in thousands):

<TABLE>
<CAPTION>

| | March 31, | December 31, |
|--|-----------|--------------|
| | 2001 | 2000 |

| | (Unaudited) | |
|-----------|-------------|--------|
| <S> | <C> | <C> |
| 2001..... | \$ 5,264 | \$ 0 |
| 2002..... | 8,264 | 3,000 |
| 2003..... | 3,000 | 3,000 |
| 2004..... | 5,060 | 4,000 |
| 2005..... | 10,000 | 10,000 |

Note 8. Other Borrowings

The Company secured a \$5,000,000 credit facility during September 2000 to provide additional capital to maintain the Bank at or above the 8% required regulatory capital. This credit line was increased to \$8,000,000 during March 2001. Maturity dates and interest rates on advances of this credit facility are as follows (dollars in thousands):

| Maturity Date | Interest Rate | March 31, 2001 | December 31, 2000 |
|------------------|---------------|--------------------|----------------------|
| ----- | ----- | ----- | ----- |
| <S> | <C> | (Unaudited) <C> | <C> |
| January 26, 2001 | 8.15% (fixed) | \$ 0 | \$3,000 |
| March 29, 2001 | 8.26% (fixed) | 0 | 1,000 |
| April 26, 2001 | 7.11% (fixed) | 3,000 | 0 |
| June 29, 2001 | 6.36% (fixed) | 1,000 | 0 |
| | | ----- | ----- |
| | | \$4,000 | \$4,000 |
| | | ===== | ===== |

These borrowings are secured with 235,000 shares of common stock of Macatawa Bank.

Note 9. Related Party Transactions

Loans to principal officers, directors, and their affiliates were as follows (dollars in thousands).

| | March 31, 2001 | December 31, 2000 |
|------------------------|--------------------|----------------------|
| | ----- | ----- |
| <S> | (Unaudited) <C> | <C> |
| Beginning balance..... | \$14,239 | \$ 9,467 |
| New loans..... | 727 | 12,577 |
| Repayments..... | (1,328) | (7,805) |
| Other..... | (881) | 0 |
| | ----- | ----- |
| Ending balance..... | \$12,757 | \$14,239 |
| | ===== | ===== |

Deposits from principal officers, directors, and their affiliates at March 31, 2001 (unaudited), December 31, 2000 and 1999 were \$1,905,000, \$5,397,000 and \$3,183,000.

Note 10. Stock Options

Options to buy stock are granted to officers and employees under the Employee Stock Option Plan (the Employees' Plan), which provides for issue of up to 206,000 options. Options are also granted to directors under the Directors' Stock Option Plan (the Directors' Plan), which provides for issuance of up to 41,200 options. The exercise price is the market price at the date of grant for both plans. The maximum option term is ten years with options vesting over a one-year period for both the Employees' Plan and the Directors' Plan. A summary of the activity in the plans is as follows.

| <S> | Options | Weighted Average Exercise |
|-----|---------|---------------------------------|
|-----|---------|---------------------------------|

| | Outstanding | Price |
|--|-------------|---------|
| | ----- | ----- |
| <S> | <C> | <C> |
| Balance at December 31, 1998..... | 127,205 | \$12.46 |
| Granted..... | 21,630 | 13.75 |
| Exercised..... | 0 | 0.00 |
| Forfeited..... | (4,325) | 14.04 |
| | ----- | ----- |
| Balance at December 31, 1999..... | 144,510 | 12.68 |
| Granted..... | 24,308 | 12.28 |
| Exercised..... | (773) | 9.71 |
| Forfeited..... | 0 | 0.00 |
| | ----- | ----- |
| Balance at December 31, 2000..... | 168,045 | 12.64 |
| Granted..... | 0 | 0.00 |
| Exercised..... | 0 | 0.00 |
| Forfeited..... | (258) | 15.55 |
| | ----- | ----- |
| Balance at March 31, 2001 (unaudited)..... | 167,787 | \$12.64 |
| | ===== | ===== |

</TABLE>

For the options outstanding at March 31, 2001 (unaudited) and December 31, 2000, the range of exercise prices was \$9.71 to \$16.02 per share with a weighted average remaining contractual life of 7.74 and 7.99 years, respectively. At March 31, 2001 (unaudited) and December 31, 2000, 143,737 options were exercisable at a weighted average price of \$12.70 per share.

No compensation cost related to stock options was recognized during the quarter ended March 31, 2001 (unaudited), 2000, 1999 or 1998. Had compensation cost for stock options been measured using FASB Statement No. 123, net income (loss) and basic income (loss) per share would have been the pro forma amounts indicated below (dollars in thousands). The pro forma effect may increase in the future if more options are granted.

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MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

<TABLE>
<CAPTION>

| | Three months ended | Years ended | | |
|---|--------------------|-------------|-------|-----------|
| | March 31, 2001 | December 31 | | |
| | ----- | 2000 | 1999 | 1998 |
| | ----- | ----- | ----- | ----- |
| | (Unaudited) | | | |
| <S> | <C> | <C> | <C> | <C> |
| Net income (loss) as reported..... | \$1,091 | \$3,349 | \$693 | \$(2,489) |
| Pro forma net income (loss)..... | 1,044 | 3,280 | 346 | (2,752) |
| Basic earnings (loss) per share as reported..... | .30 | .93 | .22 | (1.22) |
| Pro forma basic earnings (loss) per share..... | .28 | .91 | .11 | (1.35) |
| Diluted earnings (loss) per share as reported..... | .29 | .93 | .22 | (1.22) |
| Pro forma diluted earnings (loss) per share..... | .28 | .91 | .11 | (1.35) |
| Weighted-average fair value of options granted during the period..... | NA | 3.82 | 5.19 | 4.74 |

</TABLE>

The pro forma effects are computed using option pricing models, using the following weighted-average assumptions as of grant date.

<TABLE>
<CAPTION>

| | Years ended December 31, | | |
|--------------------------------------|--------------------------|---------|---------|
| | 2000 | 1999 | 1998 |
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Risk-free interest rate..... | 5.26% | 6.55% | 4.72% |
| Expected option life..... | 7 years | 7 years | 7 years |
| Expected stock price volatility..... | 26.87% | 17.29% | 8.46% |
| Dividend yield..... | 2.00% | 0.00% | 0.00% |

</TABLE>

Note 11. Employee Benefits

The Company established a 401(k) plan in January 1999 covering substantially

all employees. Employees may elect to contribute to the plan from 1% to 15% of their salary subject to statutory limitations. The Company makes matching contributions equal to 100% of the first 3% of employee contributions. The Company's contribution for the periods ended March 31, 2001 (unaudited), March 31, 2000 (unaudited), December 31, 2000 and 1999 were approximately \$41,000, \$37,000, \$142,000 and \$114,000.

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MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Note 12. Earnings Per Share

A reconciliation of the numerators and denominators of basic and diluted earnings per share are as follows (dollars in thousands):

<TABLE>

<CAPTION>

| | Three months ended March 31, | | Years ended December 31, | | |
|--|---------------------------------|-------------|--------------------------|-----------|------------|
| | 2001 | 2000 | 2000 | 1999 | 1998 |
| | (Unaudited) | (Unaudited) | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Basic earnings (loss) per share | | | | | |
| Net income (loss)..... | \$ 1,091 | \$ 527 | \$ 3,349 | \$ 693 | \$ (2,489) |
| Weighted average common shares outstanding..... | 3,696,994 | 3,696,222 | 3,696,347 | 3,194,965 | 2,103,178 |
| Basic earnings (loss) per share..... | \$ 0.30 | \$ 0.14 | \$ 0.91 | \$ 0.22 | \$ (1.18) |
| Diluted earnings (loss) per share | | | | | |
| Net income (loss)..... | \$ 1,091 | \$ 527 | \$ 3,349 | \$ 693 | \$ (2,489) |
| Weighted average common shares outstanding..... | 3,696,994 | 3,696,222 | 3,696,347 | 3,194,965 | 2,103,178 |
| Add: Dilutive effects of assumed exercises of stock options..... | 23,056 | 21,244 | 14,704 | 21,660 | 0 |
| Weighted average common and dilutive potential common shares outstanding... | 3,720,050 | 3,717,466 | 3,711,051 | 3,216,625 | 2,103,178 |
| Diluted earnings (loss) per share..... | \$ 0.29 | \$ 0.14 | \$ 0.90 | \$ 0.22 | \$ (1.18) |

</TABLE>

Stock options for 66,950, 66,950, 78,280, 58,710 and 127,205 shares of common stock were not considered in computing diluted earnings (loss) per share for March 31, 2001 (unaudited), March 31, 2000 (unaudited), December 31, 2000, 1999 and 1998 because they were antidilutive.

Note 13. Federal Income Taxes

The consolidated provision for income taxes is as follows (dollars in thousands):

<TABLE>

<CAPTION>

| | Three months ended March 31, | Years ended December 31, | | |
|------------------------------------|------------------------------------|--------------------------|--------|----------|
| | 2001 | 2000 | 1999 | 1998 |
| | (Unaudited) | | | |
| <S> | <C> | <C> | <C> | <C> |
| Current..... | \$ 733 | \$ 1,889 | \$ 415 | 0 |
| Deferred benefit..... | (187) | (534) | (173) | \$ (842) |
| Change in valuation allowance..... | 0 | (656) | (242) | 842 |
| | \$ 546 | \$ 699 | \$ 0 | \$ 0 |

</TABLE>

MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The recorded consolidated income tax provision in 2000, 1999 and 1998 differs from that computed by multiplying pre-tax income by the statutory federal income tax rates due to the valuation allowance, tax-exempt interest income and nondeductible expenses.

The net deferred tax asset recorded includes the following amounts of deferred tax assets and liabilities (dollars in thousands):

<TABLE>
<CAPTION>

| | March 31, 2001 ----- (Unaudited) | December 31, 2000 | 1999 ----- |
|---|---|----------------------|---------------|
| <S> | <C> | <C> | <C> |
| Deferred tax asset | | | |
| Allowance for loan losses..... | \$2,000 | \$1,829 | \$1,198 |
| Unrealized loss on securities available for sale..... | 0 | 0 | 204 |
| Organization costs..... | 12 | 14 | 34 |
| Other..... | 19 | 16 | 4 |
| | ----- | ----- | ----- |
| | 2,031 | 1,859 | 1,440 |
| Deferred tax liabilities | | | |
| Depreciation..... | (277) | (297) | (221) |
| Unrealized gain on securities available for sale..... | (243) | (52) | 0 |
| Accretion..... | (18) | (13) | 0 |
| | ----- | ----- | ----- |
| | (538) | (362) | (221) |
| Net deferred tax asset before valuation allowance..... | 1,493 | 1,497 | 1,219 |
| Valuation allowance..... | 0 | 0 | (656) |
| | ----- | ----- | ----- |
| Net deferred tax asset after valuation allowance..... | \$1,493 | \$1,497 | \$ 563 |
| | ===== | ===== | ===== |

</TABLE>

A valuation allowance related to deferred tax assets is required when it is considered more likely than not that all or part of the benefit related to such assets will not be realized. Management has determined that no valuation allowance is required at March 31, 2001 (unaudited) or for 2000 and that a valuation allowance of \$655,830 was required for 1999.

Note 14. Commitments and Off-Balance-Sheet Risk

Some financial instruments are used to meet customer financing needs and to reduce exposure to interest rate changes. These financial instruments include commitments to extend credit and standby letters of credit. These involve, to varying degrees, credit and interest-rate risk in excess of the amount reported in the financial statements.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment, and generally have fixed expiration dates. Standby letters of credit are conditional commitments to guarantee a customer's performance to a third party. Exposure to credit loss if the other party does not perform is represented by the contractual amount for commitments to extend credit and standby letters of credit. Collateral or other security is normally not obtained for these financial instruments prior to their use, and many of the commitments are expected to expire without being used.

MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

A summary of the notional or contractual amounts of financial instruments with off-balance-sheet risk was as follows (dollars in thousands):

<TABLE>
<CAPTION>

December 31,

| | March 31, ----- | | |
|---|-----------------|-----------|-----------|
| | 2001 | 2000 | 1999 |
| | ----- | | |
| | (Unaudited) | | |
| <S> | <C> | <C> | <C> |
| Commitments to make loans..... | \$ 69,474 | \$ 53,068 | \$ 14,973 |
| Unused lines of credit and letters of credit..... | 127,056 | 142,817 | 102,763 |

Approximately 50% of the Bank's commitments to make loans are at fixed rates, offered at current market rates. The majority of the variable rate commitments noted above is tied to prime and expire within 30 days. The majority of the unused lines of credit are at variable rates tied to prime.

The Bank conducts substantially all of its business operations in western Michigan.

Note 15. Regulatory Matters

The Company and the Bank are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors, and the regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the financial statements.

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If only adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required.

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MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

At March 31, 2001 (unaudited), December 31, 2000 and December 31, 1999, actual capital levels (dollars in thousands) and minimum required levels were:

<TABLE>
<CAPTION>

| | Actual | | Minimum Required For Capital Adequacy Purposes | | To Be Well Capitalized Under Prompt Corrective Action Regulations | |
|--|----------|-------|--|-------|---|-------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| March 31, 2001 (unaudited) | | | | | | |
| Total capital (to risk weighted assets) | | | | | | |
| Consolidated..... | \$44,473 | 9.9% | \$ 35,877 | 8.0% | \$ 44,846 | 10.0% |
| Bank..... | 47,961 | 10.7 | 35,861 | 8.0 | 44,826 | 10.0 |
| Tier 1 capital (to risk weighted assets) | | | | | | |
| Consolidated..... | 38,867 | 8.7 | 17,938 | 4.0 | 26,908 | 6.0 |
| Bank..... | 42,358 | 9.5 | 17,930 | 4.0 | 26,896 | 6.0 |
| Tier 1 capital (to average assets) | | | | | | |
| Consolidated..... | 38,867 | 7.7 | 20,327 | 4.0 | 25,409 | 5.0 |
| Bank..... | 42,358 | 8.3 | 20,320 | 4.0 | 25,400 | 5.0 |
| December 31, 2000 | | | | | | |
| Total capital (to risk weighted assets) | | | | | | |
| Consolidated..... | \$43,644 | 10.4% | \$ 33,698 | 8.0% | \$ 42,123 | 10.0% |
| Bank..... | 46,820 | 11.1 | 33,648 | 8.0 | 42,059 | 10.0 |
| Tier 1 capital (to risk weighted assets) | | | | | | |
| Consolidated..... | 38,379 | 9.1 | 16,849 | 4.0 | 25,274 | 6.0 |
| Bank..... | 41,563 | 9.9 | 16,824 | 4.0 | 25,236 | 6.0 |
| Tier 1 capital (to average assets) | | | | | | |
| Consolidated..... | 38,379 | 8.2 | 18,630 | 4.0 | 23,288 | 5.0 |

| | | | | | | |
|--|----------|-------|-----------|------|-----------|-------|
| Bank..... | 41,563 | 8.9 | 18,624 | 4.0 | 23,280 | 5.0 |
| December 31, 1999 | | | | | | |
| Total capital (to risk weighted assets) | | | | | | |
| Consolidated..... | \$38,358 | 14.0% | \$ 21,989 | 8.0% | \$ 27,489 | 10.0% |
| Bank..... | 33,463 | 12.2 | 21,992 | 8.0 | 27,491 | 10.0 |
| Tier 1 capital (to risk weighted assets) | | | | | | |
| Consolidated..... | 34,922 | 12.7 | 10,994 | 4.0 | 16,491 | 6.0 |
| Bank..... | 30,027 | 10.9 | 10,996 | 4.0 | 16,494 | 6.0 |
| Tier 1 capital (to average assets) | | | | | | |
| Consolidated..... | 34,922 | 10.8 | 12,940 | 4.0 | 16,175 | 5.0 |
| Bank..... | 30,027 | 9.4 | 12,811 | 4.0 | 16,014 | 5.0 |

The Company and the Bank were categorized as well capitalized at December 31, 2000 and 1999. The Bank was categorized as well capitalized at March 31, 2001 (unaudited), while the Company was categorized as adequately capitalized.

Banking regulations limit capital distributions. Generally, capital distributions are limited to undistributed net income for the current and prior two years. At March 31, 2001 (unaudited) and December 31, 2000, approximately \$2,842,000 and \$3,434,000 was available to pay dividends to the holding company.

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MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Note 16. Condensed Financial Statements (Parent Company Only)

Following are condensed parent company only financial statements (dollars in thousands):

CONDENSED BALANCE SHEETS

<TABLE>
<CAPTION>

| | March 31, 2001 | December 31 ----- | |
|--|-------------------|----------------------|----------|
| | | 2000 | 1999 |
| | (Unaudited) | | |
| <S> | <C> | <C> | <C> |
| ASSETS | | | |
| Cash and cash equivalents..... | \$ 368 | \$ 423 | \$ 4,895 |
| Investment in subsidiary.. | 42,829 | 41,563 | 29,631 |
| Other assets..... | 200 | 145 | 0 |
| | ----- | ----- | ----- |
| Total assets..... | \$43,397 | \$42,131 | \$34,526 |
| | ===== | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Other borrowings..... | \$ 4,000 | \$ 4,000 | \$ 0 |
| Other liabilities..... | 62 | 3 | 0 |
| | ----- | ----- | ----- |
| Total liabilities..... | 4,062 | 4,003 | 0 |
| Shareholders' equity | | | |
| Common stock..... | 38,653 | 36,890 | 36,883 |
| Retained earnings (deficit)..... | 211 | 1,137 | (1,961) |
| Accumulated other comprehensive income (loss)..... | 471 | 101 | (396) |
| | ----- | ----- | ----- |
| Total shareholders' equity..... | 39,335 | 38,128 | 34,526 |
| | ----- | ----- | ----- |
| Total liabilities and shareholders' equity... | \$43,397 | \$42,131 | \$34,526 |
| | ===== | ===== | ===== |

</TABLE>

CONDENSED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

| | Years ended | Period from |
|--|--------------------|-------------------|
| | December | February 23, 1998 |
| | Three months ended | |

| | March 31, | | 31, | | (date of inception) through December 31, 1998 |
|---|-------------|-------------|---------|-------|---|
| | 2001 | 2000 | 2000 | 1999 | |
| <S> | (Unaudited) | (Unaudited) | <C> | <C> | <C> |
| <C> | <C> | <C> | <C> | <C> | <C> |
| Expenses | | | | | |
| Other operating expenses..... | \$ 121 | \$ 29 | \$ 231 | \$142 | \$ 55 |
| Loss before income tax and equity in undistributed net income (loss) of subsidiary..... | (121) | (29) | (231) | (142) | (55) |
| Equity in undistributed net income (loss) of subsidiary..... | 1,171 | 556 | 3,434 | 835 | (2,185) |
| Income (loss) before income tax..... | 1,050 | 527 | 3,203 | 693 | (2,240) |
| Federal income tax expense (benefit)..... | (41) | 0 | (146) | 0 | 0 |
| Net income (loss)..... | \$1,091 | \$527 | \$3,349 | \$693 | \$(2,240) |

</TABLE>

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MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

CONDENSED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

| | Three months ended March 31, | | Years ended December 31, | | Period from February 23, 1998 (date of inception) through December 31, 1998 |
|--|---------------------------------|-------------|-----------------------------|----------|--|
| | 2001 | 2000 | 2000 | 1999 | 1998 |
| <S> | (Unaudited) | (Unaudited) | <C> | <C> | <C> |
| <C> | <C> | <C> | <C> | <C> | <C> |
| Cash flows from operating activities | | | | | |
| Net income (loss)..... | \$ 1,091 | \$ 527 | \$ 3,349 | \$ 693 | \$ (2,240) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Equity in undistributed net (income) loss of subsidiary..... | (1,171) | (556) | (3,434) | (835) | 2,185 |
| Increase in other assets..... | (55) | (40) | (146) | 0 | 0 |
| Increase in other liabilities..... | 56 | 0 | 3 | 0 | 0 |
| Net cash from operating activities..... | (79) | (69) | (228) | (142) | (55) |
| Cash flows from investing activities | | | | | |
| Investment in subsidiary..... | 275 | (3,000) | (8,000) | (10,500) | (13,154) |
| Net cash from investing activities..... | 275 | (3,000) | (8,000) | (10,500) | (13,154) |
| Cash flows from financing activities | | | | | |
| Other borrowings..... | 0 | 0 | 4,000 | 0 | 0 |
| Proceeds from issuance of common stock..... | 0 | 0 | 7 | 14,622 | 14,123 |
| Dividends paid..... | (251) | 0 | (251) | 0 | 0 |

| | | | | | |
|---|--------|----------|---------|----------|------------|
| Net cash from financing activities..... | (251) | 0 | 3,756 | 14,622 | 14,123 |
| Net change in cash and cash equivalents..... | (55) | (3,069) | (4,472) | 3,980 | 915 |
| Cash and cash equivalents at beginning of period... | 423 | 4,895 | 4,895 | 915 | 0 |
| Cash and cash equivalents at end of period..... | \$ 368 | \$ 1,826 | \$ 423 | \$ 4,895 | \$ 915 |
| Noncash transaction related to origination of holding company in 1998 | | | | | |
| Investment in subsidiary..... | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ (7,724) |
| Common stock..... | 0 | 0 | 0 | 0 | 8,137 |
| Retained deficit..... | 0 | 0 | 0 | 0 | (414) |

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MACATAWA BANK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Note 17. Quarterly Financial Data (unaudited)

<TABLE>
<CAPTION>

| | Net | | Net Income (Loss) | Earnings (Loss) Per Share | |
|---------------------|------------------------|--------------------|-------------------------|---------------------------------|------------------|
| | Interest Income | Interest Income | | Basic | Fully Diluted |
| | (Dollars in thousands) | | | | |
| | <C> | <C> | <C> | <C> | <C> |
| 2001 | | | | | |
| First quarter..... | \$10,280 | \$4,831 | \$1,091 | \$.30 | \$.29 |
| 2000 | | | | | |
| First quarter..... | \$ 7,106 | \$3,537 | \$ 527 | \$.14 | \$.14 |
| Second quarter..... | 8,368 | 4,079 | 823 | .23 | .23 |
| Third quarter..... | 9,026 | 4,318 | 947 | .25 | .25 |
| Fourth quarter..... | 9,838 | 4,665 | 1,052 | .29 | .28 |
| 1999 | | | | | |
| First quarter..... | \$ 3,635 | \$1,883 | \$ (77) | \$ (.03) | \$ (.03) |
| Second quarter..... | 4,663 | 2,471 | 44 | .03 | .03 |
| Third quarter..... | 5,475 | 2,926 | 301 | .09 | .09 |
| Fourth quarter..... | 6,227 | 3,292 | 425 | .13 | .13 |

Note 18. Subsequent Event

The Company declared a 3% stock dividend on April 11, 2001, payable on May 4, 2001 to shareholders of record on April 24, 2001. All per share data has been restated to reflect the dividend.

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1,400,000 Shares

MACATAWA BANK CORPORATION

Common Stock

PRICE \$ PER SHARE

, 2001

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

Expenses in connection with the issuance and distribution of the securities being registered are estimated as follows, all of which are to be paid by us:

| <TABLE> <S> | <C> |
|------------------------------------|-------------|
| SEC Registration Fee..... | \$ 7,004.00 |
| NASD fee..... | 3,301.00 |
| Nasdaq fee..... | 24,000.00 |
| Printing and Mailing Expenses..... | 40,000.00 |
| Accounting Fees..... | 30,000.00 |
| Transfer and Registrar's Fees..... | 2,000.00 |
| Legal Fees and Expenses..... | 60,000.00 |
| Blue Sky Fees and Expenses..... | 5,000.00 |
| Miscellaneous..... | 10,000.00 |
| | ----- |
| Total..... | \$ 181,305 |
| | ===== |

</TABLE>

Item 15. Indemnification of Directors and Officers.

Sections 561-571 of the Michigan Business Corporation Act, as amended, grant us broad powers to indemnify any person in connection with legal proceedings brought against that person by reason of their present or past status as an officer or director of our Company, provided that the person acted in good faith and in a manner he reasonably believed to be in or not opposed to our best interests, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The Michigan Business Corporation Act also gives us broad powers to indemnify defined persons against expenses and reasonable settlement payments in connection with any action by or in the right of our Company, provided the person acted in good faith and in a manner he reasonably believed to be in or not opposed to our best interests, except that no indemnification may be made if that person is adjudged to be liable to us unless and only to the extent the court in which that action was brought determines upon application that, despite the adjudication, but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for reasonable expenses as the court deems proper. In addition, to the extent that any specified person is successful in the defense of any defined legal proceeding, we are required by the Michigan Business Corporation Act to indemnify him against expenses, including attorneys' fees, that are actually and reasonably incurred by him in connection therewith.

Our articles of incorporation contain provisions entitling our directors and executive officers to indemnification against specified liabilities and expenses to the full extent permitted by Michigan law.

Under an insurance policy maintained by us, our directors and officers are insured within the limits and subject to the limitations of the policy, against specified expenses in connection with the defense of specified claims, actions, suits or proceedings, and specified liabilities which might be imposed as a result of claims, actions, suits or proceedings, which may be brought against them by reason of being or having been directors and officers of our Company.

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Item 16. Exhibits.

Reference is made to the Exhibit Index which appears at page II-4 of this Registration Statement.

Item 17. Undertakings.

Insofar as indemnification for liabilities under the Securities Act of 1933, as amended may be permitted to our directors, officers and controlling persons of the Company pursuant of the foregoing provisions, or otherwise, we have been advised that, in the opinion of the Securities and Exchange Commission this indemnification is against the public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against these liabilities (other than the payment

by us of expenses incurred or paid by a director, officer or controlling person of our Company in the successful defense of any action, suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether the indemnification by us is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of the issue.

We hereby undertake that: For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by us pursuant to Rule 424(b)(1) or (4) or Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of this Registration Statement as of the time it was declared effective; and for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of these securities at that time shall be deemed to be the initial bona fide offering thereof. We hereby undertake that we will provide to the underwriter, Dain Rauscher Wessels, at the closing specified in the underwriting agreement, certificates in the denominations and registered in the names as required by the underwriter to permit prompt delivery to the purchaser.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Macatawa Bank Corporation certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-2 and has duly caused this registration statement to be signed on its behalf by the undersigned, hereunto duly authorized, in the City of Holland, State of Michigan, on May 7, 2001.

Macatawa Bank Corporation

/s/ Benj. A. Smith, III
 By: _____
 Benj. A. Smith, III
 Chairman of the Board

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Benj. A. Smith, III and Philip J. Koning, and each of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or his substitute may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<TABLE>
 <CAPTION>

| Signature ----- | Title ----- | Date ---- |
|---|--|--------------------|
| <S> /s/ Benj. A. Smith, III- _____ Benj. A. Smith, III | <C> Principal Executive Officer and a Director | <C> May 7, 2001 |
| /s/ Steven L. Germond- _____ Steven L. Germond | Principal Financial and Accounting Officer | May 7, 2001 |
| /s/ Philip J. Koning- _____ Philip J. Koning | President and a Director | May 7, 2001 |
| /s/ G. Thomas Boylan- _____ G. Thomas Boylan | Director | May 7, 2001 |
| /s/ Robert E. DenHerder- _____ Robert E. DenHerder | Director | May 7, 2001 |
| /s/ John F. Koetje- _____ John F. Koetje | Director | May 7, 2001 |

</TABLE>

EXHIBIT INDEX

<TABLE>
<CAPTION>

| Exhibit Number and Description ----- | Sequentially Numbered Page ----- |
|--|---|
| <C> <S> | <C> |
| 1 Underwriting Agreement | |
| 3.1 Articles of Incorporation of Macatawa Bank Corporation, incorporated by reference to Exhibit 3.1 to the Macatawa Bank Corporation Registration Statement on Form SB-2 (Registration No. 333-45755). | |
| 3.2 Bylaws of Macatawa Bank Corporation, incorporated by reference to Exhibit 3.2 to the Macatawa Bank Corporation Registration Statement on Form SB-2 (Registration No. 333-45755). | |
| 4 Specimen stock certificate of Macatawa Bank Corporation, incorporated by reference to Exhibit 4 to the Macatawa Bank Corporation Statement on Form SB-2 (Registration No. 333-45755). | |
| 5 Opinion of Varnum, Riddering, Schmidt & Howlett LLP. | |
| 10.1 Macatawa Bank Corporation Stock Compensation Plan incorporated by reference to Exhibit 10.1 to the Macatawa Bank Corporation Registration Statement on Form SB-2 (Registration No. 333-45755), and as amended by incorporating Appendix B from the Macatawa Bank Corporation Proxy Statement dated March 5, 1999, for the Macatawa Bank Corporation Annual Meeting of Shareholders held April 15, 1999. | |
| 10.2 Macatawa Bank Corporation 1998 Directors' Stock Option Plan, incorporated by reference to Exhibit 10.2 to the Macatawa Bank Corporation Registration Statement on Form SB-2 (Registration No. 333-45755). | |
| 10.3 Macatawa Bank Corporation Employee Stock Purchase Plan, incorporated by reference to Exhibit 4 to the Macatawa Bank Corporation Registration Statement on Form S-8 (Registration No. 333-94207). | |
| 10.4 Lease Agreement dated March 2, 1999, for the facility known as the Chateau Centre Suite 2, located at 1760 44th Street, S.W., Wyoming, Michigan 49508. | |
| 10.5 Lease Agreement dated December 22, 1997, for the facility located at 106 E.8th Street, Holland, Michigan 49423, incorporated by reference to Exhibit 10.5 to the Macatawa Bank Corporation Registration Statement on Form SB-2 (Registration No. 333-45755). | |
| 10.6 Data Processing Agreement between Rurbanc Data Services, Inc., and Macatawa Bank dated July 1, 2000, incorporated by reference to Exhibit 10.6 to the Macatawa Bank Corporation Statement on Form 10-K for the fiscal year ended December 31, 2000. | |
| 10.7 MagicLine Product Services Agreement between MagicLine, Inc. and Macatawa Bank dated October 1, 1997, incorporated by reference to Exhibit 10.7 to the Macatawa Bank Corporation Registration Statement on Form SB-2 (Registration No. 333-45755). | |
| 10.8 FTB Participating Bank Agreement between First Tennessee Bank National Association and Macatawa Bank dated October 24, 1997, incorporated by reference to Exhibit 10.8 to the Macatawa Bank Corporation Registration Statement on Form SB-2 (Registration No. 333-45755). | |

</TABLE>

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<CAPTION>

| Exhibit Number and Description ----- | Sequentially Numbered Page ----- |
|---|---|
| <C> <S> | <C> |

- 10.9 Line of Credit Agreement between Bank One, Michigan and Macatawa Bank Corporation dated September 26, 2000.
- 10.10 Revolving Business Credit Note (LIBOR--Based Interest Rate) between Bank One, Michigan and Macatawa Bank Corporation dated September 26, 2000.
- 10.11 Form Limited Discretionary Investment Advisory Agreement utilized by the Macatawa Bank trust department to appoint a third party investment advisor for Macatawa Bank managed trust accounts.
- 21 Subsidiaries of the Registrant
- 23.1 Consent of Crowe, Chizek and Company LLP, independent public accountants
- 23.2 Consent of Varnum, Riddering, Schmidt & Howlett LLP is included in Exhibit 5 to this Registration Statement.

</TABLE>

1,400,000 SHARES

MACATAWA BANK CORPORATION

COMMON STOCK
NO PAR VALUE PER SHARE

UNDERWRITING AGREEMENT

May __, 2001

Dain Rauscher Incorporated
As Representative of the several Underwriters
Dain Rauscher Incorporated
Dain Rauscher Plaza
60 South Sixth Street
Minneapolis, Minnesota 55402

Ladies and Gentlemen:

Macatawa Bank Corporation, a Michigan corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the several Underwriters named in Schedule A hereto (the "Underwriters"), for which you are acting as representative (the "Representative"), an aggregate of 1,400,000 shares (the "Firm Shares") of Common Stock, no par value per share, of the Company (the "Common Stock"), and, at the election of the Underwriters, up to 210,000 additional shares of Common Stock (the "Option Shares"). The Firm Shares and the Option Shares are herein collectively called the "Shares."

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-2 (File No. 333-_____) and a related preliminary prospectus for the registration of the Shares under the Securities Act of 1933, as amended (the "Act"). The registration statement, as amended at the time it was declared effective, including the information (if any) deemed to be part thereof pursuant to Rule 430A under the Act, is herein referred to as the "Registration Statement." The form of prospectus first filed by the Company with the Commission pursuant to Rules 424(b) and 430A under the Act is referred to herein as the "Prospectus." Each preliminary prospectus included in the registration statement prior to the time it becomes effective or filed with the Commission pursuant to Rule 424(a) under the Act is referred to herein as a "Preliminary Prospectus." Copies of the Registration Statement, including all exhibits and schedules thereto, any amendments thereto and all Preliminary Prospectuses have been delivered to you.

The Company hereby confirms its agreements with respect to the purchase of the Shares by the Underwriters as follows:

1. Representations and Warranties of the Company.

(a) The Company represents and warrants to, and agrees with, each of the Underwriters that:

(i) The Registration Statement has been declared effective under the Act, and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. No stop order suspending the effectiveness of the Registration Statement has been issued, and no proceeding for that purpose has been instituted or threatened by the Commission.

(ii) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed, in all material respects, to the requirements of the Act and the rules and regulations of the Commission promulgated thereunder (collectively, the "Regulations"), and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, the Company makes no representation or warranty as to information contained in or omitted in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of any Underwriter through the Representative expressly for use in the preparation thereof.

(iii) The Registration Statement conforms, and the Prospectus and any amendments or supplements thereto will conform, in all material respects to the requirements of the Act and the Regulations. Neither the Registration Statement nor any amendment thereto, and neither the Prospectus nor any amendment or supplement thereto, contains or will contain, as the case may be, any untrue statement of a material fact or omits or will omit to state any material fact required to be stated

therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representation or warranty as to information contained in or omitted from the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of any Underwriter through the Representative, expressly for use in the preparation thereof.

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(iv) The Company has been duly organized, is validly existing as a corporation in good standing under the laws of Michigan, has the corporate power and authority to own or lease its properties and conduct its business as described in the Prospectus and is duly qualified to transact business in all jurisdictions in which the failure so to qualify would have a material adverse effect on the business or condition, financial or otherwise, of the Company and its subsidiaries, taken as a whole.

(v) The Company does not directly or indirectly own any stock or other equity interest in any corporation, partnership, joint venture, unincorporated association or other entity other than Macatawa Bank, a Michigan banking corporation (the "Subsidiary Bank"), and Macatawa Bank Mortgage Company, a Michigan corporation and wholly owned subsidiary of the Subsidiary Bank (the Subsidiary Bank and Macatawa Bank Mortgage Company being collectively referred to herein as, the "subsidiaries"). Each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own or lease its properties and conduct its business as described in the Prospectus, and is duly qualified to transact business in all jurisdictions in which the failure so to qualify would have a material adverse effect on the business or condition, financial or otherwise, of the Company and its subsidiaries, taken as a whole. All outstanding shares of capital stock of each of the subsidiaries of the Company have been duly authorized and validly issued, are fully paid and non-assessable, except as disclosed in the Prospectus, and are owned, directly or indirectly, by the Company free and clear of all liens, encumbrances and security interests, except as disclosed in the Prospectus. No options, warrants or other rights to purchase, agreements or other obligations to issue, or other rights to convert any obligations into, shares of capital stock or ownership interests in any of the subsidiaries of the Company are outstanding.

(vi) The Company and each of its subsidiaries holds and is operating in material compliance with all licenses, approvals, certificates and permits from governmental and regulatory authorities, foreign and domestic, which are necessary to the conduct of its business as described in the Prospectus and the failure to comply with which would have a material adverse effect on the business or condition, financial or otherwise, of the Company and its subsidiaries, taken as a whole. Without limiting the generality of the foregoing, the Company has all necessary approvals of the Board of Governors of the Federal Reserve System to own the stock of the Subsidiary Bank. Neither the Company nor any subsidiary has received notice of or has actual knowledge of any basis for any proceeding or action relating specifically to the Company or its subsidiaries for the revocation or suspension of any such approval, license, certificate or permit or any other action or proposed action by any regulatory authority having jurisdiction over the

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Company or its subsidiaries that would, if determined adversely to the Company, have a material adverse effect on the Company or any subsidiary.

(vii) The Company is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. The Subsidiary Bank's deposit accounts are insured by the Federal Deposit Insurance Corporation (the "FDIC") to the fullest extent provided by law. No proceeding for the termination of such insurance is pending or, to the Company's knowledge, is threatened. Except as disclosed in the Prospectus, neither the Company nor the Subsidiary Bank is subject to any cease and desist order, written agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive (other than orders or directives applicable to the banking industry as a whole) by, or is a recipient of any extraordinary supervisory agreement letter from, or has adopted any board resolutions (other than board resolutions required by law or regulation and applicable to the banking industry as a whole) at the request of, federal or state governmental authorities charged with the supervision or regulation of

national banking associations, savings banks, banks, savings and loan companies or associations, bank holding companies or savings and loan holding companies or engaged in the insurance of bank deposits (collectively, the "Bank Regulators"), neither the Company nor the Subsidiary Bank has been advised by any Bank Regulator that it is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such order, directive or extraordinary supervisory letter, and neither the Company nor the Subsidiary Bank is contemplating (A) becoming a party to any such written agreement, memorandum of understanding, commitment letter or similar undertaking with any Bank Regulator or (B) adopting any such board resolutions at the request of any Bank Regulator.

(viii) The outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable. All offers and sales by the Company of outstanding shares of capital stock and other securities of the Company prior to the date hereof, were made in material compliance with the Act and all applicable state securities or blue sky laws. The Shares to be issued and sold by the Company to the Underwriters pursuant to this Agreement have been duly authorized and, when issued and paid for as contemplated herein, will be validly issued, fully paid and nonassessable. There are no preemptive rights or, except as described in the Prospectus, other rights to subscribe for or to purchase, or any restriction upon the voting or transfer of, any shares of capital stock of the Company pursuant to the Company's Articles of Incorporation, Bylaws or any agreement or other instrument to which the Company is a party or by which the Company is bound. Neither the filing of the Registration Statement nor the offering or the sale of the Shares as contemplated by this Agreement gives rise to any rights for, or relating to, the registration of any shares of capital stock or other

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securities of the Company, except such rights which have been validly waived or satisfied. Except as described in the Prospectus, there are no outstanding options, warrants, agreements, contracts or other rights to purchase or acquire from the Company shares of its capital stock. The Company has the authorized and outstanding capital stock as set forth under the heading "Capitalization" in the Prospectus. The outstanding capital stock of the Company, including the Shares, conforms, and the Shares to be issued by the Company to the Underwriters will conform, to the description thereof contained in or incorporated by reference into the Prospectus.

(ix) The financial statements, together with the related notes and schedules as set forth in the Registration Statement, present fairly the consolidated financial position, results of operations and changes in financial position of the Company and its subsidiaries on the basis stated in the Registration Statement at the indicated dates and for the indicated periods. Such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, and all adjustments necessary for a fair presentation of results for such periods have been made, except as otherwise stated therein and except that the unaudited financial statements included therein have been prepared in accordance with generally accepted accounting principles applicable to unaudited interim financial statements. The summary and selected financial and statistical data included in the Registration Statement present fairly the information shown therein on the basis stated in the Registration Statement and have been compiled on a basis consistent with the financial statements presented therein. No other financial statements or schedules are required to be included in the Registration Statement or Prospectus. The allowance for loan losses of the Bank is adequate based on management's assessment of various factors affecting the loan portfolio, including a review of problem loans, business conditions, historical loss experience, evaluation of the quality of the underlying collateral and holding and disposal costs.

(x) There is no action or proceeding pending or, to the knowledge of the Company, threatened or contemplated against the Company or any of its subsidiaries before any court or administrative or regulatory agency which, if determined adversely to the Company or any of its subsidiaries, would, individually or in the aggregate, result in a material adverse change in the business or condition (financial or otherwise) or prospects of the Company and its subsidiaries, taken as a whole, except as set forth in the Registration Statement.

(xi) The Company has good and marketable title to all properties and assets reflected as owned in the financial statements hereinabove described (or described as owned in the Prospectus), in each case free and clear of all liens, encumbrances and defects, except such as are described in the Prospectus or do not materially

affect the value of such properties and assets and do not materially interfere with the use made and proposed to be made of such properties and assets by the Company and its subsidiaries. Any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries.

(xii) Since the respective dates as of which information is given in the Registration Statement, (A) there has not been any material adverse change, or any development involving a prospective material adverse change, in or affecting the condition, financial or otherwise, of the Company and its subsidiaries, taken as a whole, or the business affairs, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, whether or not occurring in the ordinary course of business, including, without limitation, any material increase in the amount of non-performing assets of the Bank or any material decrease in the volume of loan originations, the amount of deposits or the amount of loans, (B) there has not been any transaction not in the ordinary course of business entered into by the Company or any of its subsidiaries which is material to the Company and its subsidiaries, taken as a whole, other than transactions described or contemplated in the Registration Statement, (C) the Company and its subsidiaries have not incurred any material liabilities or obligations, which are not in the ordinary course of business or which could result in a material reduction in the future earnings of the Company and its subsidiaries, (D) the Company and its subsidiaries have not sustained any material loss or interference with their respective businesses or properties from fire, flood, windstorm, accident or other calamity, whether or not covered by insurance, (E) there has not been any change in the capital stock of the Company (other than upon the exercise of options described in the Registration Statement), or any material increase in the total borrowings of the Company (as calculated under the heading "Capitalization" in the Prospectus), (F) there has not been any declaration or payment of any dividends or any distributions of any kind with respect to the capital stock of the Company, other than any dividends or distributions described or contemplated in the Registration Statement, or (G) there has not been any issuance of warrants, options, convertible securities or other rights to purchase or acquire capital stock of the Company.

(xiii) Neither the Company nor any of its subsidiaries is in violation of, or in default under, its respective Articles of Incorporation or Bylaws, or any statute, or any rule, regulation, order, judgment, decree or authorization of any court or governmental or administrative agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, or any indenture, mortgage, deed of trust, loan agreement, lease, franchise, license or other

agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them are bound or to which any property or assets of the Company or any of its subsidiaries is subject, which violation or default would have a material adverse effect on the business, condition (financial or otherwise) or prospects of the Company and its subsidiaries, taken as a whole.

(xiv) The issuance and sale of the Shares by the Company and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions contemplated herein will not violate any provision of the Articles of Incorporation or Bylaws of the Company or any of its subsidiaries or any statute or any order, judgment, decree, rule, regulation or authorization of any court or governmental or administrative agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, and will not conflict with, result in a breach or violation of, or constitute, either by itself or upon notice or passage of time or both, a default under any indenture, mortgage, deed of trust, loan agreement, lease, franchise, license or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any property or assets of the Company or any of its subsidiaries is subject. No approval, consent, order, authorization, designation, declaration or filing by or with any court or governmental agency or body is required for the execution and delivery by the Company of this Agreement and the consummation of the transactions herein contemplated, except as may be required under the Act or any state securities or blue sky laws.

(xv) The Company has the power and authority to enter into this Agreement and to authorize, issue and sell the Shares it will sell hereunder as contemplated hereby. This Agreement have been duly and validly authorized, executed and delivered by the Company.

(xvi) Crowe, Chizek and Company, LLP has certified certain of the financial statements filed with the Commission as part of the Registration Statement and is an independent public accountants as required by the Act and the Regulations.

(xvii) The accountant's reports on the financial statements of the Company for each of the past two fiscal years did not contain in adverse opinion or a disclaimer of opinion, and was not qualified as to uncertainty, audit scope, or accounting principles. During the two most recent fiscal years, there were no disagreements between the Company and Crowe, Chizek and Company, LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

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(xviii) The Company has not taken and will not take, directly or indirectly, any action designed to, or which has constituted, or which might reasonably be expected to cause or result in, stabilization or manipulation of the price of the Common Stock.

(xix) The Shares have been approved for designation upon notice of issuance on the Nasdaq National Market System.

(xx) The Company has obtained and delivered to the Representative written agreements, in form and substance satisfactory to the Representative, of each of its directors and executive officers that no offer, sale, assignment, transfer, encumbrance, contract to sell, grant of an option to purchase or other disposition of any Common Stock or other capital stock of the Company will be made for a period of 120 days after the date of the Prospectus, directly or indirectly, by such holder otherwise than hereunder or with the prior written consent of the Representative.

(xxi) The Company has not distributed and will not distribute any prospectus or other offering material in connection with the offering and sale of the Shares other than any Preliminary Prospectus or the Prospectus or other materials permitted by the Act to be distributed by the Company.

(xxii) The Company is in compliance with all provisions of Florida Statutes Section 517.075 (Chapter 92-198, laws of Florida). The Company does not do any business, directly or indirectly, with the government of Cuba or with any person or entity located in Cuba.

(xxiii) The Company and its subsidiaries have filed all federal, state, local and foreign tax returns or reports required to be filed, and have paid in full all taxes indicated by said returns or reports and all assessments received by it or any of them to the extent that such taxes have become due and payable, except where the Company and its subsidiaries are contesting in good faith such taxes and assessments. The Company and the Subsidiary Bank have also filed all required applications, reports, returns and other documents and information with all Bank Regulators, and no such application, report, return or other document or information contained, as of the date it was filed, an untrue statement of a material fact required to be stated therein or necessary to make the statements therein not misleading when made or failed to comply with the applicable requirements of the Bank Regulator with which such application, report, return, document or information was filed.

(xxiv) The Company and each of its subsidiaries owns or licenses all patents, patent applications, trademarks, service marks, tradenames, trademark

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registrations, service mark registrations, copyrights, licenses, inventions, trade secrets and other similar rights necessary for the conduct of its business as described in the Prospectus. The Company has no knowledge of any infringement by it or its subsidiaries of any patents, patent applications, trademarks, service marks, tradenames, trademark registrations, service mark registrations, copyrights, licenses, inventions, trade secrets or other similar rights of others, and neither the Company nor any of its subsidiaries has received any notice or claim of conflict with the asserted rights of others with respect any of the foregoing.

(xxv) The Company is not, and upon completion of the sale of Shares contemplated hereby will not be, required to register as an

"investment company" under the Investment Company Act of 1940, as amended.

(xxvi) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and the rules of Bank Regulators, and to maintain accountability for assets; (C) access to records is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxvii) Other than as contemplated by this Agreement, the Company has not incurred any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(xxviii) The minute books and stock record books of the Company and the subsidiaries are complete and correct and accurately reflect all material actions taken at meetings of the shareholders and directors of the Company and the subsidiaries, and of all committees thereof, including, without limitation, the loan committees and the audit committees of the Subsidiary Bank, since January 1, 1998, and all issuances and transfers of any shares of the capital stock of the Company and the subsidiaries since January 1, 1998.

(xxix) No material labor dispute with the employees of the Company or any of its subsidiaries exists or, to the Company's knowledge, is imminent.

(xxx) The Company and its subsidiaries maintain insurance of the types and in the amounts generally deemed adequate in their respective businesses and consistent with insurance coverage maintained by similar companies and businesses, and as required by the rules and regulations of all governmental

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agencies having jurisdiction over the Company or the Subsidiary Bank, all of which insurance is in full force and effect.

(xxxi) Neither the Company nor its subsidiaries have, directly or indirectly, at any time during the past five years (A) made any unlawful contribution to any candidate for public office, or failed to disclose fully any contribution in violation of law, or (B) made any payment to any federal or state governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States or any jurisdiction thereof.

(b) Any certificate signed by any officer of the Company and delivered to the Representative or counsel to the Underwriters shall be deemed to be a representation and warranty of the Company to each Underwriter as to the matters covered thereby.

2. Purchase, Sale and Delivery of Shares. On the basis of the representations, warranties and covenants contained herein, and subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter and each Underwriter agrees, severally and not jointly, to purchase from the Company, at a price of \$___ per share, the number of Firm Shares set forth opposite the name of each Underwriter in Schedule A hereto, subject to adjustments in accordance with Section 8 hereof.

In addition, on the basis of the representations, warranties and covenants herein contained and subject to the terms and conditions herein set forth, the Company hereby grants to the several Underwriters an option to purchase, at their election, up to 210,000 Option Shares at a price of \$_____ per share, for the sole purpose of covering overallocments in the sale of the Firm Shares. The option granted hereby may be exercised in whole or in part, but only once, and at any time upon written notice given within 30 days after the date of this Agreement, by you, as Representative of the several Underwriters, to the Company setting forth the number of Option Shares as to which the several Underwriters are exercising the option and the time and date at which certificates are to be delivered. If any Option Shares are purchased, each Underwriter agrees, severally and not jointly, to purchase that portion of the number of Option Shares as to which such election shall have been exercised (subject to adjustment to eliminate fractional shares) determined by multiplying such number of Option Shares by a fraction the numerator of which is the maximum number of Option Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule A hereto and the denominator of which is the maximum number of Option Shares which all of the Underwriters are entitled to purchase hereunder. The time and date at which

certificates for Option Shares are to be delivered shall be determined by the Representative but shall not be earlier than two or later than ten full business days after the exercise of such option, and shall not in any event be prior to the Closing Date. If the date of exercise of the option is three or more full days before the Closing Date, the notice of exercise shall set the Closing Date as the Option Closing Date.

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Certificates in definitive form for the Shares to be purchased by each Underwriter hereunder, and in such denominations and registered in such names as the Representative may request upon at least 48 hours' prior notice to the Company, shall be delivered by or on behalf of the Company to you for the account of such Underwriter at such time and place as shall hereafter be designated by the Representative, against payment by such Underwriter or on its behalf of the purchase price therefor by certified or official bank check or checks, payable to the order of the Company in next day funds. The time and date of such delivery and payment shall be, with respect to the Firm Shares, 8:00 a.m. New York, New York time, at the offices of Varnum, Riddering, Schmidt & Howlett LLP, 333 Bridge Street, N.W., Suite 1700, Grand Rapids, Michigan 49504 on [____], 2001, or such other time and date as you and the Company may agree upon in writing, such time and date being herein referred to as the "Closing Date," and, with respect to the Option Shares, at the time and on the date specified by you in the written notice given by you of the Underwriters' election to purchase the Option Shares, or such other time and date as you and the Company may agree upon in writing, such time and date being referred to herein as the "Option Closing Date." Such certificates will be made available for checking and packaging at least twenty-four hours prior to the Closing Date or the Option Closing Date, as the case may be, at a location as may be designated by you.

3. Offering by Underwriters. It is understood that the several Underwriters propose to make a public offering of the Firm Shares as soon as the Representative deems it advisable to do so. The Firm Shares are to be initially offered to the public at the initial public offering price of \$_____ per share. To the extent, if at all, that any Option Shares are purchased pursuant to Section 2 hereof, the Underwriters will offer such Option Shares to the public on the foregoing terms.

4. Covenants of the Company. The Company covenants and agrees with the several Underwriters that:

(a) The Company will prepare and timely file with the Commission under Rule 424(b) under the Act a Prospectus containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rule 430A under the Act, and will not file any amendment to the Registration Statement or supplement to the Prospectus of which the Representative shall not previously have been advised and furnished with a copy or as to which the Representative shall have objected in writing promptly after reasonable notice thereof or which is not in compliance with the Act or the Regulations.

(b) The Company will advise the Representative promptly of any request of the Commission for amendment of the Registration Statement or for any supplement to the Prospectus or for any additional information, or of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the use of the Prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, or of the

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institution or threatening of any proceedings for that purpose, and the Company will use its best efforts to prevent the issuance of any such stop order preventing or suspending the use of the Prospectus or suspending such qualification and to obtain as soon as possible the lifting thereof, if issued.

(c) To the extent required of issuers listed on the Nasdaq National Market System, the Company will endeavor to qualify the Shares for sale under the securities laws of such jurisdictions as the Representative may reasonably have designated in writing and will, or will cause counsel to, make such applications, file such documents, and furnish such information as may be reasonably requested by the Representative, provided that the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not now so qualified or required to file such a consent. The Company will, from time to time, prepare and file such statements, reports and other documents as are or may be required to continue such qualifications in effect for so long a period as the Representative may reasonably request for distribution of the Shares.

(d) The Company will furnish the Underwriters with as many copies of any Preliminary Prospectus as the Representative may reasonably

request and, during the period when delivery of a prospectus is required under the Act, the Company will furnish the Underwriters with as many copies of the Prospectus in final form, or as thereafter amended or supplemented, as the Representative may, from time to time, reasonably request. The Company will deliver to the Representative, at or before the Closing Date, two signed copies of the Registration Statement and all amendments thereto, including all exhibits filed therewith, and will deliver to the Representative such number of copies of the Registration Statement, without exhibits, and of all amendments thereto, as the Representative may reasonably request.

(e) If, during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, any event shall occur as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the Prospectus is delivered to a purchaser, not misleading, or if for any other reason it shall be necessary at any time to amend or supplement the Prospectus to comply with any law, the Company promptly will prepare and file with the Commission an appropriate amendment to the Registration Statement or supplement to the Prospectus so that the Prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein in light of the circumstances existing when it is so delivered, not misleading, or so that the Prospectus will comply with law.

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In case any Underwriter is required to deliver a prospectus in connection with sales of any Shares at any time nine months or more after the effective date of the Registration Statement, upon the request of the Representative but at the expense of such Underwriter, the Company will prepare and deliver to such Underwriter as many copies as the Representative may request of an amended or supplemented Prospectus complying with Section 10(a) (3) of the Act.

(f) The Company will make generally available to its security holders, as soon as it is practicable to do so, but in any event not later than 18 months after the effective date of the Registration Statement, an earnings statement (which need not be audited) in reasonable detail, covering a period of at least 12 consecutive months beginning after the effective date of the Registration Statement, which earnings statement shall satisfy the requirements of Section 11(a) of the Act and Rule 158 thereunder and will advise you in writing when such statement has been so made available.

(g) The Company will, for a period of five years from the Closing Date, deliver to the Representative copies of its annual report and copies of all other documents, reports and information furnished by the Company to its security holders or filed with any securities exchange pursuant to the requirements of such exchange or with the Commission pursuant to the Act or the Securities Exchange Act of 1934, as amended.

(h) No offering, sale or other disposition of any Common Stock or other capital stock of the Company, or warrants, options, convertible securities or other rights to acquire such Common Stock or other capital stock (other than pursuant to the stock compensation plan, directors' stock option plan, the employee stock purchase plan, outstanding options or on the conversion of convertible securities outstanding on the date of this Agreement) will be made for a period of 120 days after the date of this Agreement, directly or indirectly, by the Company otherwise than hereunder or with the prior written consent of the Representative.

(i) The Company will apply the net proceeds from the sale of the Shares to be sold by it hereunder substantially in accordance with the purposes set forth under "Use of Proceeds" in the Prospectus. The Company will invest such proceeds pending their use in such a manner that, upon completion of such investment, the Company will not be an "investment company" as defined in the Investment Company Act of 1940, as amended.

(j) The Company will use its best efforts to maintain the designation of the Common Stock on the Nasdaq National Market System.

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(k) The Company will file with the Commission such information with respect to the use of proceeds from the sale of the shares as may be required pursuant to Rule 463 under the Act.

5. Costs and Expenses. Whether or not the transactions contemplated

by this Agreement are consummated, the Company will pay (directly or by reimbursement) all costs, expenses and fees incident to the performance of the obligations of the Company under this Agreement, including, without limiting the generality of the foregoing, the following: accounting fees of the Company; the fees and disbursements of counsel for the Company; the cost of preparing, printing and filing of the Registration Statement, Preliminary Prospectuses and the Prospectus and any amendments and supplements thereto and the printing, mailing and delivery to the Underwriters and dealers of copies thereof and of this Agreement, the Master Agreement Among Underwriters, any Master Selected Dealers Agreement, the Blue Sky Memorandum and any supplements or amendments thereto; the filing fees of the Commission; the filing fees and expenses (including legal fees and disbursements of counsel for the Underwriters) incident to securing any required review by the NASD of the terms of the sale of the Shares; transfer taxes and the expenses, including the fees and disbursements of counsel for the Underwriters incurred in connection with the qualification of the Shares under state securities or Blue Sky laws; the fees and expenses incurred in connection with the designation of the Shares on the Nasdaq National Market System; the costs of preparing stock certificates; the costs and fees of any registrar or transfer agent and all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section 5. In addition, the Company will pay all travel and lodging expenses incurred by management of the Company in connection with any informational "road show" meetings held in connection with the offering and will also pay for the preparation of all materials used in connection with such meetings. The Company shall not, however, be required to pay for any of the Underwriters' expenses (other than those related to qualification of the Shares under state securities or Blue Sky laws and those incident to securing any required review by the NASD of the terms of the sale of the Shares) except that, if this Agreement shall not be consummated because the conditions in Section 6 hereof are not satisfied, or because this Agreement is terminated by the Representative pursuant to Section 10(a) hereof, or by reason of any failure, refusal or inability on the part of the Company to perform any undertaking or satisfy any condition of this Agreement or to comply with any of the terms hereof on its part to be performed, unless such failure to satisfy said condition or to comply with said terms shall be due to the default or omission of any Underwriter, then the Company shall promptly upon request by the Representative reimburse the several Underwriters for all appropriately itemized out-of-pocket accountable expenses, including fees and disbursements of counsel, incurred in connection with investigating, marketing and proposing to market the Shares or in contemplation of performing their obligations hereunder; but the Company shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits from the sale by them of the Shares.

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6. Conditions of Obligations of the Underwriters. The several obligations of the Underwriters to purchase the Firm Shares on the Closing Date and the Option Shares, if any, on the Option Closing Date, are subject to the condition that all representations and warranties of the Company contained herein are true and correct, at and as of the Closing Date or the Option Closing Date, as the case may be, the condition that the Company shall have performed all of its covenants and obligations hereunder and to the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the Regulations and in accordance with Section 4(a) hereof; no stop order suspending the effectiveness of the Registration Statement, as amended from time to time, or any part thereof shall have been issued, and no proceedings for that purpose shall have been initiated or threatened, by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Representative.

(b) The Representative shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinion of Varnum, Riddering, Schmidt & Howlett LLP, counsel for the Company, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters, to the effect that:

(i) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of Michigan, with corporate power and authority to own or lease its properties and conduct its business as described in the Prospectus.

(ii) The Company does not own any stock or other equity interest in any corporation, partnership, joint venture, unincorporated association or other entity other than the Subsidiary Bank and Macatawa Bank Mortgage Company. Each subsidiary of the Company has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business as described in the Prospectus. The Company owns all of the issued and outstanding capital stock of the Subsidiary Bank

and the Subsidiary Bank owns all of the issued and outstanding capital stock of Macatawa Bank Mortgage Company. The outstanding shares of capital stock of each such subsidiary have been duly authorized and validly issued, are fully paid and non-assessable, except as disclosed in the Prospectus, and are owned, directly or indirectly, by the Company, free and clear of all liens, encumbrances and security interests, other than security interests specifically disclosed in the Prospectus. No options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into any shares of capital stock or ownership interests in each such subsidiary are outstanding.

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(iii) The Company has authorized and outstanding capital stock as described in the Prospectus. The outstanding shares of the Company's capital stock have been duly authorized and validly issued and are fully paid and nonassessable. The form of certificate for the Shares is in due and proper form and complies with all applicable statutory requirements. The Shares to be issued and sold by the Company pursuant to this Agreement have been duly authorized and, when issued and paid for as contemplated herein, will be validly issued, fully paid and nonassessable. To the knowledge of such counsel, no preemptive or other similar subscription rights of shareholders of the Company, or of holders of warrants, options, convertible securities or other rights to acquire shares of capital stock of the Company, exist with respect to any of the Shares or the issue and sale thereof. To the knowledge of such counsel, no rights to register outstanding shares of the Company's capital stock, or shares issuable upon the exercise of outstanding warrants, options, convertible securities or other rights to acquire shares of such capital stock, exist which have not been validly exercised or waived with respect to the Registration Statement. The capital stock of the Company, including the Shares, conforms in all material respects to the description thereof contained in or incorporated by reference into the Prospectus.

(iv) The Registration Statement has become effective under the Act and, to the knowledge of such counsel, no stop order proceedings with respect thereto have been instituted or are pending or threatened by the Commission.

(v) The Registration Statement, the Prospectus, and each amendment or supplement thereto comply as to form in all material respects with the requirements of the Act and the Regulations (except that such counsel need express no opinion as to the financial statements and related schedules included therein).

(vi) The statements in the Prospectus under the captions "Supervision and Regulation" and "Description of Capital Stock" insofar as such statements constitute a summary of matters of law, are, in all material respects, accurate summaries and fairly present the information called for with respect to such matters.

(vii) Such counsel does not know of any contracts, agreements, documents or instruments required to be filed as exhibits to the Registration Statement, incorporated by reference into the Prospectus, or described in the Registration Statement or the Prospectus which are not so filed, incorporated by reference or described as required; and insofar as any statements in the Registration Statement or the Prospectus constitute summaries of any contract, agreement, document or instrument to which the Company is a party, such statements are, in all material

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respects, accurate summaries and fairly present the information called for with respect to such matters.

(viii) Such counsel knows of no legal or governmental proceeding, pending or threatened, before any court or administrative body or regulatory agency, to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or Prospectus and are not so described, or statutes or regulations that are required to be described in the Registration Statement or the Prospectus that are not so described.

(ix) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated do not and will not conflict with or result in a violation of or default under the Articles of Incorporation or Bylaws of the Company or any of its subsidiaries, or under any statute, permit, judgment, decree, order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, or under any lease, contract, indenture,

mortgage, loan agreement or other agreement or other instrument or obligation known to such counsel to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any property or assets of the Company or any of its subsidiaries is subject, except such agreements, instruments or obligations with respect to which valid consents or waivers have been obtained by the Company or any of its subsidiaries.

(x) The Company has the corporate power and authority to enter into this Agreement and to authorize, issue and sell the Shares as contemplated hereby. This Agreement has been duly and validly authorized, executed and delivered by the Company.

(xi) No approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body is necessary in connection with the execution and delivery of this Agreement and the consummation of the transactions herein contemplated (other than as may be required by state securities and blue sky laws, as to which such counsel need express no opinion) except such as have been obtained or made, specifying the same.

(xii) The Company is not, and immediately upon completion of the sale of Shares contemplated hereby will not be, required to register as an "investment company" under the Investment Company Act of 1940, as amended.

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(xiii) Such counsel has no reason to believe that, as of its effective date, the Registration Statement or any further amendment thereto made by the Company prior to the Closing Date or the Option Closing Date, as the case may be (other than the financial statements and related schedules therein, as to which such counsel need express no opinion), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of its date, the Prospectus or any further amendment or supplement thereto made by the Company prior to the Closing Date or the Option Closing Date, as the case may be (other than the financial statements and related schedules therein, as to which such counsel need express no opinion), contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading or that, as of the Closing Date or the Option Closing Date, as the case may be, either the Registration Statement or the Prospectus or any further amendment or supplement thereto made by the Company prior to the Closing Date or the Option Closing Date, as the case may be (other than the financial statements and related schedules therein, as to which such counsel need express no opinion), contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; and they do not know of any amendment to the Registration Statement required to be filed.

(xiv) The Subsidiary Bank has been duly organized and is validly existing as a corporation in good standing under the laws of Michigan, with corporate power and authority to own or lease its properties and conduct its business as described in the Prospectus. The Company has all necessary power and authority to own the Subsidiary Bank. The deposits of the depositors in the Subsidiary Bank are insured by the FDIC. The Company and the Subsidiary Bank have all necessary consents and approvals under applicable federal and state laws and regulations relating to banks and bank holding companies to own their respective assets and carry on their respective businesses as currently conducted.

(xv) The Company is duly registered as a bank holding company under the Bank Holding Company Act of 1956, as amended.

(xvi) The Company has all necessary approvals of the Board of Governors to own the stock of its subsidiaries. Based on such counsel's reasonable reliance upon the Company's certification, neither the Company nor the Subsidiary Bank is subject to any cease and desist order, written agreement or memorandum of understanding with, or are a party to any commitment letter or similar undertaking to, or are subject to any order or directive (other than orders or directives applicable to the banking industry as a whole) by, or is a recipient of any

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extraordinary supervisory agreement letter from, or has adopted any board resolutions (other than board resolutions required by law or

regulation and applicable to the banking industry as a whole) at the request of any of the Bank Regulators, and based on such counsel's reasonable reliance upon the Company's certification, neither the Company nor the Subsidiary Bank has been advised by any of the Bank Regulators that it is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such order, directive, or extraordinary supervisory letter, and neither the Company nor the Subsidiary Bank is contemplating (A) becoming a party to any such written agreement, memorandum of understanding, commitment letter or similar undertaking with any Bank Regulator or (B) adopting any such board resolutions at the request of any Bank Regulator. Based on such Counsel's reasonable reliance upon the Company's certification, neither the Company nor any subsidiary has received notice of or has knowledge of any basis for any proceeding or action relating specifically to the Company or its subsidiaries for the revocation or suspension of any consent, authorization, approval, order, license, certificate or permit issued by, or any other action or proposed action by, any regulatory authority having jurisdiction over the Company or its subsidiaries that would have a material effect on the Company or any subsidiary.

(xvii) For purposes of the opinion of counsel described in this Section 6(b), "based on such counsel's reasonable reliance upon the Company's certification" means that such counsel has relied solely upon a certification signed by a duly authorized officer of the Company and to which such counsel has no actual knowledge to the contrary.

(c) The Representative shall have received from Barack Ferrazzano Kirschbaum Perlman & Nagelberg, counsel for the Underwriters, an opinion dated the Closing Date or the Option Closing Date, as the case may be, with respect to the incorporation of the Company, the validity of the Shares, the Registration Statement, the Prospectus, and other related matters as the Representative may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters.

(d) The Representative shall have received on each of the date hereof, the Closing Date and the Option Closing Date, as the case may be, a signed letter, dated as of the date hereof, the Closing Date or the Option Closing Date, as the case may be, in form and substance satisfactory to the Representative, from Crowe, Chizek and Company, LLP, to the effect that they are independent public accountants with respect to the Company and its subsidiaries within the meaning of the Act and the Regulations and containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus.

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(e) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date or the Option Closing Date, as the case may be, there shall not have been any change or any development involving a prospective change, in or affecting the general affairs, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in the judgment of the Representative, is material and adverse to the Company and makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at the Closing Date or the Option Closing Date, as the case may be, on the terms and in the manner contemplated in the Prospectus.

(f) The Representative shall have received on the Closing Date or the Option Closing Date, as the case may be, a certificate or certificates of the chief executive officer and the chief financial officer of the Company to the effect that, as of the Closing Date or the Option Closing Date, as the case may be, each of them severally represents as follows:

(i) The Prospectus was filed with the Commission pursuant to Rule 424(b) within the applicable period prescribed for such filing by the Regulations and in accordance with Section 4 of this Agreement; no stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for such purpose have been initiated or are, to the knowledge of such officers, threatened by the Commission.

(ii) The representations and warranties of the Company set forth in Section 1 of this Agreement are true and correct at and as of the Closing Date or the Option Closing Date, as the case may be, and the Company has performed all of its obligations under this Agreement to be performed at or prior to the Closing Date or the Option Closing Date, as the case may be.

(g) The Company shall have furnished to the Representative such further certificates and documents as the Representative may reasonably have requested.

The opinions and certificates mentioned in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in all material respects reasonably satisfactory to the Representative and to Barack Ferrazzano Kirschbaum Perlman & Nagelberg, counsel for the Underwriters.

If any of the conditions hereinabove provided for in this Section 6 shall not have been fulfilled when and as required by this Agreement to be fulfilled, the obligations of the Underwriters hereunder may be terminated by the Representative by notifying the Company of such termination in writing or by telegram at or prior to the Closing Date or the Option Closing

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Date, as the case may be. In such event, the Company and the Underwriters shall not be under any obligation to each other (except to the extent provided in Sections 5 and 7 hereof).

7. Indemnification.

(a) The Company agrees to indemnify and hold harmless each Underwriter, each officer and director thereof, and each person, if any, who controls any Underwriter within the meaning of the Act, against any losses, claims, damages or liabilities to which such Underwriter or such persons may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus or the Prospectus, including any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading in light of the circumstances under which they were made, or (iii) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with or relating in any manner to, the Common Stock or the offering contemplated hereby, which is made in reliance upon any statement or omission of the type referred to in clause (i) or (ii) above, and will reimburse each Underwriter and each such controlling person for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission, made in the Registration Statement, any Preliminary Prospectus or the Prospectus, including any amendments or supplements thereto, in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representative specifically for use therein; and provided, further, that the Company shall not be liable in the case of any matter covered by clause (iii) above to the extent that it is determined in a final judgment by a court of competent jurisdiction that such losses, claims, damages or liabilities resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its gross negligence or willful misconduct.

(b) Each Underwriter agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Act, against any losses, claims, damages or liabilities to which the Company or any such director, officer or controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or arise out of or are based upon the

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omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that each Underwriter will be liable in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission has been made in the Registration Statement, any Preliminary Prospectus, the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representative specifically for use therein.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity or contribution may be sought pursuant to this Section 7, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing. No indemnification provided for in Section 7(a) or (b) or contribution provided for in Section 7(d) shall be available with respect to a proceeding to any party who shall fail to give notice of such proceeding as provided in this Section 7(c) if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was prejudiced by the failure to give such notice, but the failure to give such notice shall not relieve the indemnifying party or parties from any liability which it or they may have to the indemnified party otherwise than on account of the provisions of Section 7(a), (b) or (d). In case any such proceeding shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party and shall pay as incurred the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel at its own expense. Notwithstanding the foregoing, the indemnifying party shall pay promptly as incurred the reasonable fees and expenses of the counsel retained by the indemnified party in the event (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and the indemnified party shall have reasonably concluded that there may be a conflict between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it or other indemnified parties which are different from or additional to those available to the indemnifying party. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm at any time for all such indemnified parties. Such firm shall be

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designated in writing by the Representative and shall be reasonably satisfactory to the Company in the case of parties indemnified pursuant to Section 7(a) and shall be designated in writing by the Company and shall be reasonably satisfactory to the Representative in the case of parties indemnified pursuant to Section 7(b). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 7 is unavailable or insufficient to hold harmless an indemnified party under Section 7(a) or (b) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions or proceedings in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bears to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 7(d) were determined by pro rata allocation (even if the Underwriters were treated as

one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereto) referred to above in this Section 7(d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7(d), no Underwriter shall be required to contribute any amount in excess of

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the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter; and no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this Section 7(d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 7 shall be in addition to any liability which the Company may otherwise have, and the obligations of the Underwriters under this Section 7 shall be in addition to any liability which the Underwriters may otherwise have.

8. Default by Underwriters. If on the Closing Date or the Option Closing Date, as the case may be, any Underwriter shall fail to purchase and pay for the portion of the Shares which such Underwriter has agreed to purchase and pay for on such date (otherwise than by reason of any default on the part of the Company), you, as Representative of the Underwriters, shall use your best efforts to procure within 36 hours thereafter one or more of the other Underwriters, or any others, to purchase from the Company such amounts as may be agreed upon, and upon the terms set forth herein, of the Firm Shares or Option Shares, as the case may be, which the defaulting Underwriter or Underwriters failed to purchase. If during such 36 hours, you, as Representative, shall not have procured such other Underwriters, or any others, to purchase the Firm Shares or Option Shares, as the case may be, agreed to be purchased by the defaulting Underwriter or Underwriters, then (a) if the aggregate number of Shares with respect to which such default shall occur does not exceed 10% of the Firm Shares or Option Shares, as the case may be, covered hereby, the other Underwriters shall be obligated, severally, in proportion to the respective numbers of Firm Shares or Option Shares, as the case may be, which they are obligated to purchase hereunder, to purchase the Firm Shares or Option Shares, as the case may be, which such defaulting Underwriter or Underwriters failed to purchase, or (b) if the aggregate number of shares of Firm Shares or Option Shares, as the case may be, with respect to which such default shall occur exceeds 10% of the Firm Shares or Option Shares, as the case may be, covered hereby, the Company or you as the Representative of the Underwriters will have the right, by written notice given within the next 36-hour period to the parties to this Agreement, to terminate this Agreement without liability on the part of the non-defaulting Underwriters or of the Company except for expenses to be borne by the Company and the Underwriters as provided in Section 5 hereof and the indemnity and contribution agreements in Section 7 hereof. In the event of a default by any Underwriter or Underwriters, as set forth in this Section 8, the Closing Date or Option Closing Date, as the case may be, may be postponed for such period, not exceeding seven days, as you, as Representative, may determine in order that the required changes in the Registration Statement or in the Prospectus or in any other documents or arrangements may be effected. The term "Underwriter" includes any person substituted for a defaulting Underwriter. Any action taken under this Section 8 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

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9. Notices. All communications hereunder shall be in writing and, except as otherwise provided herein, will be mailed, delivered or telegraphed and confirmed as follows: if to the Underwriters, to Dain Rauscher Incorporated, 60 South Sixth Street, Minneapolis, Minnesota 55402, fax: (612) 371-2763, Attention: David Welch, with a copy to Barack Ferrazzano Kirschbaum Perlman & Nagelberg, 333 West Wacker Drive, Suite 2700, Chicago, Illinois 60606, fax: (312) 984-3150, Attention: John E. Freechack, Esq.; and if to the Company, to Macatawa Bank Corporation, 348 Waverly Road, Suite 2-2, Holland, Michigan 49423, fax: (616) 494-7644, Attention: Philip J. Koning, Secretary, with a copy to Varnum, Riddering, Schmidt & Howlett LLP, 333 Bridge Street, N.W., Grand Rapids, Michigan 49504, fax: (616) 336-7000, Attention: Donald L. Johnson, Esq.

10. Termination. This Agreement may be terminated by you by notice to the Company as follows:

(a) at any time prior to the Closing Date if any of the following has occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any material adverse change in or affecting the condition, financial or otherwise, of the Company and the Subsidiary Bank taken as a whole or the business affairs,

management, financial position, shareholders' equity or results of operations of the Company and the Subsidiary Bank taken as a whole, whether or not arising in the ordinary course of business, (ii) any outbreak or escalation of hostilities or declaration of war or national emergency after the date hereof or other national or international calamity or crisis or change in economic or political conditions if the effect of such outbreak, escalation, declaration, emergency, calamity, crisis or change on the financial markets of the United States would, in your judgment, make the offering or delivery of the Shares impracticable or inadvisable, (iii) suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange or limitation on prices (other than limitations on hours or numbers of days of trading) for securities on either such Exchange, or a halt or suspension of trading in securities generally which are quoted on the Nasdaq National Market System or the Nasdaq Small Cap Market, or (iv) declaration of a banking moratorium by either federal or New York State authorities; or

(b) as provided in Sections 6 and 8 of this Agreement.

This Agreement also may be terminated by you, by notice to the Company, as to any obligation of the Underwriters to purchase the Option Shares, upon the occurrence at any time prior to the Option Closing Date of any of the events described in subparagraph (a) above or as provided in Sections 6 and 8 of this Agreement.

11. Written Information. For all purposes under this Agreement (including, without limitation, Section 1, Section 2 and Section 7 hereof), the Company understands and agrees with each of the Underwriters that the following constitutes the only written information

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furnished to the Company by or through the Representative specifically for use in preparation of the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto: (i) the per share "Price to Public" and per share "Underwriting Discounts and Commissions" set forth on the cover page of the Prospectus, and (ii) the information set forth under the caption "Underwriting" in the Preliminary Prospectus and the Prospectus.

12. Successors. This Agreement has been and is made solely for the benefit of and shall be binding upon the Underwriters, the Company and their respective successors, executors, administrators and assigns, and the officers, directors and controlling persons referred to herein, and no other person will have any right or obligation hereunder. The term "successors" shall not include any purchaser of the Shares merely because of such purchase.

13. Miscellaneous. The reimbursement, indemnification and contribution agreements contained in this Agreement and the representations, warranties and covenants in this Agreement shall remain in full force and effect regardless of (a) any termination of this Agreement, (b) any investigation made by or on behalf of any Underwriter or controlling person thereof, or by or on behalf of the Company or its directors and officers and (c) delivery of and payment for the Shares under this Agreement.

Each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable under any applicable law or rule in any jurisdiction, such provision will be ineffective only to the extent of such invalidity, illegality or unenforceability in such jurisdiction or any provision hereof in any other jurisdiction

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Minnesota, without regard to conflicts of law principles.

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If the foregoing letter is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicates hereof, whereupon it will become a binding agreement among the Company and the several Underwriters in accordance with its terms.

Very truly yours,

MACATAWA BANK CORPORATION

By:

Benjamin A. Smith
Chairman

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

DAIN RAUSCHER INCORPORATED
As Representative of the several Underwriters

By: _____
J. David Welch
Its Managing Director

SCHEDULE A

SCHEDULE OF UNDERWRITERS

<TABLE>
<CAPTION>

| Underwriter ----- | Number of Firm Shares to be Purchased ----- | Maximum Number of Option Shares ----- |
|---|---|---|
| <S> | <C> | <C> |
| Dain Rauscher Incorporated..... | | |
| Stifel, Nicolaus & Company, Incorporated..... | | |
| [To be determined] | | |
| Total..... | 1,400,000 | 210,000 |

</TABLE>

May 11, 2001

Macatawa Bank Corporation
348 South Waverly Road
Holland, Michigan 49423

Ladies and Gentlemen:

This opinion is rendered in connection with the proposed issue and sale by Macatawa Bank Corporation, a Michigan corporation (the "Company") of up to 1,610,000 shares of the Company's common stock, no par value (the "Common Stock"), upon the terms and conditions set forth in the Company's Registration Statement on Form S-2 (the "Registration Statement") filed by the Company with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended. We have acted as counsel for the Company in connection with the issuance and sale of Common Stock by the Company.

In rendering the opinion contained herein, we have relied in part upon examination of the Company's corporate records, documents, certificates and other instruments and the examination of such questions of law as we have considered necessary or appropriate for the purpose of rendering this opinion.

Based upon the foregoing, we advise you that, in our opinion, the shares of Common Stock of the Company, in an amount up to 1,610,000 shares to be issued by the Company as described in the Registration Statement in accordance with the terms stated in the Registration Statement, including receipt by the Company of payment for such shares of Common Stock as described in the Registration Statement, at the time the Registration Statement becomes effective, will be duly and legally authorized, issued and outstanding, and will be fully paid and nonassessable.

We hereby consent to the filing of this opinion as an Exhibit to the Registration Statement and the reference to our firm under the caption "Legal Matters" in the Prospectus forming a part of the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission relating thereto.

Very truly yours,

VARNUM, RIDDERING, SCHMIDT & HOWLETT llp

/s/ VARNUM, RIDDERING, SCHMIDT & HOWLETT llp

EXHIBIT 10.4

CHATEAU CENTRE LEASE AGREEMENT

THIS LEASE executed in triplicate on the 2nd day of March, 1999, by and between CHATEAU VILLAGE L.L.C., a Michigan Limited Liability Company, whose address is 547 Baldwin, Jenison, Michigan 49428, hereinafter called "Lessor", and MACATAWA BANK, a Michigan banking corporation, of 106 E. 8th Street, Holland, MI 49423, hereinafter called "Lessee",:

PARAGRAPH 1. Premises. Upon the conditions hereinafter contained, Lessor does hereby demise and lease to Lessee and the Lessee does lease from Lessor certain premises situated in the City of Wyoming in the County of Kent and State of Michigan, consisting of 2,060 square feet within the Chateau Centre, which consists of 43,500 square feet of building owned by Lessor for Lessee and other tenants. Said premises is Suite 2 of 1760 44th Street, SW, together with the use in common with Lessor and others entitled thereto of the common area parking areas, service road and sidewalks; subject, however, to the terms and conditions of this Lease Agreement and to the reasonable rules and regulations of the use thereof as prescribed from time to time by Lessor. The "premises" are set forth on Schedule "A" attached hereto and shall include the drive-up ATM area described in Paragraph 29.

PARAGRAPH 2. Permitted use and Assignment. Said premises shall be used for a bank, mortgage office and other related uses. Lessee shall not be permitted to either sell or market insurance products in the premises because Nationwide Insurance has an exclusivity clause in their lease prohibiting such use by other Tenants of Chateau Centre. Lessee shall not have the right to sublet nor to assign to any other party without first securing the consent of the Lessor. Lessor shall not unreasonably withhold its consent with the understanding that, if said sub-lessee shall pay rent at a higher rate than Lessee is paying, the additional rent shall belong to Lessor. Lessor shall not lease, assign, sublease, or allow any other space within Chateau Centre to be used for banking purposes, with the exception of Commercial Credit, Inc., an existing lessee already in Chateau Centre and an existing ATM bank machine located in the Quick Stop premises.

PARAGRAPH 3. Signage. Lessee shall have the right to install a sign on the marquee over its leased space which shall be paid for by Lessee. The style of the marquee sign must be either neon or individual raised illuminated letters. All lighting ballast's are to be concealed in the bulkhead. The maximum height of the marquee sign is twenty-four inches (24"). Lessor has erected on pylon-type sign tower at the Center to accommodate an illuminated sign advertising the business of the Lessee. The Lessee shall be entitled, at its own expense, to one standard size (5" high by 10' length) pylon space allotted for Lessee's identification. All signs installed by Lessee shall comply and conform to the appropriate governmental ordinances and regulations governing the same and shall be removed by Lessee at the termination of this Lease, including repairs and/or refinishing of the surface of the building where the sign was mounted. The Lessee shall provide the Lessor, for its approval, which shall not be unreasonably withheld, drawings and specifications of its signage prior to installation. The pylon signage must be manufactured and installed by the Valley City Sign Company of Grand Rapids, Michigan.

PARAGRAPH 4. Terms and Rental. The term of this Lease shall be for a period of 36 months beginning May 1, 1999, and terminating on April 30, 2002. Lessee herewith has deposited \$2,146.88 which shall be the first months' rent and \$2,146.88 which shall be a security deposit. Rent shall be due on the first day of the second month, June 1, 1999, in the amount of \$2,146.88, and shall be due monthly beginning on the first day of each month thereafter. Lessee shall receive rent and expense free occupancy of the premises from April 1 - 30, 1999 to prepare the premises for its intended use.

For the second year of the lease term, the rent shall be adjusted upward as follows: the rent for the second year shall be determined by adjusting the first year's rent upward by the same percentage that the "all items" index of the Consumers Price Index for the last month of the first year shall have increased from the same index of the Consumers Price Index for the month preceding the month in which this lease commences; the rent for each succeeding year of the lease term shall be determined by adjusting the rent to have been paid during the preceding year upward by the same percentage that the "all items" index of the Consumers Price Index for the last month of the preceding lease year (the lease year then ending) shall have increased from the same index of the Consumers Price Index for the same month of the preceding calendar year.

Notwithstanding the above, the annual rent adjustment shall not exceed three percent (3%) during the lease base term and five percent (5%) during the lease renewals.

Reference to the Consumers Price Index is the official Consumers Price Index,

United States City Average for All Urban Consumers, published by the United States Department of Labor, Bureau of Labor Statistics, Washington, DC 1982-84 = 100. In the event that during the lease term such Index shall not be available in the same form, or shall be calculated on a different basis than 1982-84 = 100, and if the Bureau of Labor Statistics shall have substituted a new Index with the appropriate tables for conversion from the discontinued Index to the substituted Index, such conversion shall be made and rent for the period commencing after such substitution shall be on the basis of the substituted Index properly converted from the discontinued Index in accordance with such conversion tables. It is the intention of the parties that the transition from one Index to the other shall not result in an increase in the rent adjustment which would not otherwise have been made except for such transition. In the event that such Index shall be discontinued during the term of this lease, and if no official Bureau of Labor Statistics Index shall be substituted with appropriate conversion tables, and if the parties are unable to agree upon a basis for rent adjustment thereafter, then such adjustment shall be determined by two arbitrators in accordance with the rules of the American Arbitration Association. In the event that the Consumers Price Index for a particular month is not published in sufficient time to allow for the rent adjustment provided for above in the first month of any lease year, as soon as is practicable after such publication the rent adjustment shall be made and any increase in the rent to be paid shall be paid immediately.

In the event the base rent and/or additional rentals are paid more than ten (10) days after such rent is due, such rent shall be assessed a one-time late charge of five percent (5%) of the amount unpaid, and shall bear interest from the due date until paid at the lesser of the rate of one and one-quarter percent (1.25%) per month or the highest rate permitted by law.

PARAGRAPH 5. Insurance. Insurance shall be obtained and maintained in accordance with the following provisions:

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(a) Lessor shall obtain and maintain such fire and extended coverage insurance in an amount not less than the then current replacement cost of the building and other improvements of Chateau Centre. This expense shall be reimbursed to Lessor pursuant to Paragraph 7 hereof. Lessee shall obtain and maintain such fire and extended coverage insurance as Lessee deems necessary to protect its own property located on the Premises.

(b) Lessor shall obtain and maintain such insurance covering public liability as will protect Lessor and Lessee against claims or any and all persons for personal injury, death or property damage occurring in, on, or about the Premises, or in any manner growing out of or connected with Lessor's ownership, or Lessee's use or occupation of the Premises, or the condition thereof, such insurance to afford protection to the limit of not less than \$500,000 per person, \$1,000,000 per accident, and \$1,000,000 property damage. This expense shall be reimbursed to Lessor pursuant to Paragraph 7 hereof. Further, Lessee and Lessor agree to indemnify and hold each other harmless from liability for damages to any person or property in or about the leased premises resulting from the negligence of the indemnifying party or its agents, except to the extent such damage is covered by insurance. Except as provided in Paragraph 6, Lessee agrees to be a self-insurer or carry insurance for the replacement and repair of any plate glass upon the premises and further agrees, in the event of any breakage not caused by Lessor or not covered by the fire and extended coverage policy of Lessor to replace such glass promptly.

The Lessor and the Lessee, and all parties claiming under them, hereby mutually release and discharge each other from all claims and liabilities arising from or caused by any hazards covered by insurance on the lease Premises, or covered by insurance in connection with property on or activities conducted on the Premises regardless of the cause of the damage or loss. Lessor and Lessee shall each cause appropriate clauses to be included in their respective insurance policies covering the Premises waiving subrogation against the other party consistent with the mutual release contained in this paragraph.

PARAGRAPH 6. Maintenance. Lessor shall, at all times during the lease term, maintain the exterior and structural interior portions of the building, including walls and roof, and any glass breakage caused by the elements, settling of the building or structural defects. The above,

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notwithstanding, however, Lessee shall, at its expense, keep every part of said Premises in good repair, including but not limited to electrical, plumbing, heating and air conditioning equipment except that Lessor shall be responsible for any repairs that are considered a capital investment or improvement as defined in Paragraph 7; and shall at all times keep Premises in as good a condition and repair as when possession is taken and upon termination of this Lease, by lapse of time or otherwise, will yield up said premises in as good condition and repair as when taken, ordinary use and wear excepted. Lessee shall also wash windows, maintain their exterior signs and antenna systems, assume day to day maintenance and replacement of interior lighting and mechanicals, and shall keep the interior of the building in neat condition at all times.

PARAGRAPH 7. Proration of Operating Expenses. In addition to the rents specified pursuant to Paragraph 4 hereof, Lessee shall pay to Lessor, as additional rent, Lessee's pro-rata share of the general operating expense incurred by Lessor in maintaining Chateau Centre. It is agreed that Lessee's pro-rata share is 4.74 percent. For purposes hereof, the term operating expenses means the following: costs and expenses incurred by Lessor with respect to the land and improvements on and in which the Premises are situated; all property taxes and assessments: real, personal, general, and special; water, sewer, common area lighting, electricity, property management fees, maintenance services contracted for by Lessor, and/or wages, salaries, fringe benefits, and applicable taxes on the employer if performed by Lessor; general maintenance, snow removal and exterior grounds care; seasonal maintenance contract for heating and air conditioning equipment; parking area cleanup and parking lot maintenance; insurance premiums; and repairs and general maintenance to common areas, but excluding any alterations to meet the need of specific tenants and any capital investments or improvements as defined in accordance with federal tax reporting requirements and generally accepted accounting principles. All operating expenses are billed to Lessee on an annual basis based on a budget accounting. Payment shall be made monthly to Lessor and due with rent payment. Each year, Lessor shall submit to Lessee a budget estimating total operating expenses for the preceding/current year. Lessee shall pay each month its pro-rata share (4.74%) of the total operating expense estimate of that year's budget divided by twelve/1/. Each successive year, actual operating expenses shall be reconciled to the budget amount. Lessee shall be credited (if actual is lower) or charged (if actual is higher) the net difference to the following month's operating expense payment/2/. The

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additional rent payment as calculated by this paragraph is to be received (due) by the Lessor along with rent payment on the first day of each month.

/1/Example: Total operating expenses for 199X are \$1,000.00. Lessee pays 4.74%

x \$1,000.00/12 months = \$3.95 per month.

/2/Example: 199X budget \$1,000.00 - 199X actual \$1,100.00. Lessee pays 4.74%

of \$1,100 - 1,000 = \$100 x 4.74% = \$4.74 in next months statement.

PARAGRAPH 8. Utilities. Lessee shall pay for all gas, electricity, water, sewage or telephone services, or other utility services used by it during the entire term of this Lease. The Lessee shall be responsible for all utilities in the leased space from the date it is first occupied for remodeling or leasehold improvements. It shall also be the responsibility of the Lessee prior to occupancy to apply for the utility service in their name.

PARAGRAPH 9. Destruction of Premises. If, during the term of this Lease, the Premises shall be partially or wholly destroyed by fire, by the elements or by any other cause, and such destruction cannot be repaired, replaced or restored within 120 days, then this Lease, at the option of the Lessee and upon notice in writing to Lessor, shall cease and terminate and each party shall be released of further obligation thereunder, and Lessor shall refund to Lessee any portion of rent paid in advance and not earned at the time of such destruction. If, however, Lessee elects to continue this Lease or if such destruction may be repaired, replaced, or restored within 120 days, Lessor shall repair the premises as speedily as possible, at Lessor's expense and upon completion of such repairs, Lessee shall be entitled to a reduction of rent in proportion to the amount of floor space of which it was deprived of use while such repairs were being made.

PARAGRAPH 10. Liens. Lessee shall keep the leased premises free from any liens arising out of any work performed, materials furnished, or obligation incurred by Lessee.

PARAGRAPH 11. Eminent Domain. If all of the leased premises, or such part thereof as to render the balance unsuitable for carrying on Lessee's business, is taken by condemnation proceedings, this Lease shall terminate, at the option of Lessee, at the time when possession of the whole or of the part so taken shall be required for such public use, and the rents, properly apportioned, shall be paid up to that time only. Such taking shall not be deemed a breach of the covenants of Lessor for quiet enjoyment herein contained.

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PARAGRAPH 12. Title Covenants and Quiet Enjoyment. Lessor covenants that it is seized of the leased premises and has the full right to make this Lease, and that Lessee shall have quiet and peaceful possession and enjoyment of the leased premises during all of the term and renewal thereof against all acts of any parties claiming title to, or a right to, the possession of said leased premises.

PARAGRAPH 13. Personal Property Fixtures and Equipment. Personal property, including fixtures and other equipment owned by Lessee, or its assignee or

subtenant in said premises, shall not become a part of the realty, even if fastened to the premises, but shall retain their status as personalty and may be removed by Lessee at any time. However, any damage to the leased premises caused by the removal of such property shall be repaired by Lessee at its expense.

PARAGRAPH 14. Default and Remedies. In case Lessee shall default in the performance of any covenant or agreement herein contained and such default shall continue for thirty (30) days after receipt by Lessee of written notice thereof by Lessor, then Lessor at its option may declare this Lease terminated and may re-enter the leased premises with due process of law and remove all persons therefrom; provided however, that if the default is (1) non-payment of any rent obligation, (2) a health hazard, or (3) physical damage to the premises, then the written notice period shall just be seven (7) days rather than thirty (30) days. The exercise by Lessor of the right of re-entry shall not be a bar to, or prejudice in any way, any other legal remedies available to Lessor. If Lessor shall commit a substantial default in a performance of any covenant or agreement herein contained and such default shall continue for ten (10) days after receipt by Lessor of written notice given by Lessee, then no rent shall be paid or become payable under this Lease for such time as such default shall continue after the expiration of said 10-day period.

Notwithstanding any other provisions contained in this Lease, in the event (a) Lessee or its successors or assignees shall become insolvent or bankrupt, or if it or their interests under this Lease shall be levied upon or sold under execution or other legal process, or (b) the depository institution then operating on the leased premises is closed, or is taken over by any depository institution supervisory authority ("Authority"), Lessor may, in either such event, terminate this

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Lease only with the concurrence of any Receiver or Liquidator appointed by such Authority; provided, that in the event this Lease is terminated by the Receiver or Liquidator, the maximum claim of Lessor for rent, damages, or indemnity for injury resulting from the termination, rejection, or abandonment of the unexpired Lease shall by law in no event be in an amount exceeding an amount equal to all accrued and unpaid rent to the date of termination.

PARAGRAPH 15. Termination. Lessee, at the termination of said Lease, shall redeliver and surrender up to Lessor the leased premises in good order and condition, ordinary, reasonable wear and tear excepted.

PARAGRAPH 16. Entry by Landlord. For the purpose of maintaining the premises, Lessor reserves the right at reasonable times upon prior reasonable notice (except in case of emergency) to enter and inspect the premises and to make any necessary repairs to the premises.

PARAGRAPH 17. Notices. Any notice under this Lease shall be deemed to have been given when a written memorandum thereof is deposited in a United States mailbox with postage prepaid and addressed to the party entitled to receive notice at the address contained in this Lease or at such other addresses as the parties may from time to time designate.

PARAGRAPH 18. Alterations. Lessee may make such alterations and changes in such parts of the building as Lessee finds necessary, providing Lessor consents thereto, and Lessor shall not unreasonably withhold its consent.

PARAGRAPH 19. Renewals. Lessee shall have the option to renew this Lease for three (3) terms of three (3) years each. To exercise said option Lessee shall give notice to Lessor in writing not less than 120 days prior to the expiration of the initial term or any extension thereof. An election to renew that is given too late is void. The rental rate for the renewal periods shall be the same as mentioned in Paragraph 4 above. The option to renew may not be exercised by Lessee if Lessee is in default in performing this Lease Agreement, or has received from Lessor two or more notices to quit during the initial term.

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PARAGRAPH 20. Parking. It is further agreed that Lessee and Lessee's employees shall park all vehicles in the parking lot in the rear of the building, leaving the front parking available for customers.

PARAGRAPH 21. Security Deposits. Lessee is herewith depositing \$2,146.88 as a security deposit which will be held by Lessor. The security deposit will be charged for any damage or unpaid rent at the end of the lease term, and the remaining balance shall be immediately returned to Lessee.

PARAGRAPH 22. Leasehold Improvements. Leasehold improvements made by the Lessee must be approved by the Lessor prior to construction, and Lessor shall not unreasonably withhold its consent. Any improvements made, even if approved by Lessor, must be removed by the Lessee upon the expiration of the Lease and the lease space returned to its original condition unless otherwise agreed.

PARAGRAPH 23. Termination and Inspection. Lessee shall call for an inspection

by the Lessor upon the termination of the Lease whether voluntary or involuntary within seven (7) days following the last business day occupied to determine if the premises have been returned in a satisfactory condition. Lessor may waive this right, but in any case must give a written release stating that the terms of the Lease have been met in full for the security deposit to be returned.

PARAGRAPH 24. Headings. The headings which are used following the number of each paragraph are so used only for convenience in locating various provisions of this Lease and shall not be deemed to affect the interpretation or construction of such provisions.

PARAGRAPH 25. Complete Agreements and Amendments. This Lease Agreement constitutes the complete terms and agreement between Lessor and Lessee. There are no unwritten modifications or understandings. This Agreement can be amended or modified only by written agreement signed by both parties.

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PARAGRAPH 26. Advice of Counsel. The Lessor and Lessee herewith acknowledge that Ben M. Muller Realty Co., Inc., agent for Lessor, has recommended that the parties to this Lease Agreement retain an attorney to advise them as to all aspects of this transaction. Upon signing of this Lease Agreement, the Lessor and Lessee agree to hold Ben M. Muller Realty Co., Inc. and its agents harmless from any claims arising from this transaction.

PARAGRAPH 27. Lessor's Work. Prior to April 5, 1999, Lessor shall complete the following described work without expense to Lessee:

1. Install partitioning wall to create the premises. Such wall shall be drywalled, taped and sanded (ready for paint) and shall include electrical outlets to code.
2. Prior to May 1, 1999, Lessor shall replace wood fascia on marquee damaged by prior lessee's signage.

All other interior work shall be done by and at the sole expense of the Lessee.

PARAGRAPH 28. Drive-up ATM. Lessor hereby leases to Lessee the necessary area and gives Lessee its permission, at Lessee's sole cost and expense, to install and maintain a drive-up ATM and accompanying improvements to the East of the Easterly Chateau Centre drive isle as shown on Schedule B attached hereto. It shall also be the Lessee's responsibility to obtain all Municipal approvals to install and construct such ATM, driveway islands, landscaping, etc. The Lessee agrees to remove such ATM and accompanying improvement at the termination of this Lease unless otherwise agreed to in writing by Lessor. Lessor shall keep such area free of obstructions so as not to obstruct use of such ATM machine.

PARAGRAPH 29. Subordination and Non-Disturbance. If requested by Lessee, Lessor shall deliver a non-disturbance agreement in favor of Lessee from any mortgagee currently holding an interest in the lease premises. Lessee at its expense shall provide the form of non-disturbance agreement. Such non-disturbance agreement shall provide that the tenancy and other rights of the Lessee hereunder shall not be disturbed, so long as Lessee pays the rent and performs all of the other terms and conditions of this Lease. The Lessee hereby agrees to subordinate this Lease to any mortgage affecting the leased premises hereafter made by the Lessor, provided that

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simultaneously with the execution of such mortgage, the mortgagee executes a non-disturbance agreement in favor of Lessee which provides that the tenancy and other rights of Lessee hereunder shall not be disturbed, so long as Lessee pays the rent and performs all of the other terms and conditions of this Lease.

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IN WITNESS WHEREOF, Lessor and Lessee have caused this Lease to be executed on the day and year first above written.

CHATEAU VILLAGE, L.L.C.,
a Michigan Limited Liability Company
Federal I.D. Number 38-2447200

Lessor:

By /s/ John Koetje

Its: Authorized Member

MACATAWA BANK,
a Michigan banking corporation

Lessee:

By /s/ Philip Koning

Its: President

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Line of Credit Agreement

Bank One, Michigan (the "Bank"), whose address is 611 Woodward Avenue, Detroit, Michigan 48226-3947, has approved the credit facilities listed below (collectively, the "Credit Facilities," and, individually, as designated below) to Macatawa Bank Corporation (the "Borrower"), whose address is 51 East Main Street, Zeeland, MI 49464, subject to the terms and conditions set forth in this agreement.

1.0 Credit Facilities.

Facility A. The Bank has approved a credit facility to the Borrower in the principal sum not to exceed \$5,000,000.00 in the aggregate at any one time outstanding ("Facility A"). Credit under Facility A shall be in the form of disbursements evidenced by credits to the Borrower's account and shall be repayable as set forth in a Revolving Business Credit Note executed concurrently (referred to in this agreement both singularly and together with any other promissory notes referenced in this Section 1 as the "Notes"). The proceeds of Facility A shall be used for the following purpose: Investment in bank subsidiary Macatawa Bank, investment in its Trust Services subsidiary or working capital. Facility A shall expire September 26, 2001, unless earlier withdrawn.

2.0 Conditions Precedent.

2.1 Conditions Precedent to Initial Extension of Credit. Before the first extension of credit under this agreement, whether by disbursement of a loan, issuance of a letter of credit, the funding of a Lease or otherwise, the Borrower shall deliver to the Bank, in form and substance satisfactory to the Bank:

- A. Loan Documents. The Notes, and if applicable, the Leases, the letter of credit applications, the security agreement, financing statements, mortgage, guaranties, subordination agreements and any other loan documents which the Bank may reasonably require to give effect to the transactions described by this agreement;
- B. Evidence of Due Organization and Good Standing. Evidence satisfactory to the Bank of the due organization and good standing of the Borrower and every other business entity that is a party to this agreement or any other loan document required by this agreement;
- C. Evidence of Authority to Enter into Loan Documents. Evidence satisfactory to the Bank that (i) each party to this agreement and any other loan document required by this agreement is authorized to enter into the transactions described by this agreement and the other loan documents, and (ii) the person signing on behalf of each party is authorized to do so; and

2.2 Conditions Precedent to Each Extension of Credit. Before any extension of credit under this agreement, whether by disbursement of a loan, issuance of a letter of credit, the funding of a Lease or otherwise, the following conditions shall have been satisfied:

- A. Representations. The Representations contained in this agreement shall be true on and as of the date of the extension of credit;
- B. No Event of Default. No event of default shall have occurred and be continuing or would result from the extension of credit;
- C. Additional Approvals, Opinions, and Documents. The Bank shall have received such other approvals, opinions and documents as it may reasonably request.

3.0 Borrowing Base/Annual Pay Down.

3.1 Borrowing Base. Notwithstanding any other provision of this agreement, the aggregate principal amount outstanding at any one time under Facility A, shall not exceed the lesser of the Borrowing Base or \$5,000,000.00. Borrowing Base means:

- A. 50% of the tangible book value of the common stock of Macatawa Bank.

4.0 Fees and Expenses.

4.1 Fees. Upon execution of this agreement, or as set forth below, the Borrower shall pay the Bank the following fees, all of which the

Borrower acknowledges have been earned by the Bank: \$4,000.00 (\$2,000.00) prepayment paid by borrower).

4.2 Out-of-Pocket Expenses. The Borrower shall reimburse the Bank for its out-of-pocket expenses, and reasonable attorney's fees (including the fees of in-house counsel) allocated to the Credit Facilities.

5.0 Security

5.1 Payment of the borrowings and all other obligations under the Credit Facilities shall be secured by a first security interest and/or real estate mortgage, as the case may be, covering the following property and all its additions, substitutions, increments, proceeds and products, whether now owned or later acquired ("Collateral"):

A. Common Stock. Common stock of Macatawa Bank representing ownership, voting interest and having \$10,000,000.00 book value.

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Should the borrowers subsidiary bank, Macatawa Bank, incur a ratio of Non-Performing Assets to Total Loans Plus OREO exceeding 1.75%, a net loss for any fiscal quarter ending or any financial default of the credit agreement, the borrower agrees to pledge at the request of Bank One Michigan, Common Shares of Macatawa Bank Stock necessary to represent 51% voting and ownership interest.

5.2 No forbearance or extension of time granted any subsequent owner of the Collateral shall release the Borrower from liability.

5.3 Additional Collateral/Setoff. To further secure payment of the borrowings and all other obligations under the Credit Facilities and all of the Borrower's other liabilities to the Bank, the Borrower grants to the Bank a continuing security interest in: (i) all securities and other property of the Borrower in the custody, possession or control of the Bank (other than property held by the Bank solely in a fiduciary capacity) and (ii) all balances of deposit accounts of the Borrower with the Bank. The Bank shall have the right at any time to apply its own debt or liability to the Borrower, or to any other party liable for payment of the obligations under the Credit Facilities, in whole or partial payment of such obligations or other present or future liabilities, without any requirement of mutual maturity.

5.4 Cross Lien. Any of the Borrower's other property in which the Bank has a security interest to secure payment of any other debt, whether absolute, contingent, direct or indirect, including the Borrower's guaranties of the debts of others, shall also secure payment of and be part of the Collateral for the Credit Facilities.

6.0 This section intentionally left blank.

7.0 This section intentionally left blank.

8.0 Affirmative Covenants. So long as any debt or obligation remains outstanding under the Credit Facilities, the Borrower, and each of its subsidiaries, if any, shall:

8.1 Insurance. Maintain insurance with financially sound and reputable insurers covering its properties and business against those casualties and contingencies and in the types and amounts as shall be in accordance with sound business and industry practices.

8.2 Existence. Maintain its existence and business operations as presently in effect in accordance with all applicable laws and regulations, pay its debts and obligations when due under normal terms, and pay on or before their due date, all taxes, assessments, fees and other governmental monetary obligations, except as they may be contested in good faith if they have been properly reflected on its books and, at the Bank's request, adequate funds or security has been pledged to insure payment.

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8.3 Financial Records. Maintain proper books and records of account, in accordance with generally accepted accounting principles where applicable, and consistent with financial statements previously submitted to the Bank. The Bank retains the right to inspect the Collateral and business records related to it at such times and at such intervals as the Bank may reasonably require.

8.4 Notice. Give prompt notice to the Bank of the occurrence of (i) any Event of Default, and (ii) any other development, financial or otherwise, which would affect the Borrower's business, properties or affairs in a materially adverse manner.

- 8.5 Financial Reports. Furnish to the Bank whatever information, books, and records the Bank may reasonably request, including at a minimum: (If the Borrower has subsidiaries, all financial statements required will be provided on a consolidated and on a separate basis.)
- A. Within 45 days after each interim quarterly period, a call report of bank subsidiaries.
 - B. Within 45 days after each interim quarterly period, a 10Q financial statement including: a balance sheet as of the end of that period, and statements of income, retained earnings, from the beginning of that fiscal year to the end of that period, certified as correct by one of its management authorized agents.
 - C. Within 120 days after, and as of the end of, each of its fiscal years, a detailed audit including a balance sheet and statements of income, cash flows, and retained earnings, certified by an independent certified public accountant of recognized standing.
 - D. Within 45 days after and as of the end of each fiscal quarter, a calculation of the financial covenants for this credit facility certified as correct and accurate by one of its authorized agents.

9.0 Negative Covenants.

9.1 Definitions. As used in this agreement, the following terms shall have the following respective meanings:

- A. "Debt Service" means for any period, principal and interest payments either paid or due during that period on all debt of the Borrower.
- B. "EBITDA" means for any period, net income plus to the extent deducted in determining net income, interest expense (including but not limited to

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imputed interest on capital leases), tax expense, depreciation, and amortization.

- C. "Subordinated Debt" means debt subordinated to the Bank in manner and by agreement satisfactory to the Bank.
- D. "Tangible Net Worth" means total assets less intangible assets, total liabilities, and all sums owing from stockholders, members, or partners, as the case may be, and from officers, managers, and directors. Intangible assets include goodwill, patents, copyrights, mailing lists, catalogs, trademarks, bond discount and underwriting expenses, organization expenses, and all other intangibles.

9.2 Unless otherwise noted, the financial requirements set forth in this section shall be computed in accordance with generally accepted accounting principals applied on a basis consistent with financial statements previously submitted by the Borrower to the Bank.

9.3 Without the written consent of the Bank, so long as any debt or obligation remains outstanding under the Credit Facilities, the Borrower shall not: (where appropriate, covenants apply on a consolidated basis).

- A. Debt. Incur, or permit to remain outstanding, debt for borrowed money or installment obligations, except debt reflected in the latest financial statement of the Borrower furnished to the Bank prior to execution of this agreement and not to be paid with proceeds of borrowings or leases under the Credit Facilities. For purposes of this covenant, the sale of any accounts receivable shall be deemed the incurring of debt for borrowed money.
- D. Guaranties. Guarantee or otherwise become or remain secondarily liable on the undertaking of another, except for endorsement of drafts for deposit and collection in the ordinary course of business. This covenant does not limit the normal activity of Borrower's subsidiary bank, Macatawa Bank.
- E. Liens. Create or permit to exist any lien on any of its property, real or personal, except: existing liens known to the Bank; liens to the Bank; liens incurred in the ordinary course of business securing current nondelinquent liabilities for taxes, worker's compensation, unemployment insurance, social security and pension liabilities; and liens for taxes being contested in good faith. This covenant does not limit the normal activity of Borrowers

subsidiary bank, Macatawa Bank.

- F. Advances and Investments. Purchase or acquire any securities of, or make any loans or advances to, or investments in, any person, firm or corporation, except as described as the purpose of Facility A plus

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obligations of the United States Government, open market commercial paper rated one of the top two ratings by a rating agency of recognized standing, or certificates of deposit in insured financial institutions. This covenant does not limit the normal activity of Borrowers subsidiary bank, Macatawa Bank.

- G. Use of Proceeds. Use, or permit any proceeds of the Credit Facilities to be used, directly or indirectly, for the purpose of "purchasing or carrying any margin stock" within the meaning of Federal Reserve Board Regulation U. At the Bank's request, the Borrower shall furnish to the Bank a completed Federal Reserve Board Form U-1.
- H. Non-performing Loan Ratio. Permit the ratio of Nonperforming Assets to Total Loans and Other Real Estate and Repossessed Assets Owned to exceed 2.25%.
- I. Loan Loss Reserves. Permit the ratio of Loan Loss reserves to Non-performing assets to be less than 100%.
- J. Tangible Net Worth to Total Assets. Permit its ratio of Tangible Net Worth to Total Assets to be less than 7.0%.
- K. Leverage Ratio. Permit the ratio of its Total Debt to its Tangible net Worth to exceed .50 to 1.00. (For the purposes of this covenant, Total Debt does not include Borrowed Money of its Bank Subsidiary.
- L. Well Capitalized. The Borrower will remain "Well Capitalized" as defined by the applicable regulatory agencies.
- M. Leases. Contract for or assume in any manner lease obligations if the aggregate of all payments shall exceed \$100,000 in any one fiscal year, excluding, however, obligations under prior year Leases.

10.0 Representations by Borrower. Each Borrower represents that: (a) the execution and delivery of this agreement, the Notes, and the Leases and the performance of the obligations they impose do not violate any law, conflict with any agreement by which the Borrower is bound, or require the consent or approval of any governmental authority or other third party for which consent or approval has not been granted; (b) this agreement, the Notes, and the Leases are valid and binding agreements, enforceable in accordance with their terms; and (c) all balance sheets, profit and loss statements, and other financial statements furnished to the Bank are accurate and fairly reflect the financial condition of the organizations and persons to which they apply on their effective dates, including contingent liabilities of every type, which financial condition has not changed materially and adversely since those dates. Each Borrower, if other than a natural person, further represents that: (a) it is duly organized, existing and in good standing under the laws of the jurisdiction under which it was organized; and (b) the execution and delivery of this

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agreement, the Notes, and the Leases and the performance of the obligations they impose (i) are within its power; (ii) have been duly authorized by all necessary action of its governing body; and (iii) do not contravene the terms of its articles of incorporation or organization, its bylaws, or any partnership, operating or other agreement governing its affairs.

11.0 Default/Acceleration.

11.1 Events of Default/Acceleration. If any of the following events occurs, the Credit Facilities shall terminate and all borrowings and other obligations under them shall be due immediately, without notice, at the Bank's option whether or not the Bank has made demand.

- A. The Borrower or any guarantor of any of the Credit Facilities, the Notes or the Leases ("Guarantor") fails to pay when due any amount payable under the Credit Facilities or under any agreement or instrument evidencing debt to any creditor;
- B. The Borrower or any Guarantor (a) fails to observe or perform any other term of this agreement, the Notes, or the Leases; (b) makes any materially incorrect or misleading representation, warranty,

or certificate to the Bank; (c) makes any materially incorrect or misleading representation in any financial statement or other information delivered to the Bank; or (d) defaults under the terms of any agreement or instrument relating to any debt for borrowed money (other than borrowings under the Credit Facilities) such that the creditor declares the debt due before its maturity;

- C. There is a default under the terms of any loan agreement, mortgage, security agreement or any other document executed as part of the Credit Facilities, or any guaranty of the obligations under the Credit Facilities becomes unenforceable in whole or in part, or any Guarantor fails to promptly perform under its guaranty;
- D. A "reportable event" (as defined in the Employee Retirement Income Security Act of 1974 as amended) occurs that would permit the Pension Benefit Guaranty Corporation to terminate any employee benefit plan of the Borrower or any affiliate of the Borrower;
- E. The Borrower or any Guarantor becomes insolvent or unable to pay its debts as they become due;
- F. The Borrower or any Guarantor (a) makes an assignment for the benefit of creditors; (b) consents to the appointment of a custodian, receiver or trustee for it or for a substantial part of its assets; or (c) commences any proceeding under any bankruptcy, reorganization, liquidation or similar laws of any jurisdiction;

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- G. A custodian, receiver or trustee is appointed for the Borrower or any Guarantor or for a substantial part of its assets without its consent and is not removed within 60 days after such appointment;
- H. Proceedings are commenced against the Borrower or any Guarantor under any bankruptcy, reorganization, liquidation, or similar laws of any jurisdiction, and such proceedings remain undismissed for 60 days after commencement; or the Borrower or Guarantor consents to the commencement of such proceedings;
- I. Any judgment is entered against the Borrower or any Guarantor or any attachment, levy or garnishment is issued against any property of the Borrower or any Guarantor;
- J. The Borrower or any Guarantor, without the Bank's written consent (a) is dissolved, (b) merges or consolidates with any third party, (c) leases, sells or otherwise conveys a material part of its assets of business outside the ordinary course of business, (d) leases, purchases, or otherwise acquires a material part of the assets of any other corporation or business entity, except in the ordinary course of business, or (e) agrees to do any of the foregoing, (notwithstanding the foregoing, any subsidiary may merge or consolidate with any other subsidiary, or with the Borrower, so long as the Borrower is the survivor);
- L. The loan-to-book value ratio of any pledged securities at any time exceeds 50% , and such excess continues for five (5) days after notice from the Bank to the Borrower;
- M. There is a substantial change in the existing or prospective financial condition of the Borrower or any Guarantor which the Bank in good faith determines to be materially adverse.

11.2 Remedies. If the borrowings and all other obligations under the Credit Facilities are not paid at maturity, whether by acceleration or otherwise, the Bank shall have all of the rights and remedies provided by any law or agreement. Any requirement of reasonable notice shall be met if the Bank sends the notice to the Borrower at least seven (7) days prior to the date of sale, disposition or other event giving rise to the required notice. The Bank is authorized to cause all or any part of the Collateral to be transferred to or registered in its name or in the name of any other person, firm, or corporation, with or without designation of the capacity of such nominee. The Borrower shall be liable for any deficiency remaining after disposition of any Collateral. The Borrower is liable to the Bank for all reasonable costs and expenses of every kind incurred in the making or collection of the Credit Facilities, including, without limitation, reasonable attorney's fees and court costs (whether attributable to the Bank's in-house or

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outside counsel). These costs and expenses shall include, without limitation, any costs or expenses incurred by the Bank in any bankruptcy, reorganization, insolvency or other similar proceeding.

12.0 Miscellaneous.

- 12.1 Notice from one party to another relating to this agreement shall be deemed effective if made in writing (including telecommunications) and delivered to the recipient's address, telex number or fax number set forth under its name below by any of the following means: (a) hand delivery, (b) registered or certified mail, postage prepaid, with return receipt requested, (c) first class or express mail, postage prepaid, (d) Federal Express or like overnight courier service or (e) fax, telex or other wire transmission with request for assurance of receipt in a manner typical with respect to communication of that type. Notice made in accordance with this section shall be deemed delivered upon receipt if delivered by hand or wire transmission, 3 business days after mailing if mailed by first class, registered or certified mail, or one business day after mailing or deposit with an overnight courier service if delivered by express mail or overnight courier.
- 12.2 No delay on the part of the Bank in the exercise of any right or remedy shall operate as a waiver. No single or partial exercise by the Bank of any right or remedy shall preclude any other future exercise of it or the exercise of any other right or remedy. No waiver or indulgence by the Bank of any default shall be effective unless in writing and signed by the Bank, nor shall a waiver on one occasion be construed as a bar to or waiver of that right on any future occasion.
- 12.3 This agreement, the Notes, the Leases and any related loan documents embody the entire agreement and understanding between the Borrower and the Bank and supersede all prior agreements and understandings relating to their subject matter. If any one or more of the obligations of the Borrower under this agreement, the Notes or the Leases shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of the Borrower shall not in any way be affected or impaired, and such invalidity, illegality or unenforceability in on jurisdiction shall not affect the validity, legality or enforceability of the obligations of the Borrower under this agreement, the Notes or the Leases in any other jurisdiction.
- 12.4 The Borrower, if more than one, shall be jointly and severally liable.
- 12.5 This agreement is delivered in the State of Michigan and governed by Michigan law. This agreement is binding on the Borrower and its successors, and shall inure to the benefit of the Bank, its successors and assigns.
- 12.6 Section headings are for convenience of reference only and shall not affect the interpretation of this agreement.

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- 13.0 Information Sharing. The Bank may provide, without any limitation whatsoever, any information or knowledge the Bank may have about the undersigned or any matter relating to this agreement and related documents to BANK ONE CORPORATION, or any of its subsidiaries or affiliates or their successors, or to any one or more purchasers or potential purchasers of this agreement or any related documents, and the undersigned excluding confidential information, waives any right to privacy the undersigned may have with respect to such matters. The Borrower agrees that the Bank may at any time sell, assign or transfer one or more interests or participations in all or any part of its rights or obligations in this agreement to one or more purchasers whether or not related to the Bank.
- 14.0 Waiver of Jury Trial. The Bank and the Borrower knowingly and voluntarily waive any right either of them have to a trial by jury in any proceeding (whether sounding in contract or tort) which is in any way connected with this or any related agreement, or the relationship established under them. This provision may only be modified in a written instrument executed by the Bank and the Borrower.

Executed by the parties on: September 26, 2000

Bank One, Michigan

Borrower Macatawa Bank Corporation

/s/ Roger A. Bick

/s/ Benj A. Smith III

Roger A. Bick, Vice President

Benj A. Smith III Its: Chairman

Address for Notices

Address for Notices

611 Woodward Ave. MI1-8077
Detroit, Michigan 48226

248 Waverly Rd.
Suite 2C-Adm.
Holland, Michigan 49423

Fax/Telex No. (313) 225-1141

Fax/Telex No. (616) 494-7644

EXHIBIT 10.10

Revolving Business Credit Note (LIBOR - Based Interest Rate)

Due: September 26, 2001

\$5,000,000.00

No. _____

Date: September 26, 2000

Promise to Pay. On or before September 26, 2001, for value received, Macatawa Bank Corporation (the "Borrower") promises to pay to Bank One, Michigan (the "Bank"), or order, at any office of the Bank in the State of Michigan, the sum of FIVE MILLION DOLLARS (\$5,000,000.00), or such lesser sum as is indicated on Bank records, plus interest as provided below.

Definitions.

As used in this note, the following terms have the following respective meanings.

"Applicable Margin" means with respect to any Floating Rate Loan Bank One Michigan Prime (minus) $-.875\%$ per annum and with respect to any Eurodollar Loan 1.50% per annum.

"Business Day" means a day other than a Saturday or Sunday, or other day that commercial banks in Detroit, Michigan are authorized or required to close under the laws of the State of Michigan and, with respect to any Eurodollar Loan, on which dealings in United States dollar deposits are carried out in the London interbank market.

"Credit Agreement" is defined in the paragraph entitled "Credit Agreement" below.

"Credit Facility" is defined in the paragraph entitled "Credit Facility" below.

"Eurodollar Base Rate" means the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period, provided that, (i) if Reuters Screen FRBD is not available to the Bank for any reason, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Bank, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the rate determined by the Bank to be the rate at which the Bank or one of its affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of the Eurodollar Loan and having a maturity equal to such Interest Period.

"Eurodollar Loan" means any Loan under the Credit Facility when and to the extent that its interest rate is determined by reference to the Eurodollar Rate.

"Eurodollar Rate" means, with respect to any Eurodollar Loan and the related Interest Period, the per annum rate that is equal to the sum of:

(A) the Applicable Margin, plus

(B) the rate obtained by dividing (i) the Eurodollar Base Rate by (ii) an amount equal to one minus the stated maximum rate (expressed as a decimal) of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves) specified on the first day of such Interest Period by the Board of Governors of the Federal Reserve System (or any successor agency) for determining the maximum reserve requirement with respect to eurocurrency funding required to be maintained by a Federal Reserve System member bank;

all as conclusively determined by the Bank, such sum to be rounded up, if necessary, to the nearest one-hundredth of one percent (1/100 of 1%).

"Floating Rate" means the Prime Rate plus the Applicable Margin until maturity whether by acceleration or otherwise. "Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time

by the Bank or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Floating Rate Loan" means any Loan under the Credit Facility when and to the extent its interest rate is determined by reference to the Floating Rate.

"Interest Period" means, with respect to any Eurodollar Loan, a period of one, two, three or six months agreed upon by the Borrower and the Bank, commencing on the Business Day the Loan is made. If the Interest Period would end on a day which is not a Business Day, the Interest Period shall end on the next succeeding Business Day unless that Business Day would fall in the next calendar month, in which case the Interest Period shall end on the immediately preceding Business Day.

"Loan" and "Loans" are defined in the paragraph entitled "Credit Facility" below.

"Loan Documents" means this note, the Credit Agreement, and any other documents executed in connection with the Credit Facility.

Credit Facility. The Bank has authorized a credit facility to the Borrower in a principal amount not to exceed the face amount of this note. The credit facility is in the form of loans (each, a "Loan", and, together, the "Loans") made from time to time by the Bank to the Borrower. This note evidences the Borrower's obligation to repay those Loans. The Bank shall, in the ordinary course of business, make notations in its records of the date, amount, interest rate and Interest Period of each Loan, the amount of each payment on the Loans, and other information. Such records shall, in the absence of manifest error, be conclusive as to the outstanding principal balance of and interest rate or rates applicable to the Loans. The aggregate principal amount of debt evidenced by this note shall be the amount reflected from time to time in the records of the Bank but shall not exceed the face amount of this note. Until maturity, the Borrower may borrow, pay down, and reborrow under this note so long as the aggregate principal amount outstanding at any one time does not exceed the face amount of this note.

Credit Agreement. This note evidences a debt under the terms of a Line of Credit Agreement (the "Credit Agreement") between the Bank and the Borrower dated September 26, 2000 and any amendments.

Interest Rates. Each Loan under the Credit Facility may be outstanding as either a Floating Rate Loan or a Eurodollar Loan. The Borrower shall pay interest to the Bank on the outstanding and unpaid principal amount of each Floating Rate Loan at the Floating Rate and each Eurodollar Loan at the Eurodollar Rate. Interest shall be calculated on the basis of the actual number of days elapsed in a year of 360 days. In no event shall the interest rate applicable to any Loan exceed the maximum rate allowed by law. Any interest payment which would for any reason be deemed unlawful under applicable law shall be applied to principal.

Notice and Manner of Borrowing. The Borrower shall give the Bank written notice (effective upon receipt) of any Loan under the Credit Facility no later than 11:00 a.m. Detroit time, one (1) Business Day before each Floating Rate Loan and three (3) Business Days before each Eurodollar Loan specifying: (A) the date of the Loan, (B) the amount of the Loan, (C) the type of the Loan (Floating Rate Loan or Eurodollar Loan), and (D) in the case of a Eurodollar Loan, the duration of the applicable Interest Period. Each Eurodollar Loan shall be in a minimum amount of \$1,000,000.00 All notices under this paragraph are irrevocable. By the Bank's close of business on the date of the Loan and upon fulfillment of the conditions set forth in the Credit Agreement, the Bank shall make the Loan available to the Borrower in immediately available funds by crediting the amount of the Loan to the Borrower's account with the Bank.

Conversion and Renewals. The Borrower may elect from time to time to convert one type of Loan into another or to renew any Loan by giving the Bank written notice no later than 11:00 a.m. Detroit time one (1) Business Day before conversion into a Floating Rate Loan and three (3) Business Days before conversion into or renewal of a Eurodollar Loan, specifying: (A) the renewal or conversion date, (B) the amount of the Loan to be converted or renewed, (C) in the case of conversion, the type of Loan to be converted into (Floating Rate Loan or Eurodollar Loan), and (D) in the case of renewals of or conversion into a Eurodollar Loan, the applicable Interest Period, provided that (i) the minimum principal amount of each Eurodollar Loan outstanding after a renewal or conversion shall be \$1,000,000.00 and (ii) a Eurodollar Loan can only be converted on the last day of the Interest Period for the Loan. All notices given under this paragraph are irrevocable. If the Borrower fails to give the Bank the notice specified above for the

renewal or conversion of a Eurodollar Loan by 11:00 a.m. Detroit time three (3) Business Days before the end of the Interest Period for that Loan, the Loan shall automatically be converted to a Floating Rate Loan on the last day of the Interest Period for the Loan.

Loan-to-Value Ratio. If the unpaid balance of the Liabilities shall at any time exceed an amount equal to 50% of the then book value (as reasonably determined by the Bank) of any securities constituting all or a portion of the Collateral, and such excess continues for five (5) days after notice from the Bank to the Pledgor, the Pledgor shall be in default under this Pledge and the Bank may sell all or any portion of such securities and otherwise exercise any or all of the rights and remedies set forth in this Pledge.

Default/Remedies. If the Pledgor or the Borrower fails to pay any of the Liabilities when due, or if a default exists under the terms of any agreement related to any of the Liabilities, or if the Pledgor dies or fails to observe or perform any term of this Pledge, or if any representation or warranty of the Pledgor contained in this Pledge is untrue in any material respect, or if there is a material change in the financial condition of the Pledgor which the Bank in good faith determines to be materially adverse, then the Bank shall have all of the rights and remedies provided by any law to liquidate or foreclose on and sell the Collateral, including but not limited to the rights and remedies of a secured party under the Uniform Commercial Code. The Pledgor agrees and acknowledges that because of the applicable securities laws, the Bank may not be able to effect a public sale of the Collateral, and sales at a private sale may be on terms and at a price less favorable than if the securities were sold at a public sale. The Pledgor agrees that all private sales made under these circumstances shall be deemed to have been made in a commercially reasonable manner. These rights and remedies shall be cumulative and not exclusive. If the Pledgor is entitled to notice, that requirement will be met if the Bank sends notice at least seven (7) days prior to the date of sale, disposition or other event requiring notice. The proceeds of any sale shall be applied first to costs, then toward payment of the Liabilities, whether or not the Liabilities have been declared to be due and owing; provided that, to the extent any Liabilities consist of extensions of credit to the Borrower by the issuance of letters of credit or other like obligations of the Bank to third parties which have not been utilized, such proceeds shall be held by the Bank in a cash collateral account as security for the Liabilities.

Waivers. The Pledgor waives any right it may have to receive notice of any of the following matters before the Bank enforces any of its rights: (a) the Bank's acceptance of this Pledge, (b) any credit that the Bank extends to the Borrower, (c) the Borrower's default, (d) any demand, or (e) any action that the Bank takes regarding the Borrower, anyone else, any collateral, or any Liability, which it might be entitled to take by law or under any other agreement. No modification or waiver of this Pledge shall be effective unless it is in writing and signed by the party against whom it is being enforced. The Bank may waive or delay enforcing any of its rights without losing them. Any waiver shall affect only the specific terms and time period stated in the Waiver. The Bank shall not be obligated to take any action in connection with any conversion, call, redemption, retirement or any other event relating to any of the Collateral.

Waiver of Subrogation. Until thirteen months after the principal balance of and interest on the Liabilities, even if not covered by this Pledge, shall have been paid in full and the Borrower shall have fully performed all of its obligations to the Bank, the Pledgor expressly waives any and all rights of subrogation, contribution, reimbursement, indemnity, exoneration, implied contract, recourse to security or any other claim (including any claim, as that term is defined in the federal Bankruptcy Code, and any amendments) which the Pledgor may now have or later acquire against the Borrower, any other entity directly or contingently liable for the Liabilities, or against the Collateral arising from the existence or performance of the Pledgor's obligations under this Pledge.

The Pledgor further agrees that such waiver is permanent and shall not be revoked or terminated, in any event, including payment in full of the principal balance of and interest on the Liabilities in the event that proceedings are commenced at any time after execution of this Pledge by or against the Borrower under any bankruptcy, reorganization, liquidation or similar laws of any jurisdiction, including the federal Bankruptcy Code. The Pledgor further agrees that should any payments to the Bank on the Liabilities be in whole or in part invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy act or code, state or federal law, common law or equitable doctrine, this Pledge and any Collateral shall remain in full force and effect (or be reinstated as the case may be) until payment in full of any such amounts, which payment shall be due on demand.

Representations by Pledgor. Each Pledgor represents: (a) that the execution and delivery of this Pledge and the performance of the obligations it imposes do not violate any law, conflict with any agreement by which it is bound, or require the consent or approval of any governmental authority or any third party; (b) that this Pledge is a valid and binding agreement, enforceable according to its terms; and (c) that all balance sheets, profit and loss statements, and other financial statements furnished to the Bank are accurate and fairly reflect the financial condition of the organizations and persons to which they apply on their effective dates, including contingent liabilities of every type, which financial condition has not changed materially and adversely since those dates. Each Pledgor, other than a natural person, further

represents: (a) that it is duly organized, existing and in good standing pursuant to the laws under which it is organized; and (b) that the execution and delivery of this Pledge and the performance of the obligations it imposes (i) are within

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its powers and have been duly authorized by all necessary action of its governing body; and (ii) do not contravene the terms of its articles of incorporation or organization, its by-laws, or any partnership, operating or other agreement governing its affairs.

Notices. Notice from one party to another relating to this Pledge shall be deemed effective if made in writing (including telecommunications) and delivered to the recipient's address, telex number or facsimile number set forth under its name by any of the following means: (a) hand delivery, (b) registered or certified mail postage prepaid, (d) Federal Express, Purolator Courier or like overnight courier service, or (e) telecopy, facsimile or other wire transmission with request for assurance of receipt in a manner typical with respect to communications of that type. Notice made in accordance with this section shall be deemed delivered on receipt if delivered by hand or wire transmission, on the third business day after mailing if mailed by first class, registered or certified mail or on the next business day after mailing or deposit with an overnight courier service if delivered by express mail or overnight courier. Notwithstanding the foregoing, notice of termination of this Pledge shall be deemed received only upon the receipt of actual written notice by the Bank in accordance with the paragraph above labeled "Continued Reliance."

Miscellaneous. The Pledgor consents to (a) any extension, postponement, renewal, modification and amendment of any Liability, (b) the release or discharge of all or any part of any security for the Liabilities, and (c) the release or discharge or suspension of any rights and remedies against any person who may be liable for the Liabilities. The Bank does not have to look to any other right, any other collateral or any other person for payment before it exercises its rights under this Pledge. The Pledgor's obligations to the Bank under this Pledge are not subject to any condition, precedent or subsequent, and shall not be released or affected by any change in the composition or structure of the Borrower or Pledgor, including a merger or consolidation with any other person or entity. If this Pledge is signed by more than one person, all shall be jointly and severally bound. This Pledge is binding on the Pledgor and its heirs, successors and assigns, and is for the benefit of the Bank and its successors and assigns. This Agreement is governed by Michigan law. The use of section headings shall not limit the provisions of this Pledge.

Waiver of Jury Trial. The Bank and the Pledgor knowingly and voluntarily waive any right either of them have to a trial by jury in any proceeding (whether sounding in contract or tort) which is in any way connected with this or any related agreement, or the relationship established under them. This provision may only be modified in a written instrument executed by the Bank and the Pledgor.

Dated: _____

Address:
51 East Main Street
Zeeland, MI 49464

Pledgor:
Macatawa Bank Corporation

/s/ Benj A. Smith III

By: Benj A. Smith III, Chairman

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EXHIBIT 10.11

Benj. A. Smith & Associates, Ltd.
Limited Discretionary Investment Advisory Agreement

AGREEMENT, effective this _____ day of _____, 2000, between Macatawa Bank and Benj. A. Smith & Associates, Ltd., A Michigan Corporation, 106 East 8/th/ Street, Holland, MI 49423.

1. Appointment. Macatawa Bank hereby appoints and retains Benj. A. Smith & Associates, Ltd. to provide Macatawa Bank with investment advice, investment recommendations and to perform such other duties and acts as are described on Schedule "A" attached hereto and in any changes, additions and withdrawals thereto, including earnings and profits (the "Accounts"). Macatawa Bank may add to, withdraw from, or change the assets of the Accounts, and agree to advise Benj. A. Smith & Associates, Ltd. upon doing so.
2. Custody of Account. Benj. A. Smith & Associates, Ltd. shall not be Custodian or Trustee of the Accounts. Macatawa Bank will act as Custodian to take and have custody of the Accounts. Macatawa Bank shall provide Benj. A. Smith & Associates, Ltd. each month with a complete listing of all funds, securities and other assets in the Accounts.
3. Client Information. To assist Benj. A. Smith & Associates, Ltd. with performance of its duties, Macatawa Bank agrees to furnish Benj. A. Smith & Associates, Ltd. with current information regarding Account owner's finances and investments, and Account owner's investment philosophy and goals. All information and advice furnished by either Macatawa Bank or Benj. A. Smith & Associates, Ltd. to the other shall be treated as confidential and shall not be disclosed to third parties except as required by law.
4. Investment Recommendations. Benj. A. Smith & Associates, Ltd. agrees to review the Accounts on a regular basis, and to make recommendations to Macatawa Bank as to the retention or sale of assets in the Accounts of assets in the Accounts. Benj. A. Smith & Associates, Ltd. will make recommendations that it believes are consistent with the information provided by Macatawa Bank, concerning Account owner's finances and investments, and Account owner's investment philosophy and goals, with recommendations being based on such investment information and other data as Benj. A. Smith & Associates, Ltd. has, at the time, in its possession. Benj. A. Smith & Associates, Ltd. will attempt to base its recommendations on information which it, in good faith, believes is reliable and complete, but Benj. A. Smith & Associates, Ltd. does not guarantee the accuracy of such information.
5. Transactions by Advisor. Benj. A. Smith & Associates, Ltd. may purchase, sell or exchange securities and other assets of the Accounts. Such actions taken by Benj. A. Smith & Associates, Ltd. are to be done according to the investment policies and guidelines established and adopted by the Trust Committee and Board of Directors of Macatawa Bank. Unless otherwise directed by Macatawa Bank, orders may be placed with such brokers, dealers or banks as Benj. A. Smith & Associates, Ltd. may select. If Macatawa Bank directs Benj. A. Smith & Associates, Ltd. to use a particular broker or dealer Benj. A. Smith & Associates, Ltd. may not be authorized to negotiate commissions on behalf of Macatawa Bank, and may not be able to obtain volume discounts or best execution of transactions. All commissions shall be charged to the Accounts.
6. Voting of Securities. Unless otherwise specifically agreed in writing, Benj. A. Smith & Associates, Ltd. will not be required to take action, or render any advice, with respect to the voting of securities in the Account.
7. Contracts with Others. Benj. A. Smith & Associates, Ltd. acts as advisor to other clients and may continue to give advice, and take action, with respect to any of those which may differ from the advice given, or timing or nature of the action taken, with respect to the Accounts.
8. Compensation. Benj. A. Smith & Associates, Ltd. compensation for the services provided in this agreement shall be calculated and paid in accordance with the Schedule of Fees attached as Schedule "B".
9. Liability of Benj. A. Smith & Associates, Ltd.. Benj. A. Smith & Associates, Ltd. shall not be responsible or liable for any error of judgement or for any mistake of law or for any costs, expenses, liability, losses or decline in the value of any securities or other assets in the Account unless it is established to have been caused by Benj. A. Smith & Associates, Ltd. willful misfeasance or bad faith on the performance of Benj. A. Smith & Associates, Ltd. [Agents] duties, or by reason of Benj. A.

Smith & Associates, Ltd. reckless disregards of its obligation under this agreement, or breach of any statutory duty.

- 10. Disclosure Statement. Macatawa Bank acknowledges receipt of Benj. A. Smith & Associates, Ltd. Disclosure Statement, as required by Rule 204-3 under the Investment Advisors Act of 1940, not less than 48 hours prior to entering into any written or oral investment advisory contract.
- 11. Agreement not assignable. No assignment (as that term is defined in the Investment Advisors Act of 1940) of this Agreement may be made by Benj. A. Smith & Associates, Ltd. without the written consent of Macatawa Bank.
- 12. Termination. This Agreement may be terminated at any time upon (30) days prior written notice by either party, with termination being effective on the date stated in the notice.
- 13. Notices. Notices required to be given under this Agreement shall be delivered in person or sent by first class mail to the address of Macatawa Bank and Benj. A. Smith & Associates, Ltd. set forth at the beginning of the Agreement. Notices

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shall be deemed to be given upon personal delivery, or upon the third business day after mailing postage prepaid.

- 14. Entire Agreement: Interpretation: Effectiveness. This Agreement constitutes the entire agreement of the parties with respect to Benj. A. Smith & Associates, Ltd. services for the Accounts and can be amended only by a written agreement signed by the parties. This Agreement shall be interpreted and construed under Federal Law to the extent permitted, and any parts not governed thereby shall be governed by the laws of the State of Michigan. This Agreement shall not be effective until executed and accepted by Benj. A. Smith & Associates, Ltd. at its office in Holland, Michigan.

IN WITNESS WHEREOF, the parties have caused this Agreement to be effective on the date set forth above.

Macatawa Bank

Dated: _____, 2000. By: _____
 Its: _____
 Benj. A. Smith & Associates, Ltd.
 By: _____
 Its: _____

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EXHIBIT A

ACCOUNTS

The following accounts constitute the purpose of this Agreement:

| Account Name | Trust Account Number |
|--------------|----------------------|
| - - - - - | - - - - - |

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Other Assets

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SCHEDULE "B"

Advisor Compensation - Schedule of Fees

Benj. A. Smith & Associates, Ltd. will be paid an annual negotiated market value fee between 35 and 75 basis points on the market value of assets on which Benj. A. Smith & Associates, Ltd. advises computed quarterly in arrears.

SUBSIDIARIES OF THE REGISTRANT

1. Macatawa Bank -- 100% owned

Incorporated as a Michigan banking corporation

51 East Main Street
Zeeland, Michigan 49464

2. Macatawa Bank Mortgage Company -- 100% owned by Macatawa Bank

Incorporated as a Michigan corporation

348 South Waverly Road
Holland, Michigan 49423

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use of our report dated January 24, 2001, except for Note 18, which is dated April 11, 2001, on the consolidated financial statements of Macatawa Bank Corporation as of December 31, 2000 and 1999 and for each of the three years ended December 31, 2000, included within the Registration Statement on Form S-2 and Prospectus of Macatawa Bank Corporation. We also consent to the use of our name as "Experts" in the Prospectus.

/s/ Crowe, Chizek and Company LLP

Grand Rapids, Michigan
May 7, 2001