

FORM 10-KSB
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 333-45755

MACATAWA BANK CORPORATION
(Exact name of registrant as specified in its charter)

MICHIGAN 38-3391345
(State of other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

51 E. Main Street, Zeeland, Michigan 49464
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (616) 820-1444

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act:
Common Stock.

Indicate by check mark whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

The registrant's revenues for 1999 were \$21,528,697. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on a per share price of \$14.125 as of March 17, 2000, was \$40,518,961 (common stock, no par value). As of March 17, 2000, there were outstanding 3,588,565 shares of the Company's common stock (no par value). Portions of the Company's Proxy Statement for the Annual Meeting of Shareholders to be held April 27, 2000 are incorporated by reference into Part II and Part III of this Report.

PART I

ITEM 1: Business

General

Macatawa Bank Corporation (the "Company") is a bank holding company organized in 1997 under Michigan law. The Company owns all of the common stock of Macatawa Bank (the "Bank"). The Bank was organized and commenced operations in November, 1997 as a Michigan chartered bank with depository accounts insured by the FDIC to the extent permitted by law. The Bank provides a full range of commercial and consumer banking services primarily in the communities of Holland and Zeeland, Michigan, as well as the surrounding market area principally located in Ottawa County. The Bank's services include checking and savings accounts (including certificates of deposit), safe deposit boxes, travelers checks, money orders, trust services and commercial, mortgage and consumer loans. As of December 31, 1999, the Company had total assets of \$334.9 million, total deposits of \$279.4 million, approximately 27,000 deposit accounts and shareholders' equity of \$34.5 million.

The Company's main office is located at 51 E. Main Street, Zeeland, Michigan 49464, and its telephone number is (616) 820-1444. Unless the context clearly suggests otherwise, financial information and other references to the Company include the Bank.

Products and Services

Deposit Services. The Bank offers 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 the principal market area at rates competitive with those offered in the area. All deposit accounts are insured by the FDIC up to the maximum amount permitted by law. The Bank solicits these accounts from individuals, businesses, associations, churches, nonprofit organizations, financial institutions and government authorities. The Bank may also use alternative funding sources as needed, including advances from Federal Home Loan Banks, conduit financing and the packaging of loans for securitization and sale.

Real Estate Loans. The Bank originates residential mortgage loans, which are generally long-term with either fixed or variable interest rates. The Bank's general policy, which is subject to review by management as a result of changing market and economic conditions and other factors, is to retain all variable interest rate mortgage loans in the Bank's loan portfolio and to sell all fixed rate loans in the secondary market. The Bank also offers home equity loans.

The retention of variable rate loans on the Bank's loan portfolio helps to reduce the Bank's exposure to fluctuations in interest rates. However, such loans generally pose credit risks different from the risks inherent in fixed rate loans, primarily because as interest rates rise, the underlying payments from the borrowers rise, thereby increasing the potential for default.

Personal Loans and Credit. The Bank makes personal loans and lines of credit available to consumers for various purposes, such as the purchase of automobiles, boats and other recreational vehicles, home improvements and personal investments. The Bank's current policy is to retain substantially all of such loans.

Commercial Loans. Commercial loans are made primarily to small and mid-sized businesses. These loans are and will be both secured and unsecured and are made available for general operating purposes, acquisition of fixed assets including real estate, purchases of equipment and machinery, financing of inventory and accounts receivable, as well as any other purposes considered appropriate. The Bank generally looks 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.

Although the Bank takes a progressive and competitive approach to lending, it stresses high quality in its loans. On a regular basis, the Board of Directors reviews selected loans. In addition, a loan committee of the Board of

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Directors of the Bank also reviews larger loans for prior approval when the loan request exceeds the established limits for the lending officers. The Bank also maintains a loan review process designed to promote early identification of credit quality problems. Any past due loans and identified problem loans will be reviewed with the Board of Directors on a regular basis.

Regulatory and supervisory loan-to-value limits are established by Section 304 of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"). The Bank's internal limitations follow those limits and in certain cases are more restrictive than those required by the regulators.

The Bank has established relationships with correspondent banks and other independent financial institutions to provide other services requested by its customers, including loan participations where the requested loan amounts exceed the Bank's policies or legal lending limits.

Trust Services. The Bank began offering trust services in January, 1999, to further provide for the financial needs of its customers. As of December 31, 1999, the Trust Department had assets of approximately \$183 million.

Competition

The Company's primary market area is Ottawa County, Michigan. There are many bank, thrift and credit union offices located within the Company's market area. Most are branches of larger financial institutions. The Company also faces competition from finance companies, insurance companies, mortgage companies, securities brokerage firms, money market funds and other providers of financial services. Most of the Company's competitors have been in business a number of years, have established customer bases, are larger and have higher lending limits than the Company. The Company competes for loans principally through its ability to communicate effectively with its customers and to understand and meet their needs. Management believes that the Company's personal service philosophy enhances its ability to compete favorably in attracting individuals and small businesses. The Company actively solicits customers and competes for deposits by offering customers personal attention, professional service, and competitive interest rates.

Environmental Matters

The Company does not believe that existing environmental regulations will have any material effect upon the capital expenditures, earnings, and competitive position of the Company.

Employees

As of December 31, 1999, the Bank had 117 full-time and 59 part-time employees. The Company has assembled a staff of experienced, dedicated and highly qualified professionals whose goal is to provide outstanding service. The majority of the Company's management team have at least 10 years of banking experience, and several key personnel have more than 20 years of banking experience. None of the Company's employees are represented by collective bargaining agents.

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SUPERVISION AND REGULATION

The following is a summary of certain statutes and regulations affecting the Company and the Bank. This summary is qualified in its entirety by such statutes and regulations. A change in applicable laws or regulations may have a material effect on the Company, the Bank and the business of the Company and the Bank.

General

Financial institutions and their holding companies are extensively regulated under federal and state law. Consequently, the growth and earnings performance of the Company and the Bank 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 "Federal Reserve Board"), the FDIC, the Commissioner of the Michigan Financial Institutions Bureau ("Commissioner"), the Internal Revenue Service, and state taxing authorities. The effect of such 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 dividends. The system of supervision and regulation applicable to the Company and the Bank establishes a comprehensive framework for their respective operations and is intended primarily for the protection of the FDIC's deposit insurance funds, the depositors of the Bank, and the public, rather than shareholders of the Bank or the Company.

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

Recent Legislation

The enactment of the Gramm-Leach-Bliley Act of 1999 (the "GLB Act"), represents a pivotal point in the history of the financial services industry. The GLB Act modifies many of the principal federal laws which regulate financial institutions and sweeps away large parts of a regulatory framework that had its origins in the Depression Era of the 1930s.

Effective March 11, 2000, new opportunities will be available for banking organizations, other depository institutions, insurance companies and securities firms to enter into combinations that permit a single financial services organization to offer customers a more complete array of financial products and services. Specifically, the GLB Act provides two new vehicles through which a banking organization can engage in a variety of activities which, prior to the Act, they were not allowed to engage in. First, a bank holding company meeting certain requirements may elect to become a financial holding company ("FHC"). FHCs are generally authorized to engage in all "financial activities" and, under certain circumstances, to make equity investments in other companies (i.e., merchant banking). In order to be eligible to elect to become a FHC, a bank holding company and all of its depository financial institutions must: (1) be "well capitalized"; (2) be "well managed"; and (3) have a rating of "satisfactory" or better in their most recent Community Reinvestment Act examination. Both the bank holding company and all of its depository financial institutions must also continue to satisfy these requirements after the bank holding company elects to become a FHC or else the FHC will be subject to various restrictions. The Federal Reserve Board will be the umbrella regulator of FHCs, but functional regulation of a FHC's separately regulated subsidiaries will be conducted by their primary functional regulator.

Second, the GLB Act also provides that a national bank (and a state bank, so long as otherwise allowable under its state's law), which satisfies certain requirements, may own a new type of subsidiary called a financial subsidiary ("FS"). The GLB Act authorizes FSs to engage in many (but not all) of the activities that FHCs are authorized to engage in. In order to be eligible to own

a FS, a bank must satisfy the three requirements noted above, plus several additional requirements.

The GLB Act also imposes several rules that are designed to protect the privacy of the customers of financial institutions. For example, the GLB Act requires financial institutions to annually adopt and disseminate a privacy policy and prohibits financial institutions from disclosing certain customer information to "non-affiliated third parties" for certain uses. All financial institutions, regardless of whether they elect to utilize FHCs or FSs, are subject to the GLB Act's privacy provisions. The Company and the Bank are also subject to certain state laws that deal with the use and distribution of non-public personal information. In addition to its privacy provisions, the GLB Act also contains various other provisions that apply to banking organizations, regardless of whether they elect to utilize FHCs or FSs.

The Company believes that the GLB Act could significantly increase competition in its business and is evaluating the desirability of electing to become a FHC. The Company believes that it is qualified to elect FHC status but has not yet decided to do so.

The Company

General. The Company is a bank holding company and, as such, is registered with, and subject to regulation by, the Federal Reserve Board under the Bank Holding Company Act, as amended (the "BHCA"). Under the BHCA, the Company is subject to periodic examination by the Federal Reserve Board, and is required to file with the Federal Reserve Board periodic reports of its operations and such additional information as the Federal Reserve Board may require.

In accordance with Federal Reserve Board policy, the Company is expected to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances where the Company might not do

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so absent such policy. In addition, if the Commissioner deems the Bank's capital to be impaired, the Commissioner may require the Bank to restore its capital by a special assessment upon the Company as the Bank's sole shareholder. If the Company were to fail to pay any such assessment, the directors of the Bank would be required, under Michigan law, to sell the shares of the Bank's stock owned by the Company to the highest bidder at either a public or private auction and use the proceeds of the sale to restore the Bank's capital.

Investments and Activities. In general, any direct or indirect acquisition by the Company of any voting shares of any bank which would result in the Company's direct or indirect ownership or control of more than 5% of any class of voting shares of such bank, and any merger or consolidation of the Company with another bank company, will require the prior written approval of the Federal Reserve Board under the BHCA. In acting on such 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 the Company with another bank, or the acquisition by such a subsidiary of assets of another bank, or the assumption of liability by such a subsidiary 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 BHCA. In addition, in certain such cases an application to, and the prior approval of, the Federal Reserve Board under the BHCA and/or the Commissioner under the Michigan Banking Code, may be required.

With certain limited exceptions, the BHCA prohibits any bank 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, such permissible non-banking activities include such things as mortgage banking, equipment leasing, securities brokerage, and consumer and commercial finance company operations. As a result of recent amendments to the BHCA, 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 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 among others the financial and managerial resources of the bank 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 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.

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 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: (i) a leverage capital requirement expressed as a percentage of total assets, and (ii) 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% to 5% for all others. The risk-

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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 the Company of any specific minimum Tier 1 Capital leverage ratio applicable to it.

Dividends. The Company is a corporation separate and distinct from the Bank. Most of the Company's revenues will be received by it in the form of dividends, if any, paid by the Bank. Thus, the Company's ability to pay dividends to its shareholders will indirectly be limited by statutory restrictions on its ability to pay dividends. See "Supervision and Regulation - the 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 company experiencing earnings weaknesses should not pay cash dividends exceeding its net income or which can only be funded in ways that weakened the bank 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 the Bank are possessed by the FDIC. The "prompt corrective action" provisions of federal law and regulation authorize the Federal Reserve Board to restrict the payment of dividends by the Company for an insured bank which 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, such as the Company, 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 the preferential rights upon dissolution of any holders of preferred stock whose preferential rights are superior to those receiving the distribution. The Company is authorized to issue preferred stock but it has no current plans to issue any such preferred stock.

The Bank

General. The Bank is a Michigan banking corporation and its deposit accounts are insured by the Bank Insurance Fund (the "BIF") of the FDIC. As a BIF-insured Michigan chartered bank, the Bank is subject to the examination, supervision, reporting and enforcement requirements of the Commissioner, as the chartering authority for Michigan banks, and the FDIC, as administrator of the BIF. These agencies and the federal and state laws applicable to the 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 non-interest bearing reserves on deposit accounts, and the safety and soundness of banking practices.

Deposit Insurance. As an FDIC-insured institution, the Bank is 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 ("FDIA") 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

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deposits. Accordingly, the FDIC established the schedule of BIF insurance assessments for the first semi-annual assessment period of 1998, 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 Commissioner to fund the operations of the Commissioner. The amount of supervisory fees paid by a bank is based upon the bank's total assets, as reported to the Commissioner.

FICO Assessments. Pursuant to federal legislation enacted September 30, 1996, the Bank, as a member of the BIF, is subject to assessments to cover the payments on outstanding obligations of the Financing Corporation ("FICO"). FICO 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 (the "SAIF") which insures the deposits of thrift institutions. Until January 1, 2000, the FICO assessments made against BIF members may not exceed 20% of the amount of FICO assessments made against SAIF members. Currently, SAIF members pay FICO assessments at a rate equal to approximately 0.063% of deposits while BIF members pay FICO assessments at a rate equal to approximately 0.013% of deposits. Between January 1, 2000 and the maturity of the outstanding FICO obligations in 2019, BIF members and SAIF members will share the cost of the interest on the FICO bonds on a pro rata basis. It is estimated that FICO 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, such as the Bank: 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% to 5% 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. As a condition to regulatory approval of the Bank's formation, the Bank was required to have an initial capitalization sufficient to provide a ratio of Tier 1 capital to total estimated assets of at least 8% at the end of the third year of operation.

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>

Total Risk-Based Capital Ratio -----	Tier 1 Risk-Based Capital Ratio -----	Leverage Ratio -----
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<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>

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As of December 31, 1999, the Company was "well capitalized."

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.

Dividends. Under Michigan law, the Bank is restricted as to the maximum amount of dividends it may pay on its common stock. The Bank may not pay dividends except out of net profits after deducting its 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 the Bank has a surplus less than the amount of its capital, it may not declare or pay any dividend 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 Commissioner, 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. The Bank may not declare or pay any dividend until the cumulative dividends on preferred stock (should any such stock be issued and outstanding) have been paid in full. The Bank's Articles of Incorporation do not authorize the issuance of preferred stock and there are no current plans to seek such authorization.

Federal law generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its company 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 such payment is determined, by reason of the financial condition of the Bank, to be an unsafe and unsound banking practice.

Insider Transactions. The Bank is subject to certain restrictions imposed by the Federal Reserve Act on any extensions of credit to the Company or its subsidiaries, on investments in the stock or other securities of the Company or its subsidiaries and the acceptance of the stock or other securities of the Company or its subsidiaries as collateral for loans. Certain limitations and reporting requirements are also placed on extensions of credit by the Bank to its directors and officers, to directors and officers of the Company and its subsidiaries, to principal shareholders of the Company, and to Arelated interests' of such directors, officers and principal shareholders. In addition, federal law and regulations may affect the terms upon which any person becoming a director or officer of the Company or one of its subsidiaries or a principal shareholder of the Company may obtain credit from banks with which the 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

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one or more of the standards is of such severity 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 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 the operations of the Bank.

Consumer Protection Laws. The Bank's business includes making a variety of types of loans to individuals. In making these loans, the Bank is subject to State usury and regulatory laws and to various federal statutes, such as 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 the Bank, including the maintenance and operation of escrow accounts and the transfer of mortgage loan servicing. In receiving deposits, the Bank is subject to extensive regulation under State 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 the Bank and its directors and officers.

Branching Authority. Michigan banks, such as the Bank, 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 Commissioner and the FDIC).

Effective June 1, 1997 (or earlier if expressly authorized by applicable state law), the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "IBBEA") allows banks to establish interstate branch networks through acquisitions of other banks, subject to certain conditions, including certain 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 IBBEA 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 IBBEA, 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 Commissioner, (i) 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, (ii) 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, (iii) 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 such consolidation, with the resulting organization chartered by Michigan, (iv) 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 (v) 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 such jurisdiction. Further, the Michigan Banking Code permits, upon written notice to the Commissioner, (i) 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, (ii) the establishment by Michigan-chartered banks of branches located in other states, the District of Columbia, or U.S. territories or protectorates, and (iii) 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 such other states.

ITEM 2: Description of Property.

The Company's headquarters and the Bank's main office is located at 51 E. Main Street, Zeeland, Michigan 49464, and the telephone number is (616) 748-9491. The main office consists of approximately 1,700 square feet located on the first floor of an office building and approximately 1,500 square feet in the basement. This location is in the heart of the City of Zeeland on Main Street, which management believes provides recognition and a visible presence in the Holland-Zeeland community. The mai office includes three teller stations, two customer service offices, two administrative offices, and a vault and safe deposit boxes. The Bank has entered into a three year lease with respect to its main office, with renewal options for up to four successive three year terms. The initial rental rate is \$800.00 per month, which increases by 7.5% for each three year renewal period. The Bank is also obligated to pay all costs associated with taxes, assessments, maintenance, utilities and insurance.

The Company owns or leases facilities located in Ottawa, Allegan and Kent County, Michigan. The Company's facilities as of February 1, 2000, were as follows:

Location of Facility	Use
<S>	<C>
51 E. Main Street, Zeeland*	Main Branch
250 E. 8th Street, Holland*	Operations Center
139 E. 8th Street, Holland*	Branch Office
489 Butternut Dr., Holland	Branch Office
701 Maple Avenue, Holland	Branch Office
699 E. 16th Street, Holland	Branch Office
106 E. 8th Street, Holland*	Trust Department
348 Waverly Road, Holland*	Loan Center
41 N. State Street, Zeeland	Branch Office
2020 Baldwin Street, Jenison	Branch Office
6299 Lake Michigan Dr., Allendale	Branch Office
102 South Washington, Douglas	Branch Office
4758 - 136th Street, Hamilton*	Branch Office
5215 Cherry Avenue, Hudsonville*	Branch Office
1760 - 44th Street, Wyoming*	Branch Office
20 E. Lakewood Blvd., Holland	Branch Office

</TABLE>

*Leased facility

The Company believes its facilities are well-maintained, adequately insured and primarily utilized. Because of the Company's growth, the Company is continually evaluating the need for additional space and branches.

ITEM 3: Legal Proceedings.

As the date hereof, there were no material pending legal proceedings, other than routine litigation incidental to the business of banking to which the Company or any of its subsidiaries is a party of or which any of its properties is the subject.

ITEM 4: Submission of Matters to a Vote of Security Holders.

No matters were submitted during the fourth quarter of 1999 to a vote of the Registrant's stockholders.

ITEM 5: Market for Common Equity and Related Stockholder Matters.

The Company's common stock has been quoted on the Nasdaq SmallCap Market since December 27, 1999. From the completion of the Company's initial public offering in April 1998 through December 31, 1999, the Company's 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 since the Company's April 1998 initial public offering through December 31, 1999, are as follows:

Quarter	1999		1998	
	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
First Quarter	\$17.00	\$14.75	N/A	N/A

Second Quarter	\$15.50	\$13.50	\$15.25	\$14.50
Third Quarter	\$15.50	\$14.00	\$16.50	\$14.00
Fourth Quarter	\$16.00	\$13.00	\$16.75	\$15.75

</TABLE>

For the period during which the common stock was quoted on the OTC Bulletin Board, the quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions and do not include intra-day highs and lows. On February 28, 2000, there were approximately 727 owners of record and, in addition, approximately 2,001 beneficial owners of the Company's common stock.

No cash dividends have been declared to date on the Company's common stock. If and when dividends are declared, the Company will be dependent upon dividends paid to it by the Bank for funds to pay dividends on the common stock.

ITEM 6: Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information set forth in Appendix A, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," of the Registrant's definitive Proxy Statement dated March 20, 2000, is hereby incorporated by reference and is filed as Exhibit 13 to this Form 10-K Annual Report.

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ITEM 7: Financial Statements and Supplementary Data.

The information set forth in Appendix A, under the captions "Report of Independent Auditors," "Consolidated Financial Statements" and "Notes to Consolidated Financial Statements" of the Registrant's definitive Proxy Statement dated March 20, 2000, is hereby incorporated by reference and is filed as Exhibit 13 to this Form 10-KSB Annual Report.

ITEM 8: Changes in and Disagreements With Accountants and Financial Disclosure.

There have been no disagreements with the Company's independent public accountants.

PART III

ITEM 9: Directors and Executive Officers of the Registrant.

The information set forth on pages 4-5, under the caption "Information About Directors" and on page 10 under the Registrant's definitive Proxy Statement dated March 20, 2000, is hereby incorporated by reference and is filed as Exhibit 13 to this Form 10-K Annual Report.

ITEM 10: Executive Compensation.

Information relating to compensation of the Registrant's executive officers and directors is contained on Exhibit 13, under the captions "Director Compensation" and "Executive Compensation," in the Registrant's definitive Proxy Statement dated March 20, 2000, and is incorporated herein by reference and is filed as Exhibit 13 to this Form 10-KSB Annual Report.

ITEM 11: Security Ownership of Certain Beneficial Owners and Management.

Information relating to security ownership of certain beneficial owners and management is contained on page 9, under the caption "Security Ownership of Management" in the Registrant's definitive Proxy Statement dated March 20, 2000, and is incorporated herein by reference and is filed as Exhibit 13 to this Form 10-KSB Annual Report.

ITEM 12: Certain Relationships and Related Transactions.

Information relating to certain relationships and related transactions is contained on page 10, under the caption "Transactions Involving Management" in the Registrant's definitive Proxy Statement dated March 20, 2000, and is incorporated herein by reference and is filed as Exhibit 13 to this Form 10-KSB Annual Report.

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ITEM 13: Exhibits, Financial Statements, Schedules, and Reports on Form 8-K.

(a) Financial Statements.

1. The following documents are filed as part of Item 7 of this report:

Report of Independent Auditors
Consolidated Balance Sheets as of December 31, 1999 and 1998
Consolidated Statements of Income for the years ended December 31,
1999, 1998 and 1997
Consolidated Statements of Changes in Shareholders Equity for the
years ended December 31, 1999, 1998 and 1997
Consolidated Statements of Cash Flows for the year ended December 31,
1999, 1998 and 1997
Notes to Consolidated Financial Statements

2. Schedules to the consolidated financial statements required by Article 9 of Regulation S-X are not required under the related instructions or are inapplicable, and therefore have been omitted.
3. The following exhibits are filed as part of this report: Reference is made to the exhibit index which follows the signature page of this report.

The Registrant will furnish a copy of any exhibits listed on the Exhibit Index to any shareholder of the Registrant without charge upon written request of Philip J. Koning, Macatawa Bank Corporation, 51 E. Main Street, Zeeland, Michigan 49464.

(b) Reports on Form 8-K

During the last quarter of the period covered by this report, the Registrant filed no Current Reports on Form 8-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, dated March 9, 2000.

MACATAWA BANK CORPORATION

/s/ Benj. A. Smith, III
Benj. A. Smith, III
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ Philip J. Koning
Philip J. Koning
Treasurer and Secretary
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 9, 2000, by the following persons on behalf of the Registrant and in the capacities indicated. Each director of the Registrant, whose signature appears below, hereby appoints Benj. A. Smith, III and Philip J. Koning, and each of them severally, as his attorney-in-fact, to sign in his name and on his behalf, as a director of the Registrant, and to file with the Commission any and all Amendments to this Report on Form 10-KSB.

Signature

/s/ Benj. A. Smith, III
Benj. A. Smith, III, Principal Executive
Officer and a Director
March 9, 2000

/s/ Philip J. Koning
Philip J. Koning, Principal Financial and
Accounting Officer and a Director
March 9, 2000

/s/ James L. Batts
James L. Batts, Director
March 9, 2000

/s/ G. Thomas Boylan
G. Thomas Boylan, Director
March 9, 2000

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/s/ Jessie F. Dalman
Jessie F. Dalman, Director
March 9, 2000

/s/ Robert E. DenHerder
Robert E. DenHerder, Director

March 9, 2000

/s/ Wayne J. Elhart
Wayne J. Elhart, Director

March 9, 2000

/s/ Brian J. Hansen
Brian J. Hansen, Director

March 9, 2000

/s/ James L. Jurries
James L. Jurries, Director

March 9, 2000

/s/ John F. Koetje
John F. Koetje, Director

March 9, 2000

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EXHIBIT INDEX

	Exhibit Number and Description -----	Sequentially Numbered Page -----
2	Consolidation Agreement dated December 10, 1997, incorporated by reference to Exhibit 2 to the Macatawa Bank Corporation Registration Statement on Form SB-2 (Registration No. 333-45755).	
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 Registration Statement on Form SB-2 (Registration No. 333-45755).	
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).	
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	Lease Agreement dated July 8, 1997, for the facility located at 51 E. Main, incorporated by reference to Exhibit 10.3 to the Macatawa Bank Corporation Registration Statement on Form SB-2 (Registration No. 333-45755).	
10.4	Lease Agreement dated January 1, 1998, for the facility located at 139 East 8th Street, Holland, Michigan 49423, incorporated by reference to Exhibit 10.4 to the Macatawa Bank Corporation Registration Statement on Form SB-2 (Registration No. 333-45755).	
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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 October 1, 1997, incorporated by reference to Exhibit 10.8 to the Macatawa Bank Corporation Registration Statement on Form SB-2	

(Registration No. 333-45755).

- 10.7 MagicLine Product Services Agreement between MagicLine, Inc. and Macatawa Bank dated October 1, 1997., incorporated by reference to Exhibit 10.9 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 10.10 to the Macatawa Bank Corporation Registration Statement on Form SB-2 (Registration No. 333-45755).
- 13 Proxy Statement to shareholders. This exhibit, except for those portions expressly incorporated by reference in this filing, is furnished for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this filing.
- 21 Subsidiaries of the Registrant
- 23 Consent of Crowe, Chizek and Company LLP, independent public accountants
- 24 Power of Attorney (included on the signature page on page 15 of the Annual Report on Form 10-KSB)
- 27 Financial Data Schedule

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EXHIBIT 13

MACATAWA BANK CORPORATION

March 20, 2000

Dear Shareholder:

We invite you to attend the 2000 Annual Meeting of Shareholders. This year's meeting will be held on Thursday, April 27, 2000, at 10:00 a.m., at Ridgepoint Community Church, 340 - 104th Avenue, Holland, Michigan 49423.

Our audited financial statements are included in an appendix to this Proxy Statement and provide important information about our accomplishments in 1999.

It is important that your shares are represented at the Annual Meeting. Please carefully read the Notice of Annual Meeting and Proxy Statement, whether or not you expect to attend the Annual Meeting. If you plan on attending the Annual Meeting please return the postage paid RSVP card at the bottom of the invitation.

Sincerely,

/s/ Benj. A. Smith, III
Benj. A. Smith, III
Chairman of the Board and
Chief Executive Officer

MACATAWA BANK CORPORATION

51 E. Main Street
Zeeland, Michigan 49464

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 27, 2000

To Our Shareholders:

The Annual Meeting of Shareholders of Macatawa Bank Corporation will be held at Ridgepoint Community Church, 340 104th Avenue, Holland, Michigan 49423, on Thursday, April 27, 2000 at 10:00 A.M., local time, for the following purposes:

1. To elect two directors, each to hold office for a three year term.
2. To transact such other business as may properly come before the meeting or at any adjournment thereof.

Shareholders of record at the close of business February 28, 2000, will be entitled to vote at the meeting or any adjournment thereof. Whether or not you expect to be present in person at this meeting, you are urged to sign the enclosed Proxy and return it promptly in the enclosed envelope. If you do attend the meeting and wish to vote in person, you may do so even though you have submitted a Proxy.

By order of the Board of Directors

Dated: March 20, 2000

Holland, Michigan

/s/ Philip J. Koning
Philip J. Koning
Secretary

Dated: March 13, 2000

MACATAWA BANK CORPORATION

51 E. Main Street
Zeeland, Michigan 49464

PROXY STATEMENT

For the Annual Meeting of Shareholders
to be held April 27, 2000

SOLICITATION OF PROXIES FOR ANNUAL MEETING

This Proxy Statement is furnished to the Shareholders of Macatawa Bank Corporation (the "Company") in connection with the solicitation by the Board of Directors of proxies to be used at the Annual Meeting of Shareholders which will be held at Ridgepoint Community Church, 340 104th Avenue, Holland, Michigan 49423, April 27, 2000, at 10:00 A.M., local time.

The Annual Meeting is being held for the following purposes:

1. To elect two directors, each to hold office for a three year term.
2. To transact such other business as may properly come before the meeting or at any adjournment thereof.

If a proxy in the form distributed by the Company's Board of Directors is properly executed and returned to the Company, the shares represented by the proxy will be voted at the Annual Meeting of Shareholders and at any adjournment of that meeting. Where shareholders specify a choice, the proxy will be voted as specified. If no choice is specified, the shares represented by the proxy will be voted FOR the nominees named by the Board of Directors in the proxy. Shares not voted at the meeting, whether by abstention, broker non-vote, or otherwise, will not be treated as votes cast at the meeting. Votes cast at the meeting and submitted by proxy will be tabulated by the Company's transfer agent, Macatawa Bank.

A proxy may be revoked prior to its exercise by delivering a written notice of revocation to the secretary of the Company, executing and delivering a proxy of a later date or attending the meeting and voting in person. Attendance at the meeting does not automatically act to revoke a proxy.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

On February 28, 2000, the record date for determination of shareholders entitled to vote at the Annual Meeting, there were outstanding 3,588,565 shares of common stock of the Company. Shares cannot be voted unless the shareholder is present at the meeting or is represented by proxy.

As of February 28, 2000, only one person or entity is known to management who may be deemed to be the beneficial owner of more than 5.0% of the Company's common stock. Smith & Associates Investment Management Services has reported to the Company that it has sole voting and investment power with respect to 1,082,454 shares of common stock and shared voting and investment power with respect to an additional 4,250 shares of common stock, which in the aggregate represent 30.28% of the issued and outstanding common stock of the Company. Benj. A. Smith, the chief executive officer of the Company, is also the chief executive officer of Smith & Associates Investment Management Services.

ELECTION OF DIRECTORS

The Company's Articles of Incorporation provide for the division of the Board of Directors into three classes of nearly equal size with staggered three-year terms of office. The number of directors constituting the Board of Directors is determined from time to time by the Board of Directors. The Board is currently composed of ten members.

The Company's Board of Directors has determined that it is in the best

interests of the Company and its shareholders to restructure the board of directors by reducing the number of directors of the Company. In order to effect this restructuring, James L. Jurries, James L. Batts, Wayne J. Elhart, Jessie F. Dalman and Brian J. Hansen will resign from the Board of Directors of the Company prior to the Annual Meeting. Each of these directors and all of the Company's remaining directors will continue as directors of Macatawa Bank, a subsidiary of the Company. The Company anticipates forming a second subsidiary which will provide financial and other services excluding banking services ("Financial Services Company"). Once the Financial Services Company is organized, certain Macatawa Bank directors will be named to the Financial Services Company Board. All services provided by the Company other than banking will be provided through the Financial Services Company and all banking services will be provided through Macatawa Bank. For the foreseeable future, the Company will function purely as a holding company. The Board restructuring will relieve the directors who are leaving the Company's Board from any holding company responsibilities and permit them to focus their attention and efforts on the Company's subsidiary operations.

Two persons have been nominated for election to the Board, each to serve a three-year term expiring at the 2003 Annual Meeting of Shareholders. The Board has nominated G. Thomas Boylan and Benj. A. Smith, III, each of whom is an incumbent director.

Holders of common stock should complete the accompanying proxy. Unless otherwise directed by a shareholder's proxy, it is intended that the votes cast upon exercise of proxies in the form accompanying this statement will be in favor of electing the nominees as directors for the terms indicated above. Each of the nominees is presently serving as directors. The following pages of this Proxy Statement contain more information about the nominees and other directors of the Company.

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A plurality of the votes cast at the Annual Meeting is required to elect the nominees as directors of the Company. As such, the two individuals who receive this number of votes cast by the holders of the Company's common stock will be elected as directors. Shares not voted at the meeting, whether by abstention, broker non-vote, or otherwise, will not be treated as votes cast at the meeting. Votes cast at the meeting and submitted by proxy will be tabulated by the Company.

Except those persons nominated by the Board of Directors, no other persons may be nominated for election at the 2000 Annual Meeting. The Company's Articles of Incorporation require at least 60 days prior written notice of any other proposed nomination and no such notice has been received.

If any nominee becomes unavailable for election due to circumstances not now known, the accompanying proxy will be voted for such other person to become a director as the Board of Directors selects.

The Board of Directors recommends a vote FOR the election of each of the persons nominated by the Board.

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INFORMATION ABOUT DIRECTORS

The content of the following table is based upon information as of February 1, 2000, furnished to the Company by the directors. Except as described in the notes following the table, the following directors have sole voting and dispositive power as to all of the shares set forth in the following table.

<TABLE>

Name	Age	Year First Became a Director	Amount and Nature of Beneficial Ownership(1)	Percent Of Common Stock
-----	---	-----	-----	-----
<S>				
Nominees for Election as Directors for Terms Expiring in 2003				
G. Thomas Boylan (a) (b)	77	1997	117,925	3.2%
Benj. A. Smith, III (b)	56	1997	154,567 (2)	4.2%
Directors Whose Terms Expire in 2001				
John F. Koetje (a)	64	1998	71,450	2.0%
Directors Whose Terms Expire in 2002				
Robert E. Den Herder (a) (b)	45	1997	127,200	3.5%
Philip J. Koning	45	1997	36,750	1.0%

</TABLE>

- (a) Member of the Audit Committee
- (b) Member of the Compensation Committee

NOTES

- (1) Except as described in the following notes, each nominee and director owns the shares directly and has sole voting and investment power or shares voting and investment power with his or her spouse under joint ownership. Includes shares of common stock that are issuable under options that are exercisable or will become exercisable within sixty (60) days. The share ownership of the following directors includes shares subject to options that are currently exercisable: Mr. DenHerder (6,00 shares), Mr. Koning (12,000 shares), Mr. Boylan (6,000 shares), Mr. Smith (31,000 shares), and Mr. Koetje (2,000 shares).
- (2) Includes 31,000 shares owned by Mr. Smith's spouse; also includes 30,000 shares held in a trust for the benefit of Mr. Smith's spouse.

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Benj. A. Smith, III is the Chairman, Chief Executive Officer and a director of the Company and is also Chairman and a director of the 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 First Michigan Bank Corporation and its subsidiary FMB-First Michigan Bank of Zeeland, Michigan.

Philip J. Koning has served as President of the Bank since its inception in November, 1997, and serves as the Secretary and Treasurer of the Company and as a director of both the Company and the Bank. Mr. Koning was employed by Smith & Associates Investment Management Services prior to February 1998. Mr. Koning has over 23 years of commercial banking experience, most recently from 1992 to 1997 with First of America Bank in Holland, where he served as a Community Bank President.

G. Thomas Boylan is a director of the Company and the Bank. Mr. Boylan serves as the President of Light Metals Corporation, a manufacturing company located in Wyoming, Michigan, where he has been employed since 1947.

Robert E. DenHerder is a director of the Company and the Bank. Mr. DenHerder is the President of Uniform Color Co., a company located in Holland, Michigan, which manufactures color concentrate for the plastics industry focusing on automotive suppliers.

John F. Koetje is a director of the Company and the 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.

The Board of Directors had 12 meetings in 1999. The Company has no nominating committee. All directors attended at least three-fourths of the aggregate number of meetings of the Board and Board committees which they were eligible to attend.

COMPENSATION OF DIRECTORS

During 1998, directors of the Company and the Bank were not paid any cash compensation for Board of Directors meetings attended. Directors of the Company and the Bank were paid \$150 per committee meeting attended. Effective March 19, 1998, the Company awarded stock options to purchase 2,000 shares of common stock to each of Messrs. Smith, Batts, Boylan, Den Herder, Elhart, Hansen, Jurries and Koetje and Ms. Dalman. These stock options were granted pursuant to the 1998 Directors' Stock Option Plan, have an exercise price of \$10.00 per share, are exercisable beginning March 19, 1999, and expire on March 19, 2008.

During 1999, the directors of the Company and the Bank received an annual retainer of \$4,000 and were paid \$500 per board meeting attended and \$250 per committee meeting attended. Directors are reimbursed for their out-of-pocket expenses for each meeting attended.

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EXECUTIVE COMPENSATION

Committee Report on Executive Compensation

Decisions on the compensation of the Corporation's executive officers are made by the Board's Compensation Committee. The Compensation Committee met two times during 1999.

Base Salary - In general, the Board intends to maintain the base salaries of the Company's executive officers and senior managers within peer group levels, with the ability to make appropriate adjustment to reflect other relevant factors, which may include individual performance, experience, expertise and tenure. Annually, the Committee establishes a base wage for the

Chief Executive Officer, Mr. Smith, and for the President, Mr. Koning. The Committee's determination is based upon the performance of the individual and compensation levels established by the Company's peers and evaluations by consultants.

The base salaries of all other officers and senior managers are established by the Corporation's President and Chief Executive Officer.

Long-Term Incentives - The Company provides long-term incentives in the form of stock options. Each year the Committee recommends to the Board a list of stock options to be granted. These options are intended to recognize individual contributions and to incentivize employees to contribute to the long-term objectives of the Company. To align the interests of its executive officers and senior managers with the Company's shareholders, the Board's compensation strategy provides for a 401(k) matching contribution.

G. Thomas Boylan, Robert E. Den Herder and Benj. A. Smith III

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Summary Compensation Table

The following table sets forth the annual and long-term compensation paid by the Company to its Chief Executive Officer and the President of the Bank. (collectively referred to as the "Named Executives") for services rendered to the Company during 1999 and 1998, the Company's first full year of operations. No other executive officers of the Company or the Bank received annual compensation in excess of \$100,000 during 1998 or 1999.

<TABLE>

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long Term Compensation	
		Salary	Other Annual Compensation (\$)	Securities Underlying Options (#)	All
Benj. A. Smith, III..... Chairman of the Board and Chief Executive Officer	1999	\$ 75,000	\$0	0	\$ 0
	1998	\$ 32,500	\$0	31,000	\$ 0
Philip J. Koning..... President of the Bank Treasurer and Secretary	1999	\$150,000	\$0	4,000	\$3,181
	1998	\$144,184	\$0	12,000	\$3,020

</TABLE>

(1) Includes an automobile allowance (\$2,521 in 1999 and \$2,637 in 1998) and life insurance premiums paid by the Company for the benefit of Mr. Koning.

7

Option Grants in 1999. Shown below is information on grants of stock options pursuant to the Company's Stock Compensation Plan and the Company's 1998 Directors' Stock Option Plan.

<TABLE>

Individual Grants

Name	Number of Securities Underlying Options Granted(1)	Percent of Total Options Granted to Employees in 1999	Base Price (per share) (2)	Expiration Date	Potential
					Realizable
					Value at Assumed
					Annual Rates
					Stock Price
					Appreciation
					Option
					(3)
					10%

<S>	<C>	<C>	<C>	<C>
Philip J. Koning.....	3,000	14.3%	\$ 14.50	November 18, 2009
\$69,328				\$27,357

- (1) Indicates number of shares which may be purchased pursuant to options granted under the Company's Stock Compensation Plan and 1998 Directors' Stock Option Plan as of December 31, 1999. 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 the Common Stock on the date of grant. The exercise price may be paid in cash, by the delivery of previously owned shares, through the withholding of shares 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 the Company's Common Stock. There can be no assurance that the amounts reflected in this table will be realized.

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Year-End Options Values. Shown below is information with respect to unexercised options to purchase shares of the Company's Common Stock granted under the Option Plans to the Named Executives and held by them at December 31, 1999. None of the Named Executives exercised any stock options during 1999.

Name	Number of Shares Subject to Unexercised Options Held at December 31, 1999		Value of Unexercised In-the-Money Options at December 31, 1999 (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>
Benj. A. Smith III.....	31,000	0	\$27,000	\$ 0
Philip J. Koning.....	12,000	3,000	\$40,500	\$ 0

- (1) The value of unexercised options reflects the increase in market value of the Company's Common Stock from the date of grant through December 31, 1999 (when the closing price of the Company's Common Stock was \$14.50 per share). Value actually realized upon exercise by the Named Executives will depend on the value of the Company's Common Stock at the time of exercise.

Benefits. The Company provides group health and life insurance benefits and supplemental unemployment benefits to its regular employees, including executive officers. In January 1999, the Company implemented a 401(k) plan.

Security Ownership of Management. The following table shows, as of February 1, 2000, the number of shares beneficially owned by each of the Named Executives identified in the executive compensation tables of this proxy statement and by all Directors and Executive Officers as a group. Except as described in the notes following the table, the following persons have sole voting and dispositive power as to all of their respective shares.

Name	Amount and Nature of Beneficial Ownership(1)	Percent of Common Stock
<S>	<C>	<C>
Benj. A. Smith, III.....	154,567	4.2%
Philip J. Koning.....	36,750	1.0%
All Executive Officers and Directors as a Group (5 persons)	507,892	14.1%

- (1) See Footnotes 1 and 2 to the Information About Directors table appearing on page 4 of this Proxy Statement.

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TRANSACTIONS INVOLVING MANAGEMENT

Directors and officers of the Company and their associates were customers of, and had transactions with, subsidiaries of the Company in the ordinary course of business during 1999. All loans and commitments included in such transactions were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the

time for comparable transactions with other persons and do not involve an unusual risk of collectibility or present other unfavorable features.

The Bank leases its Holland office located at 106 E. 8th Street, Holland, Michigan 49423, from a corporation wholly owned by Benj A. Smith, III, an officer and director of the Company. The Bank leases its Wyoming, Michigan branch facility from a limited liability company co-owned by John F. Koetje, a director of the Company. The terms of these leases were negotiated on an arm's-length basis, and the Company believes that the rent and other terms reflect fair market value.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and officers to file reports of ownership and changes in ownership of shares of common stock with the Securities and Exchange Commission. Based upon written representations by each director and officer, all the reports were filed by such persons during the last fiscal year, except for one late report with respect to one transaction by each of Messrs. Benj. A. Smith, James L. Batts and James L. Jurries.

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SHAREHOLDER RETURN PERFORMANCE GRAPH

The following graph shows the cumulative total shareholder return on an investment in the Company's common stock compared to the Russell 2000 Index and the Media General Group Index of Regional-Midwest Banks. The comparison assumes a \$100 investment on April 1, 1998, the date of the Company's initial public offering, at the Company's initial public offering price of \$10.00 per share.

[GRAPHIC OMITTED]

<TABLE>		4/1/98	6/30/98	9/30/98	12/31/98	3/31/99	6/30/99
9/30/99	12/31/99						

<S>		<C>	<C>	<C>	<C>	<C>	<C>
<C>							
Macatawa Bank Corporation	145.00	100.00	147.50	160.00	152.50	151.25	142.50
							143.75

MG Group Index	86.34	100.00	99.52	90.49	103.97	98.78	101.20
							90.21

Russell 2000 Index	105.62	100.00	95.34	76.13	88.31	83.23	95.86
							89.49

</TABLE>
Source: Media General Financial Services, Richmond, Virginia

RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS

The combined consolidated financial statements of the Company have been examined by Crowe, Chizek and Company LLP, independent certified public accountants. A representative of Crowe, Chizek and Company LLP is expected to be present at the annual meeting with the opportunity to make a statement, if desired, and will be available to respond to appropriate questions. It is anticipated that the Company's Audit Committee will select the Company's auditors before the end of this calendar year.

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SHAREHOLDER PROPOSALS-2001 ANNUAL MEETING

Any proposal of a shareholder intended to be presented for action at the 2001 annual meeting of the Company must be received by the Company at 250 E. 8th Street, Holland, Michigan 49423, not later than November 15, 2000, if the shareholder wishes the proposal to be included in the Company's proxy materials for that meeting.

AVAILABILITY OF 10-KSB ANNUAL REPORT

An annual report on Form 10-KSB to the Securities and Exchange Commission for the year ended December 31, 1999, will be provided free to shareholders upon

written request. Write to Macatawa Bank Corporation, Attention: Philip J. Koning, 250 E. 8th Street, Holland, Michigan 49423. The Form 10-KSB and certain other periodic filings are filed with the Securities and Exchange Commission (the "SEC"). The SEC maintains an Internet web site that contains reports and other information regarding companies including the Company, that file electronically. The SEC's web site address is <http://www.sec.gov>.

MISCELLANEOUS

The management of the Company is not aware of any other matter to be presented for action at the meeting. However, if any such other matter is properly presented for action, it is the intention of the persons named in the accompanying form of proxy to vote thereon in accordance with their best judgment.

The cost of soliciting proxies in the accompanying forms will be borne by the Company. In addition to solicitation by mail, proxies may be solicited in person, or by telephone or telegraph, by some regular employees of the Company.

By order of the Board of Directors

March 20, 2000

/s/ Philip J. Koning
Philip J. Koning
Secretary

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APPENDIX A

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A-1
SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial and other data are derived from the Company's financial statements and should be read with the Consolidated Financial Statements and Notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Consolidated Balance Sheet as of December 31, 1999 and 1998, and the Consolidated Statement of Income for the years ended December 31, 1999 and 1998, are included elsewhere in this proxy statement.

<TABLE>

(Dollars in Thousands, Except of Per Share Data)	At or For the Year Ended December 31	
	1999 ----	1998 ----
<S>	<C>	<C>
Financial Condition		
Total assets.....	\$ 344,921	\$189,229
Loans.....	285,374	137,882
Deposits.....	275,390	166,989
Securities.....	28,281	27,007
Shareholder's equity.....	34,526	19,611
Share Information		
Basic earnings/(loss) per common share.....	.22	\$ (1.22)
Book value per common share.....	9.62	8.05
Weighted average shares outstanding.....	3,101,908	2,041,920
Shares outstanding at end of period.....	3,588,565	2,435,125
Operations		
Interest income.....	20,000	\$ 6,804

Interest expense.....	9,428	3,190
Net interest income.....	10,572	3,614
Provision for loan losses(1).....	1,967	2,023
Net interest income after provision for loan losses.....	8,605	1,591
Total noninterest income.....	1,528	683
Total noninterest Expense.....	9,440	4,763
Net income/(loss).....	693	\$ (2,489)

</TABLE>

(1) Management has established the allowance for loan losses based on past industry loan loss experience, known and inherent risks in similar portfolios, and economic conditions.

A-2
 QUARTERLY FINANCIAL DATA
 (unaudited)

A summary of selected quarterly results of operations for the years ended December 31 follows:

31,	March 31,	THREE MONTHS ENDED		December
-----	-----	June 30,	September 30,	-----
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
1999				
Interest income.....	\$3,635,152	\$4,663,222	\$5,475,441	\$6,226,884
Net interest income.....	1,883,465	2,471,316	2,925,651	3,292,131
Provision for loan losses.....	450,000	545,000	505,000	467,000
Income (loss) before income tax expense.	(77,110)	44,116	301,171	425,089
Net income (loss).....	(77,110)	44,116	301,171	425,089
Net income per share				
Basic.....	(.03)	.02	.08	.12
Diluted.....	(.03)	.02	.08	.12
1998				
Interest income.....	\$ 343,472	\$1,174,070	\$2,201,206	\$3,085,357
Net interest income.....	205,089	726,345	1,147,189	1,535,245
Provision for loan losses.....	200,500	702,000	620,000	500,000
Income (loss) before income tax expense	(525,208)	(921,251)	(653,828)	
(388,264)				
Net income (loss).....	(525,208)	(921,251)	(653,828)	
(388,264)				
Net income per share				
Basic.....	(.56)	(.39)	(.27)	
(.16)				
Diluted.....	(.56)	(.39)	(.27)	
(.16)				

</TABLE>

A-3
 QUARTERLY STOCK PRICE INFORMATION

The Company's common stock has been quoted on the Nasdaq SmallCap Market since December 27, 1999. From the completion of the Company's initial public offering in April 1998 through December 31, 1999, the Company's 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 since the Company's April 1998 initial public offering through December 31, 1999, are as follows:

Quarter	1999		1998	
-----	High	Low	High	Low
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
First Quarter	\$17.00	\$14.75	N/A	N/A
Second Quarter	\$15.50	\$13.50	\$15.25	\$14.50
Third Quarter	\$15.50	\$14.00	\$16.50	\$14.00
Fourth Quarter	\$16.00	\$13.00	\$16.75	\$15.75

</TABLE>

For the period during which the common stock was quoted on the OTC Bulletin Board, the quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions and do not include intra-day highs and lows. On February 28, 2000, there were approximately 727 owners of record and, in addition, approximately 2,001 beneficial owners of

the Company's common stock.

No cash dividends have been declared to date on the Company's common stock. If and when dividends are declared, the Company will be dependent upon dividends paid to it by the Bank for funds to pay dividends on the common stock.

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APPENDIX A

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those projected in such forward-looking statements.

The following section presents additional information to assess the financial condition and results of operations of the Company and the Bank. This section should be read in conjunction with the consolidated financial statements and the supplemental financial data contained elsewhere in this Appendix.

Overview

Macatawa Bank Corporation (the "Company") is a Michigan corporation and is the bank holding company for Macatawa Bank (the "Bank"). The Bank commenced operations on November 25, 1997. The Bank is a Michigan chartered bank with depository accounts insured by the Federal Deposit Insurance Corporation. The Bank provides a full range of commercial and consumer banking services, primarily in the communities of Holland and Zeeland, Michigan, as well as the surrounding market area primarily located in Ottawa county, Michigan.

The Company has experienced rapid and substantial growth since opening in November 1997. At December 31, 1999, the Bank had thirteen branch banking offices, and two service facilities. The Company completed an underwritten initial public offering of common stock on April 7, 1998, resulting in net proceeds of \$14.1 million. In June 1999, the Company completed an offering of common stock to its shareholders resulting in net proceeds of \$14.6 million.

The Bank established a Trust Department in the fourth quarter of 1998 to further provide for customers' financial needs. The Trust Department began business on January 3, 1999 and as of December 31, 1999, had assets of approximately \$183 million.

The Company's Board of Directors has determined that it is in the best interests of the Company and its shareholders to restructure the board of directors by reducing the number of directors of the Company. In order to effect this restructuring, James L. Jurries, James L. Batts, Wayne J. Elhart, Jessie F. Dalman and Brian J. Hansen will resign from the Board of Directors of the Company prior to the Annual Meeting. Each of these directors and all of the Company's remaining directors will continue as directors of Macatawa Bank, a subsidiary of the Company. The Company anticipates forming a second subsidiary which will provide financial and other services excluding banking services ("Financial Services Company"). Once the Financial Services Company Board is organized, certain Macatawa Bank directors will be named to the Financial Services Company Board. All services provided by the Company other than banking will be provided through the Financial Services Company and all banking services will be provided through Macatawa Bank. For the foreseeable future, the Company will function purely as a holding company. The Board restructuring will relieve the directors who are leaving the Company's Board from any holding company responsibilities and permit them to focus their attention and efforts on the Company's subsidiary operations.

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Financial Condition

Summary. Total assets of the Company increased by \$155,692,000 to \$344,921,000 at December 31, 1999, from \$189,229,000 at December 31, 1998. The increase in assets is primarily attributable to the Bank continuing to attract customer deposits and then lending and otherwise investing these funds. The fourth quarter of 1999 was the Company's eighth full quarter of operations, and the number of deposit accounts increased from approximately 14,000 at December 31, 1998, to approximately 27,000 accounts at December 31, 1999. Management attributes the strong growth in deposits to quality customer service, the desire of customers to deal with a local bank, and convenient accessibility through the expansion of branches. The Company anticipates that the Bank's assets will continue to increase during 2000, which will be the Bank's third full year of operations. However, management does not believe that the rate of increase will be as rapid as it was during the first two years of operation.

Cash and Cash Equivalents. Cash and cash equivalents, which include federal funds sold and short-term investments, increased \$2,600,862 to \$20,554,039 at December 31, 1999, from \$17,953,177 at December 31, 1998. The increase is a result of cash reserves needed for additional branches. The Bank also increased cash reserves in order to be prepared for any large cash withdrawals by

customers concerned about Y2K. Balances required to cover account services at correspondent banks were increased due to volumes.

Securities. Securities are purchased and classified as "available for sale." The securities may be sold to meet the Bank's liquidity needs. The primary objective of the Company's investing activities is to provide for the safety of the principal invested. Secondary considerations include earnings, liquidity and overall exposure to changes in interest rates. Securities available for sale increased \$1,274,075 to \$28,281,375 at December 31, 1999 from \$27,007,300 at December 31, 1998, or 4.72%.

Securities Available for Sale Portfolio (in thousands)

	Year Ended December 31	
	1999	1998
<S>	<C>	<C>
U. S. Treasury and U.S. Government Agencies.....	\$27,337	\$27,007
Michigan municipal bonds.....	944	0
	-----	-----
	\$28,281	\$27,007

</TABLE>

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

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Schedule of Maturities of Investment Securities and Weighted Average Yields

The following is a schedule of maturities and their weighted average yield of each category of investment securities as of December 31, 1999.

Investments With	Maturing								
	Due Within		One to		Five to		After		
No Contractual	One Year		Five Years		Ten Years		Ten Years		
Maturity	Estimated		Estimated		Estimated		Estimated		
Market	Avg.	Value	Avg.	Value	Avg.	Value	Avg.	Value	
Value	Yield	Value	Yield	Value	Yield	Value	Yield	Value	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Available for Sale:									
U.S. Treasury and U.S. Government Agencies	0%	0	0%	25,416	5.85%	1,921	6.70%	0	0%
Tax-Exempt MI municipal bonds	0%	0	0%	0	0%	0	0%	944	5.24%
-	--	-	--	-	--	-	--	-	--
Total	0%	0	0%	25,416	5.85%	1,921	6.70%	944	5.24%

</TABLE>

The Loan Portfolio. The majority of loans are made to businesses in the form of commercial loans and real estate mortgages. Commercial loans increased \$105,722,570 from \$95,669,151 at December 31, 1998, to \$201,391,721 at December 31, 1999, an increase of 110.51%. Commercial loans account for approximately 71% of the Bank's total loan portfolio. In addition, the Bank's consumer mortgage loan volume is significant; however, only a small portion of these loans are retained for the Bank's own portfolio. The Bank originated \$141 million (3,760 loans) in 1999 and \$102 million (2,658 loans) in 1998.

Loan Portfolio Composition (in thousands)

	Year Ended December 31			
	1999		1998	
	Amount	%	Amount	%
	-----	-	-----	-

<S>	<C>	<C>	<C>	<C>
Commercial Real Estate.....	\$ 54,160	19%	\$ 14,058	10%
Residential Real Estate.....	44,734	15	22,529	16
Other Commercial.....	147,232	52	81,611	60
Consumer.....	39,248	14	19,684	14
	-----		-----	----
Total Loans.....	285,374	100%	137,882	100%
		=====		=====
Less:				
Allowance for Loan Losses.....	(3,995)		(2,030)	
	-----		-----	
Total Loans Receivable, Net.....	\$281,379		\$135,852	
	=====		=====	

</TABLE>

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Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table shows the amount of total loans outstanding as of December 31, 1999 which, based on remaining scheduled repayments of principal, are due in the periods indicated.

<TABLE>

Maturing				
(in thousands of dollars)				
Total	Within one Year	After one but Within five years	After five years	
	-----	-----	-----	----
<S>	<C>	<C>	<C>	<C>
Commercial Real Estate	\$ 19,504	\$ 31,186	\$ 3,470	\$
54,160				
Residential Real Estate.....	10,840	18,392	15,502	
44,734				
Other Commercial.....	84,773	55,901	6,558	
147,232				
Consumer	10,380	22,298	6,570	
39,248				
	-----	-----	-----	-----
Totals.....	\$ 125,493	\$127,777	\$32,100	
285,374	=====	=====	=====	
Allowance for Loan Losses.....				
(3,995)				

Total Loans Receivable, Net.....				\$
281,379				

</TABLE>

Below is a schedule of the loan amounts maturing or repricing which are classified according to their sensitivity to changes in interest rates.

<TABLE>

Interest Sensitivity			
(in thousands of dollars)			
	Fixed Rate	Variable Rate	Total
	-----	-----	-----
<S>	<C>	<C>	<C>
Due within 3 months.....	\$ 5,213	\$100,809	\$106,022
Due after 3 months within 1 year.....	19,451	103	19,554
Due after one but within five years.....	113,025	14,692	127,717
Due after five years.....	29,000	3,081	32,081
	-----	-----	-----
Total.....	\$ 166,609	\$118,519	285,374
	=====	=====	
Allowance for Loan Losses.....			(3,995)

Total Loans Receivable, Net.....			\$ 281,379
			=====

</TABLE>

Nonperforming Assets. Nonperforming loans as of December 31, 1999 totaled \$101,000. Management believes that the allowance for loan losses is adequate for the lending portfolio. Loan performance is reviewed regularly by external loan review specialists, loan officers, and senior management. When reasonable doubt exists concerning collectibility of interest or principal, the loan will be placed in nonaccrual status. Any interest previously accrued but not collected at that time will be reversed and charged against current earnings. As of December 31, 1999 there were no other interest bearing assets which required

classification. Management is not aware of any recommendations by regulatory agencies, which, if implemented, would have a material impact on the Company's liquidity, capital or operations.

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Loan Loss Experience (in thousands)

The following is a summary of loan balances at the end of each period and their daily average balances, changes in the allowance for possible loan losses arising from loans charged off and recoveries on loans previously charged off, and additions to the allowance which have been expensed.

<TABLE>

	December 31	
	1999	1998
<S>	<C>	<C>
Loans:		
Average daily balance of loans for the year.....	\$213,472	\$ 60,299
Amount of loans outstanding at end of period.....	285,374	137,882
Allowance for loan losses:		
Balance at beginning of year.....	2,030	7
Addition to allowance charged to operations.....	1,967	2,023
Loans charged-off.....	(6)	
Recoveries.....	4	
Balance at end of year.....	3,995	2,030
Ratios:		
Net (recoveries) charge offs to average loans outstanding.....	0	0
Allowance for loan losses to loans outstanding at year end.....	1.40%	1.47%

</TABLE>

Allocation of the Allowance for Loan Losses

The allowance for loan losses as of December 31, 1999, was \$3,995,165 representing approximately 1.40% of gross loans outstanding, compared to \$2,030,000 at December 31, 1998, or 1.47% of gross loans outstanding. The Bank has not experienced any material credit losses as of December 31, 1999. The allowance for loan losses is maintained at a level management feels is adequate to absorb losses inherent in the loan portfolio. Management prepares an evaluation which is based upon a continuous review of the Bank's loan portfolio, the Bank's and industry's historical loan loss experience, known and inherent risks included in the loan portfolio, composition of loans, growth of the portfolio and current economic conditions. The allowance for loan losses is analyzed quarterly by management. In so doing, management assigns a portion of the allowance to the entire portfolio by loan type and to specific credits that have been identified as problem loans and reviews past loss experience. The local economy and particular concentrations are considered, as well as a number of other factors.

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<TABLE>

	Year ended December 31			
	1999		1998	

each		% of each		% of
category		category		
total	Allowance	to total	Allowance	to
	Amount	loans	Amount	loans

<S>	<C>	<C>	<C>	<C>
Commercial.....	\$2,784	70.6%	\$1,422	69.4%
Real estate mortgages.....	112	15.7	57	16.3
Consumer.....	297	13.7	165	14.3
Unallocated.....	802	0.0	386	0.0
	-----	-----	-----	-----
Total.....	\$3,995	100.00%	\$2,030	100.00%
	=====	=====	=====	=====

</TABLE>

The above allocations are not intended to imply limitations on usage of the allowance. The entire allowance is available for any future loans without regard to loan type.

Deposits. Deposits are gathered from the communities the Bank serves. Deposits increased to \$279,389,882 at December 31, 1999, from \$166,988,675 at December 31, 1998. This was primarily as a result of deposits being obtained

from new customers of the Bank. Noninterest bearing demand deposit accounts increased by \$16,024,943 to \$34,542,493 at December 31, 1999 from \$18,517,550 at December 31, 1998. These accounts are comprised primarily of business checking accounts and represent 12.36% of total deposits at December 31, 1999.

Average Daily Deposits (in thousands)

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

	Average for the Year			
	1999		1998	
Rate	Amount	Average Rate	Amount	Average
Noninterest bearing demand.....	\$ 27,186	0%	\$ 8,991	0%
NOW accounts.....	29,721	2.6%	10,420	3.0
MMDA/Savings.....	97,849	4.2%	35,743	4.7
Time.....	68,629	5.5%	20,899	5.7
Total Deposits.....	\$223,385	3.9%	\$ 76,053	4.2%

</TABLE>

A-10

Maturity Distribution of Time Deposits of \$100,000 Or More

The following table summarizes time deposits in amounts of \$100,000 or more by time remaining until maturity as of December 31, 1999:

	Amount
Three months or less.....	\$18,232,009
Over 3 months through 6 months.....	12,168,988
Over 6 months through 1 year.....	10,014,660
Over 1 year.....	9,762,878
	\$50,178,535

</TABLE>

The Bank operates in a very competitive environment. Management monitors rates at other financial institutions in the area to ascertain that its rates are competitive with the market. Management also attempts to offer a wide variety of products to meet the needs of its customers. The Bank offers business and consumer checking accounts, regular and money market savings accounts, and certificates having many options in their terms.

Premises and Equipment. Bank premises and equipment increased to \$9,997,566 at December 31, 1999 from \$7,125,755 at December 31, 1998. The increase resulted primarily from the purchase of furniture and equipment, which increased from \$2,553,229 at December 31, 1998 to \$4,516,473 at December 31, 1999.

Retained Deficit. As of December 31, 1998, the Company had a retained deficit of \$2,654,076, and as of December 31, 1999, the Company had a retained deficit of \$1,960,810. The retained deficit is primarily the result of prior year losses, including the impact of provisions for loan losses which totaled \$2,022,500 in 1998. Also contributing to the retained deficit were wages paid to employees and costs associated with expanding the branch network. Management believes that the expenditures made in 1997 and 1998 created the infrastructure and laid the foundation for future growth and profitability in subsequent years.

A-11

Results of Operations

Summary of Results. The Company earned a net profit in 1999, the Company's second full year of operations. Net income for the year ended December 31, 1999, was \$693,266 compared to a net loss for the year ended December 31, 1998 of \$2,488,551. The primary reason for the increase in income is due to the continued growth of the Company resulting in an increase of net interest income.

Performance Ratios (in thousands, except per share data).

	Year Ended December 31,	
	1999	1998

Borrowings	12,126	692	5.71%	---	---	---	692
692	---						

Total Interest Bearing Liabilities	209,020	9,428	4.51%	66,967	3,190	4.77%	6,238
6,545	(307)						

Net Interest/Spread		10,573	3.76%		3,614	3.16%	6,959
6,885	74						

Margin			4.37%			4.21%	
=====							

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Composition of Average Earning Assets and Interest Paying Liabilities

	Year Ended December 31	
	1999	1998
	----	----
As a percent of average earning assets		
Loans.....	80.22%	70.28%
Other earning assets.....	11.78%	29.72%
Average earning assets.....	\$241,978,855	\$85,797,230
As a percent of average interest bearing liabilities		
Savings and NOW accounts.....	61.03%	68.76%
Time deposits.....	32.83%	31.13%
Other borrowings.....	6.14%	0.11%
Average interest bearing liabilities...	209,020,515	67,140,576
Earning asset ratio.....	1.16%	1.28%

Allowance for Loan Losses. The Company had an allowance for loan losses of approximately 1.40% of total loans at December 31, 1999. The provision for loan losses for the year ended December 31, 1999 was \$1,967,000. This amount was provided as a result of the increase in the total loan portfolio. Management considers it prudent during the first years of operations to provide for loan losses at a level which is consistent with levels maintained by banks with similar loan portfolios. Management will continue to monitor its loan loss performance and adjust its loan loss reserve to more closely align itself to its own history of loss experience.

Non-Interest Income. Non-interest income for the year ended December 31, 1999 was \$1,527,998, consisting primarily of service charges on deposit accounts which totaled \$660,920 and gain on sales of loans which totaled \$623,520. Trust revenues of \$228,588 also contributed to non-interest income. Trust fee income continues to increase each quarter as the amount of trust assets increases. Trust revenues recorded in the last two quarters of 1999 represented approximately 75% of the year to date trust revenues. Non-interest income for the year ended December 31, 1998 was \$683,382 and consisted primarily of gain on sales of loans of \$520,645 and service charges on deposit accounts which totaled \$157,109. No trust revenues were recorded in 1998, since the trust department did not begin business until January 3, 1999.

Non-interest Income (in thousands)

	Year Ended December 31	
	1999	1998
	----	----
Service fee income	\$ 661	\$ 157
Net gains (losses) on asset sales:		
Loans.....	624	521
Securities.....	0	0
Trust Fees.....	228	0
Other.....	15	5

Total noninterest income.....	\$1,528	\$ 683
=====		

A-14

Net Gains on the Sale of Residential Real Estate Mortgage Loans (in thousands)

<TABLE>

	Year Ended December 31	
	1999	1998
<S>	<C>	<C>
Real estate mortgage loan originations....	\$54,715	\$44,146
Real estate mortgage loan sales.....	\$55,339	\$44,667
Net gains on the sale of real Estate mortgage loans.....	624	521
Net gains as a percent of real Estate mortgage loan sales.....	1.13%	1.17%

</TABLE>
The Bank sells the majority of its fixed-rate obligations. Such loans are sold servicing released.

Non-Interest Expense. Non-interest expense for the year ended December 31, 1999, was \$9,440,295 compared to \$4,763,301 for the year ended December 31, 1998. The main components of non-interest expense were salaries and benefits which totaled \$5,408,024 for the year ended December 31, 1999, and \$2,726,888 for the year ended December 31, 1998. The increase is primarily due to additions in staff for the five new branches added in 1999. Other significant components of non-interest expense consist of occupancy and equipment expenses, data processing fees, supplies and marketing expenses.

Non-interest Expense (in thousands)

	Year Ended December 31	
	1999	1998
<S>	<C>	<C>
Salaries and employee benefits.....	\$5,408	\$2,726
Occupancy and equipment.....	841	305
Furniture and equipment expense.....	777	253
Legal and professional fees.....	135	199
Advertising.....	267	199
Supplies.....	343	233
Data processing fees.....	401	197
Check printing fees.....	98	89
Other outside services.....	142	76
Organizational expenses.....	0	66
Other operating expenses.....	1,028	462
Total noninterest expense.....	\$9,440	\$4,763

</TABLE>

A-15
Liquidity and Capital Resources

Equity Capital. The Company obtained its initial equity capital as a result of a private placement on behalf of the Bank to investors in November, 1997. The Company raised additional equity capital of \$14.1 million in its initial public offering completed in April 1998. As a condition to regulatory approval of the Bank's formation, the Bank is required to maintain capitalization sufficient to provide a ratio of Tier 1 Capital to total assets of at least 8% through the end of the third year of its operations. At March 31, 1999 the Bank's Tier 1 Capital as a percent of total assets was 8.43%. Due to the rapid growth of the Bank, additional equity capital was required. In June 1999, the Company raised \$14.6 million of equity capital net proceeds in an offering made to the Company's shareholders. The Company contributed \$10,000,000 from the proceeds of this offering to the Bank's capital. At June 30, 1999, the Bank's Tier 1 Capital as a percent of total assets was 10.83%. At December 31, 1999, this ratio decreased to 8.59%, due to asset growth. The Company has approximately \$5 million in additional funds which it could contribute to the Bank's capital if necessary.

The following table shows various capital ratios as of December 31, 1999.

	Capital Resources (in thousands)		
	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.....	10.8%	12.7%	14.2%
Bank.....	9.4%	10.9%	12.4%

</TABLE>

The following table shows the dollar amounts by which the Company's capital

(on a consolidated basis) exceeds current regulatory requirements on a dollar amount basis:

	Tier 1	Tier 1	Total Risk-
Based	Leverage	Capital	Capital
		(in thousands of dollars)	
<S>	<C>	<C>	<C>
Capital balances at December 31, 1999			
Required regulatory capital.....	\$12,940	\$10,994	\$21,989
Capital in excess of regulatory minimums.....	21,982	23,928	16,928
-	-----	-----	-----
Actual capital balances.....	\$34,922	\$34,922	\$38,917
	=====	=====	=====

</TABLE>

The Company's sources of liquidity include loan payments by borrowers, maturity and sales of securities available for sale, growth of deposits and deposit equivalents, federal funds sold, borrowings from the Federal Home Loan Bank, and the issuance of common stock. Liquidity management involves the ability to meet the cash flow requirements of the Company's customers. These customers may be either borrowers with credit needs or depositors wanting to withdraw funds.

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Asset Liability Management and Market Risk Analysis

Asset liability management aids the Company in maintaining liquidity while maintaining a balance between interest earning assets and interest bearing liabilities. Management of interest rate sensitivity attempts to avoid widely varying net interest margins and to achieve consistent net interest income through periods of changing interest rates. Certain savings accounts and interest bearing checking accounts are shown as repricing other than contractually due to the stability of these products in a rate changing environment. Management monitors the Company's exposure to interest rate changes using a GAP analysis. The following table illustrates the Company's GAP position at various intervals (in thousands of dollars) at December 31, 1999.

	0 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years
Total	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
<C>				
Assets:				
Loans-Fixed	\$ 9,596	\$ 31,225	\$ 103,082	\$ 22,704
\$ 166,607				
Loans-Variable	101,125	444	14,450	2,748
118,767				
Taxable Securities			25,416	2,865
28,281				
Other Securities				2,312
2,312				
Loan Loss Reserve				
(3,995)				
Cash & Due From Banks				
20,554				
Fixed Assets				
9,998				
Other Assets				
2,397				
-----	-----	-----	-----	-----
Total Assets	\$ 110,721	\$ 31,669	\$ 142,948	\$ 30,629
\$ 344,921				
Liabilities:				
Time Deposits	\$ 24,039	\$ 37,013	\$ 26,909	
\$ 87,961				
Savings & IRA's	2,018	539	10,204	\$ 557
13,318				
Other Interest Bearing Deposits	65,792		77,777	
143,569				
Other Borrowings	15,000		15,000	
30,000				
Non-Interest Bearing Deposits				
34,542				
Other Liabilities & Equity				
35,531				
-----	-----	-----	-----	-----
Total Liabilities & Equity	\$ 106,846	\$ 37,552	\$ 129,890	\$ 557

\$ 344,921

Period Gap	\$ 3,872	\$ (5,883)	\$ 13,058	\$ 30,072
Cumulative Gap	\$ 3,872	\$ (2,011)	\$ 11,047	\$ 41,119
Cumulative Gap/Total Assets	1.12%	-0.58%	3.20%	11.97%
Period Rate Sensitive Assets/ Rate Sensitive Liabilities	1.04%	0.84%	1.10%	55.05%
Cumulative Rate Sensitive Assets/Rate Sensitive Liabilities	1.04%	0.99%	1.04%	1.15%

</TABLE>

Based on this analysis, management does not believe the Company would be materially impacted by changes in interest rates.

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Other variables besides interest rate changes may have an impact on the financial condition of the Bank including, but not limited to, growth of the company, structure of the balance sheet, and economic and competitive factors.

Year 2000 Compliance

Because many computerized systems use only two digits to record the year in date fields (for example, the year 1998 is recorded as 98), such systems may not be able to accurately process dates ending in the year 2000 and after. The effects of the issue will vary from system to system and may adversely affect the ability of a financial institution's operations as well as its ability to prepare financial statements. The Company and the Bank were organized in 1997 and the Company acquired its computer equipment within the past eighteen months and has contracted with a leading supplier of information processing services. This equipment and these services were purchased with manufacturer assurances of Year 2000 compliance.

The Company has not experienced any Year 2000 problems. Although considered unlikely, unanticipated problems, including problems associated with non-compliant third parties, could still occur. The Company will continue to manage its business and address any issues that may arise.

Recent Regulatory Developments

Recently enacted federal legislation (the Gramm-Leach-Bliley Act of 1999) eliminates many Federal and state law barriers to affiliations among banks and other financial services providers. The legislation, which takes effect March 11, 2000, establishes a statutory framework pursuant to which full affiliations can occur between banks and securities firms, insurance companies, and other financial companies. The legislation provides some degree of flexibility in structuring these new affiliations, although certain activities may only be conducted through a holding company structure. The legislation preserves the role of the Board of Governors of the Federal Reserve System as the umbrella supervisor for holding companies, but incorporates a system of functional regulation pursuant to which the various Federal and state financial supervisors will continue to regulate the activities traditionally within their jurisdictions. The legislation specifies that banks may not participate in the new , affiliations unless they are well-capitalized, well-managed and maintain a rating under the Community Reinvestment Act of 1977 of at least "satisfactory" among all affiliates.

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At this time, the Company is unable to predict the impact this legislation may have on the Company.

The Company's Board of Directors has determined that it is in the best interests of the Company and its shareholders to restructure the board of directors by reducing the number of directors of the Company. In order to effect this restructuring, James L. Jurries, James L. Batts, Wayne J. Elhart, Jessie F. Dalman and Brian J. Hansen will resign from the Board of Directors of the Company prior to the Annual Meeting. Each of these directors and all of the Company's remaining directors will continue as directors of Macatawa Bank, a subsidiary of the Company. The Company anticipates forming a second subsidiary which will provide financial and other services excluding banking services ("Financial Services Company"). Once the Financial Services Company Board is organized, certain Macatawa Bank directors will be named to the Financial Services Company Board. All services provided by the Company other than banking will be provided through the Financial Services Company and all banking services will be e provided through Macatawa Bank. For the foreseeable future, the Company will function purely as a holding company. The Board restructuring will relieve the directors who are leaving the Company's Board from any holding company responsibilities and permit them to focus their attention and efforts on the Company's subsidiary operations.

Forward Looking Statements

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the

Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995, and is including this statement for purposes of these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," "may" or similar expressions. The presentation and discussion of the provision and allowance for loan losses, statements concerning future profitability or future growth or increases, and the Year 2000 readiness discussion are examples of inherently forward looking statements in that they involve judgements and statements of belief as to the outcome of future events. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on the operations and future prospects of the Company and the Bank include, but are not limited to, changes in: interest rates, general economic conditions, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Company's market area and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission.

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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, 1999 and 1998 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 1999 and 1998 and for the period from May 21, 1997 (date of inception) through December 31, 1997. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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, 1999 and 1998, and the results of its operations and its cash flows for the years ended December 31, 1999 and 1998 and for the period from May 21, 1997 (date of inception) through December 31, 1997 in conformity with generally accepted accounting principles.

/s/ Crowe, Chizek and Company LLP
Crowe, Chizek and Company LLP

Grand Rapids, Michigan
January 28, 2000

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MACATAWA BANK CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 1999 and 1998

<S>	<C>	1999 ----	<C>	1998 ----
ASSETS				
Cash and due from banks	\$	20,554,039	\$	11,453,177
Short-term investments				6,500,000
		-----		-----
Cash and cash equivalents		20,554,039		17,953,177

Securities available for sale, at fair value	28,281,375	27,007,300
Federal Home Loan Bank stock	2,312,000	
Total loans	285,374,451	137,882,260
Allowance for loan losses	(3,995,165)	(2,030,000)
-	-----	-----
	281,379,286	135,852,260
Premises and equipment - net	9,997,566	7,125,755
Accrued interest receivable	1,904,126	1,226,199
Other assets	492,743	63,982
-	-----	-----
Total assets	\$ 344,921,135	\$ 189,228,673
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	\$ 34,542,493	\$ 18,517,550
Interest-bearing	244,847,389	148,471,125
-	-----	-----
Total	279,389,882	166,988,675
Federal funds purchased		2,000,000
Federal Home Loan Bank advances	30,000,000	
Accrued expenses and other liabilities	1,005,100	628,610
-	-----	-----
Total liabilities	310,394,982	169,617,285
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; 3,588,565 and 2,435,125 shares issued and outstanding at December 31, 1999 and 1998, respectively	36,882,916	22,260,646
Retained deficit	(1,960,810)	
(2,654,076)		
Accumulated other comprehensive income (loss), net of income tax of (\$203,975) and \$2,482	(395,953)	4,818
-	-----	-----
Total shareholders' equity	34,526,153	19,611,388
-	-----	-----
Total liabilities and shareholders' equity	\$ 344,921,135	\$ 189,228,673
	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

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MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF INCOME Years
ended December 31, 1999 and 1998 and period from
May 21, 1997 (date in inception) through December 31, 1997

	1999 ----	1998 ----	1997 ----
<S>	<C>	<C>	<C>
Interest income			
Loans, including fees	\$ 18,379,300	\$ 5,338,963	\$ 3,448
Securities			
Taxable	1,352,332	986,372	4,268
Tax-exempt	8,910		
Other	260,157	478,770	68,566
-	-----	-----	-----
Total interest income	20,000,699	6,804,105	76,282
Interest expense			
Deposits	8,698,646	3,186,309	5,339
Other	729,490	3,928	213
-	-----	-----	-----
Total interest expense	9,428,136	3,190,237	5,552
-	-----	-----	-----
Net interest income	10,572,563	3,613,868	70,730
Provision for loan losses	(1,967,000)	(2,022,500)	(7,500)
-	-----	-----	-----

Net interest income after provision for loan losses	8,605,563	1,591,368	63,230
Noninterest income			
Service fees	660,920	157,109	
Gain on sales of loans	623,520	520,645	
Trust fees	228,588		
Other	14,970	5,628	
	-----	-----	
Total noninterest income	1,527,998	683,382	
Noninterest expense			
Salaries and benefits	5,408,024	2,726,885	111,341
Occupancy expense of premises	841,252	305,214	9,226
Furniture and equipment expense	777,249	253,074	5,328
Legal and professional fees	134,993	198,890	18,437
Advertising	266,917	198,826	27,698
Supplies	342,979	232,835	30,729
Data processing fees	400,591	196,665	119
Check printing fees	98,302	88,596	1,218
Other outside services	141,671	75,762	2,765
Organizational expenses		66,139	
Other expense	1,028,317	420,415	21,894
	-----	-----	-----
Total noninterest expenses	9,440,295	4,763,301	228,755
	-----	-----	-----
Net income (loss)	\$ 693,266	\$ (2,488,551)	\$ (165,525)
	=====	=====	=====
Basic and diluted earnings (loss) per share	\$.22	\$ (1.22)	\$ (.18)
	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

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MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended December 31, 1999 and 1998 and period from
May 21, 1997 (date in inception) through December 31, 1997

Total	Common	Retained	Accumulated Other Comprehensive
(Loss), Shareholders'	Stock	Deficit	Income
Equity	-----	-----	-----
-----	<C>	<C>	<C>
<S>	<C>	<C>	<C>
<C>	<C>	<C>	<C>
Balance, May 21, 1997	\$ 0	\$ 0	\$ 0
\$ 0			
Proceeds from sale of stock on November 7, 1997, 940,125 shares	8,137,268		
8,137,268			
Net loss for the period from May 21, 1997 (date of inception) through December 31, 1997 (165,525)		(165,525)	
Other comprehensive income (loss):			
Net change in unrealized appreciation on securities available for sale, net of tax of \$136			264
264			

Comprehensive loss			
(165,261)			
	-----	-----	-----
Balance, December 31, 1997	8,137,268	(165,525)	264
7,972,007			
Proceeds from sale of stock on April 7, 1998, 1,495,000 shares	14,123,378		
14,123,378			
Net loss		(2,488,551)	
(2,488,551)			
Other comprehensive income (loss):			
Net change in unrealized appreciation on securities			

available for sale, net of tax of \$2,346			4,554
4,554			

Comprehensive loss			
(2,483,997)			

Balance, December 31, 1998	22,260,646	(2,654,076)	4,818
19,611,388			
Proceeds from sale of stock on June 4, 1999, 1,153,440 shares	14,622,270		
14,622,270			
Net income		693,266	
693,266			
Other comprehensive income (loss):			
Net change in unrealized depreciation on securities			
available for sale, net of tax of (\$206,457)			(400,771)
(400,771)			

Comprehensive income			
292,495			

Balance, December 31, 1999	\$ 36,882,916	\$ (1,960,810)	\$ (395,953)
\$34,526,153			
=====			

</TABLE>

See accompanying notes to consolidated financial statements.

A-23

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 1999 and 1998 and period from
May 21, 1997 (date in inception) through December 31, 1997

<TABLE>			
	1999	1998	1997
	----	----	----
<S>	<C>	<C>	<C>
Cash flows from operating activities			
Net income (loss)	\$ 693,266	\$ (2,488,551)	\$ (165,525)
Adjustments to reconcile net income (loss)			
to net cash from operating activities			
Depreciation and amortization	736,691	271,458	5,769
Provision for loan losses	1,967,000	2,022,500	7,500
Origination of loans for sale	(54,714,982)	(44,146,300)	
Proceeds from sales of loans			
originated for sale	55,338,502	44,666,945	
Gain on sales of loans	(623,520)	(520,645)	
Net change in			
Organizational costs		66,139	
(66,139)			
Accrued interest receivable and			
other assets	(1,106,688)	(1,221,658)	
(68,523)			
Accrued expenses and other liabilities	582,948	588,301	37,827
	-----	-----	-----
-			
Net cash from operating activities	2,873,217	(761,811)	(249,091)
Cash flows from investing activities			
Loan originations and payments, net	(147,494,026)	(137,384,556)	(497,704)
Purchase of FHLB stock	(2,312,000)		
Activity in securities available for sale			
Purchase	(16,879,381)	(29,000,000)	(2,000,000)
Maturities	15,000,000	4,000,000	
Additions to premises and equipment	(3,610,425)	(6,715,406)	(687,576)
	-----	-----	-----
-			
Net cash from investing activities	(155,295,832)	(169,099,962)	(3,185,280)
Cash flows from financing activities			
Net increase (decrease) in federal funds			
purchased	(2,000,000)	2,000,000	
Proceeds from FHLB	51,000,000		
Repayments on FHLB advances	(21,000,000)		
Net increase in deposits	112,401,207	164,276,452	2,712,223
Proceeds from the issuance of common stock	14,622,270	14,123,378	8,137,268
	-----	-----	-----
-			
Net cash from financing activities	155,023,477	180,399,830	10,849,491
	-----	-----	-----

-			
Net change in cash and cash equivalents	2,600,862	10,538,057	7,415,120
Beginning cash and cash equivalents	17,953,177	7,415,120	-----
-			
Ending cash and cash equivalents	\$ 20,554,039	\$ 17,953,177	\$ 7,415,120
	=====	=====	=====
Supplemental disclosures of cash flow information			
Cash paid during the period for			
Interest	\$ 9,212,595	\$ 2,725,880	\$ 640

</TABLE>

See accompanying notes to consolidated financial statements.

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: 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 (817,500 shares) was converted into all of the outstanding common stock of the Company (940,125 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 1,153,440 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, the deferred tax asset valuation allowance 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.

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, net of related income tax effects, as a separate component of shareholders' equity, until realized.

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 December 31, 1999 or 1998. Interest income is reported on the interest method.

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. Loans are evaluated for impairment when payments are delayed, typically 90 days or more, or when the internal grading system indicates a doubtful classification. There were no loans classified as impaired as of December 31, 1999 and 1998 or for the years ended December 31, 1999 and 1998 or for the period from May 21, 1997 (date of inception) through December 31, 1997.

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 no foreclosed assets at December 31, 1999 or 1998.

Premises and Equipment: 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. Deferred tax assets are reduced by a valuation allowance due to a lack of historical operating performance.

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 includes the dilutive effect of additional potential common shares issuable under stock options.

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income (loss) and unrealized gains and losses on securities available for sale, net of tax, which are also recognized as separate components of equity.

Segment Reporting: Macatawa Bank Corporation, through the branch network of its subsidiary, Macatawa 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 chief decision makers monitor 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.

Dividend Restriction: The Company and the Bank are subject to banking regulations which require the maintenance of certain capital levels and positive retained earnings, which will prevent payment of dividends until positive retained earnings are achieved and may limit the amount of dividends thereafter.

Reclassifications: Certain amounts on the 1998 and 1997 consolidated financial statements have been reclassified to conform with the 1999 presentation.

NOTE 2 - CASH AND DUE FROM BANKS

The Company was required to have \$2,597,000 and \$803,000 of cash on hand or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements at year end 1999 and 1998. These balances do not earn interest.

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 3 - SECURITIES

The amortized cost and fair values of securities at year-end were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
	----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
1999				
- - - - -				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 27,925,926		\$ (589,036)	\$ 27,336,890
State and municipal bonds	955,377	\$ 852	(11,744)	944,485
	-----	-----	-----	-----
-	\$ 28,881,303	\$ 852	\$ (600,780)	\$ 28,281,375
	=====	=====	=====	=====
1998				
- - - - -				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 27,000,000	\$ 35,700	\$ (28,400)	\$ 27,007,300
	=====	=====	=====	=====

</TABLE>

Contractual maturities of debt securities at year end 1999 were as follows:

<TABLE>

	Amortized Cost ----	Fair Value -----
<S>	<C>	<C>
Due from one to five years	\$ 25,984,552	\$ 25,415,550
Due from five to ten years	1,941,374	1,921,340
Due after ten years	955,377	944,485
-	-----	-----
	\$ 28,881,303	\$ 28,281,375
	=====	=====

</TABLE>

There were no sales of securities for the years ended December 31, 1999 and 1998 and for the period from May 21, 1997 (date of inception) through December 31, 1997.

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 4 - LOANS

Year-end loans are as follows:

	1999 ----	1998 ----
<S>	<C>	<C>
Commercial	\$ 201,391,721	\$ 95,669,151
Mortgage	44,734,529	22,528,687
Consumer	39,248,201	19,684,422
-	-----	-----
Allowance for loan losses	285,374,451 (3,995,165)	137,882,260 (2,030,000)
-	-----	-----
	\$ 281,379,286	\$ 135,852,260
	=====	=====

</TABLE>

Activity in the allowance for loan losses is as follows:

	1999 ----	1998 ----	1997 ----
<S>	<C>	<C>	<C>
Beginning balance	\$ 2,030,000	\$ 7,500	
Provision charged to operating expense	1,967,000	2,022,500	\$ 7,500
Loans charged-off	(5,538)		
Recoveries	3,703		
-	-----	-----	-----
Ending balance	\$ 3,995,165	\$ 2,030,000	\$ 7,500
	=====	=====	=====

</TABLE>

NOTE 5 - PREMISES AND EQUIPMENT - NET

Year-end premises and equipment are as follows:

	1999 ----	1998 ----
<S>	<C>	<C>
Land	\$ 1,574,218	\$ 1,177,184
Building and improvements	4,915,252	3,661,701
Furniture and equipment	4,516,473	2,553,229
-	-----	-----
Less accumulated depreciation	11,005,943 (1,008,377)	7,392,114 (266,359)
-	-----	-----
	\$ 9,997,566	\$ 7,125,755
	=====	=====

</TABLE>

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 6 - DEPOSITS

Deposits at year-end are summarized as follows:

	1999 ----	1998 ----
<S>	<C>	<C>
Noninterest-bearing demand	\$ 34,542,493	\$ 18,517,550
Money market	100,642,349	71,091,206
NOW and Super NOW	43,237,004	22,425,439
Savings	7,411,691	5,812,028
Certificates of deposit	93,556,345	49,142,452
	-----	-----
	\$ 279,389,882	\$ 166,988,675
	=====	=====

</TABLE>

At year-end 1999, maturities of certificates of deposits were as follows, for the next five years:

	<C>
<S>	<C>
2000	\$ 62,303,040
2001	24,513,974
2002	6,674,262
2003	64,058
2004	0
2005 and thereafter	1,011

	\$ 93,556,345
	=====

</TABLE>

The Bank had approximately \$50,179,000 and \$27,090,000 in time certificates of deposit which were in denominations of \$100,000 or more at December 31, 1999 and 1998.

NOTE 7 - FEDERAL HOME LOAN BANK ADVANCES

At year-end, advances from the Federal Home Loan Bank were as follows.

	1999 ----	1998 ----
<S>	<C>	<C>
Maturities from April 2002 through September 2009, fixed rate from 5.63% to 5.84%, averaging 5.76%	\$ 15,000,000	\$ -
Maturities from March 2000 through June 2000, variable rates of 4.05%	15,000,000	-
	-----	-----
	\$ 30,000,000	\$ -
	=====	=====

</TABLE>

Each advance is payable at its maturity date, with a prepayment penalty. The advances were collateralized by securities totaling \$27,000,000 and at least \$21,000,000 of first mortgage loans under a blanket lien arrangement at year-end 1999.

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 7 - FEDERAL HOME LOAN BANK ADVANCES (Continued)

Maturities over the next five years are:

	<C>
<S>	<C>
2000	\$ 15,000,000
2001	-
2002	3,000,000
2003	3,000,000
2004	4,000,000
2005 and after	5,000,000

	\$ 30,000,000
	=====

</TABLE>

NOTE 8 - RELATED PARTY TRANSACTIONS

Loans to principal officers, directors, and their affiliates in 1999 were as follows.

<TABLE>

<S>	<C>
Beginning balance	\$ 4,396,895
New loans	8,582,752
Repayments	(3,512,984)

Ending balance	\$ 9,466,663
	=====

</TABLE>
 Deposits from principal officers, directors, and their affiliates at year-end 1999 and 1998 were \$3,183,000 and \$2,825,834.

(Continued)

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MACATAWA BANK CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 1999 and 1998

NOTE 9 - 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 200,000 options. Options are also granted to directors under the Directors' Stock Option Plan (the Directors' Plan), which provides for issue of up to 40,000 options. 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 Outstanding	Weighted Average Exercise Price
	-----	-----
	<C>	<C>
Balance at December 31, 1997	0	\$ 0.00
Granted	123,600	12.92
Exercised		
Forfeited	(100)	10.00
	-----	-----
Balance at December 31, 1998	123,500	12.83
Granted	21,000	14.16
Exercised		
Forfeited	(4,200)	14.46
	-----	-----
Balance at December 31, 1999	140,300	\$ 13.06
	=====	=====

</TABLE>
 For the options outstanding at December 31, 1999, the range of exercise prices was \$10.00 to \$16.50 per share with a weighted average remaining contractual life of 8.7 years. At December 31, 1999, 119,300 options were exercisable at a weighted average price of \$12.87 per share. No options were exercisable at December 31, 1998.

(Continued)

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MACATAWA BANK CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 1999 and 1998

NOTE 9 - STOCK OPTIONS (Continued)

No compensation cost was recognized during 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. The pro forma effect may increase in the future if more options are granted.

<S>	1999	1998
	----	----
	<C>	<C>
Net income (loss) as reported	\$ 693,266	\$ (2,488,551)
Pro forma net income (loss)	345,987	(2,752,080)
Basic earnings (loss) per share as reported	.22	(1.22)
Pro forma basic earnings (loss) per share	.11	(1.35)
Diluted earnings (loss) per share as reported	.22	(1.22)
Pro forma diluted earnings (loss) per share	.11	(1.35)

Weighted-average fair value of options granted during the year	5.19	4.74
--	------	------

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

	1999	1998
Risk-free interest rate	6.55%	4.72%
Expected option life	7 years	7 years
Expected stock price volatility	17.29%	8.46%
Dividend yield	0.00%	0.00%

NOTE 10 - 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 year ended December 31, 1999 was approximately \$114,000.

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 11 - EARNINGS PER SHARE

A reconciliation of the numerators and denominators of basic and diluted earnings per share for the years ended December 31, 1999 and 1998 and the period from May 21, 1997 (date in inception) through December 31, 1997 are as follows:

	1999	1998	1997
	----	----	----
Basic earnings (loss) per share	<C>	<C>	<C>
Net income (loss)	\$ 693,266	\$ (2,488,551)	\$ (165,525)
Weighted average common shares outstanding	3,101,908	2,041,920	940,125
Basic earnings (loss) per share	\$.22	\$ (1.22)	\$ (.18)
Diluted earnings (loss) per share			
Net income (loss)	\$ 693,266	\$ (2,488,551)	\$ (165,525)
Weighted average common shares outstanding	3,101,908	2,041,920	940,125
Add: Dilutive effects of assumed exercises of stock options	21,029		
Weighted average common and dilutive potential common shares outstanding	3,122,937	2,041,920	940,125
Diluted earnings (loss) per share	\$.22	\$ (1.22)	\$ (.18)

</TABLE>

Stock options for 57,000 and 123,500 shares of common stock were not considered in computing diluted earnings (loss) per common share for 1999 and 1998 because they were antidilutive.

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 12 - FEDERAL INCOME TAXES

The consolidated provision for income taxes is as follows:

	1999	1998
	----	----
Current	\$ 415,439	\$
Deferred benefit (841,530)	(173,533)	
Change in valuation allowance	(241,906)	841,530

-

	\$	0	\$
0	=	=	=

</TABLE>

The recorded consolidated income tax provision in both 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 (liability) recorded includes the following amounts of deferred tax assets and liabilities as of December 31, 1999 and 1998:

	1999	1998
	----	----
<S>	<C>	<C>
Deferred tax asset		
Allowance for loan losses	\$ 1,241,645	\$ 572,865
Net operating loss carryforward		363,822
Unrealized loss on securities available for sale	203,975	
Organization costs	34,098	45,604
Other	3,798	
	-----	-----
-	1,483,516	982,291
Deferred tax liabilities		
Depreciation	(208,272)	
(84,555)		(2,482)
Unrealized gain on securities available for sale	-----	-----
-	(208,272)	
(87,037)	-----	-----
-		
Net deferred tax asset before valuation allowance	1,275,244	895,254
Valuation allowance	(655,830)	
(897,736)	-----	-----
-		
Net deferred tax asset (liability) after valuation allowance	\$ 619,414	\$ (2,482)
	=	=
	=====	=====

</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 a valuation allowance of \$655,830 is required for 1999 and that a valuation allowance of \$897,736 is required for 1998.

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 13 - 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.

A summary of the notional or contractual amounts of financial instruments with off-balance-sheet risk at year-end follows:

	1999	1998
	----	----
<S>	<C>	<C>
Commitments to make loans	\$ 14,973,000	\$ 17,876,000

Unused lines of credit

102,763,000

65,699,000

</TABLE>

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 are 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.

The Bank leases certain office and branch premises and equipment under operating lease agreements. Total rental expense for all operating leases aggregated \$305,516 in 1999, \$117,886 in 1998 and \$1,600 in 1997. Future minimum rentals under noncancelable operating leases as of December 31, 1999 are as follows:

<TABLE>

<S>	<C>
2000	\$ 184,102
2001	78,663
2002	57,213
2003	47,750
2004	17,250
2005 and thereafter	-----
	\$ 384,978
	= =====

</TABLE>

(Continued)

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MACATAWA BANK CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 1999 and 1998

NOTE 14 - 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.

At year-end, actual capital levels (in thousands) and minimum required levels for the Bank were:

<TABLE>

<S>	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>
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
1998						
- ----						
Total capital (to risk weighted assets)						
Consolidated	\$ 21,637	12.4%	\$ 13,923	8.0%	\$ 17,403	10.0%
Bank	20,722	11.9	13,923	8.0	17,403	10.0
Tier 1 capital (to risk weighted assets)						
Consolidated	19,607	11.3	6,961	4.0	10,442	6.0
Bank	18,692	10.7	6,961	4.0	10,442	6.0
Tier 1 capital (to average assets)						
Consolidated	19,607	11.8	6,676	4.0	8,345	5.0

Bank 18,692 11.2 6,676 4.0 8,345 5.0
 </TABLE>
 The Company and the Bank were categorized as well capitalized at year-end 1999 and 1998.

(Continued)

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MACATAWA BANK CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 1999 and 1998

NOTE 15 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Carrying amount and estimated fair values of financial instruments were as follows at year-end.

<S>	1 9 9 9		1 9 9 8	
	Carrying Amount -----	Fair Value -----	Carrying Amount -----	Fair Value -----
<C>	<C>	<C>	<C>	
Financial assets				
Cash and cash equivalents	\$ 20,554,039	\$ 20,554,039	\$ 17,953,177	\$ 17,953,177
Securities available for sale	28,281,375	28,281,375	27,007,300	27,007,300
Federal Home Loan Bank stock	2,312,000	2,312,000		
Loans, net	281,379,286	279,901,275	135,852,260	136,086,762
Accrued interest receivable	1,904,126	1,904,126	1,226,199	1,226,199
Financial liabilities				
Deposits	(279,389,882)	(279,506,286)	(166,988,675)	(167,496,412)
Federal funds purchased			(2,000,000)	(2,000,000)
Federal Home Loan Bank advances	(30,000,000)	(29,910,492)		
Accrued interest payable	(684,803)	(684,803)	(469,264)	(469,264)

</TABLE>

The methods and assumptions used to estimate fair value are described as follows.

Carrying amount is the estimated fair value for cash and cash equivalents, Federal Home Loan Bank stock, short-term borrowings, accrued interest receivable and payable, demand deposits, short-term debt, and variable rate loans or deposits that repriced frequently and fully. Security fair values are based on market prices or dealer quotes, and if no such information is available, on the rate and term of the security and information about the issuer. For fixed rate loans, deposits, and borrowings and for variable rate loans, deposits, and borrowings with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. The fair value of off-balance-sheet items is based on the current fees or cost that would be charged to enter into or terminate such arrangements.

(Continued)

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MACATAWA BANK CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 1999 and 1998

NOTE 16 - CONDENSED FINANCIAL STATEMENTS (PARENT COMPANY ONLY)

Following are condensed parent company only financial statements:

<S>	CONDENSED BALANCE SHEETS	
	December 31, 1999 ----	December 31, 1998 ----
<C>	<C>	<C>
	ASSETS	
Cash and cash equivalents	\$ 4,894,668	\$ 914,643
Investment in subsidiary	29,631,485	18,696,745
	-----	-----
Total assets	\$ 34,526,153	\$ 19,611,388
	=====	=====
	LIABILITIES AND SHAREHOLDERS' EQUITY	
	Shareholders' equity	
Common stock	\$ 36,882,916	\$ 22,260,646
Retained deficit (2,654,076)	(1,960,810)	
	Accumulated other comprehensive income,	
net of income tax of (\$203,975) and 2,482	(395,953)	4,818
	-----	-----

Total shareholders' equity	34,526,153	19,611,388
-	-----	-----
Total liabilities and shareholders' equity	\$ 34,526,153	\$ 19,611,388
	=====	=====

</TABLE>
<TABLE>

CONDENSED STATEMENTS OF INCOME

1998	Year ended December 31, 1999	Period from February 23, (date of inception) through December 31, 1998
	----	----
<S> Expenses	<C>	<C>
Other operating expenses	\$ 142,245	\$ 54,840
	-----	-----
Loss before equity in undistributed net income (loss) of subsidiaries	(142,245)	(54,840)
Equity in undistributed net income (loss) of subsidiary	835,511	(2,185,393)
	-----	-----
Net income (loss) (2,240,233)	\$ 693,266	\$
	=====	=====

</TABLE>

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 16 - CONDENSED FINANCIAL STATEMENTS (PARENT COMPANY ONLY)
(Continued)

1998	Year ended December 31, 1999	Period from February 23, (date of inception) through December 31, 1998
	----	----
<S> Cash flows from operating activities	<C>	<C>
Net income (loss)	\$ 693,266	\$ (2,240,233)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Equity in undistributed net (income) loss of subsidiary	(835,511)	2,185,393
Net cash from operating activities	(142,245)	(54,840)
	-----	-----
Cash flows from investing activities		
Investment in subsidiary	(10,500,000)	(13,153,895)
Net cash from investing activities	(10,500,000)	(13,153,895)
	-----	-----
Cash flows from financing activities		
Proceeds from issuance of common stock	14,622,270	14,123,378
Net cash from financing activities	14,622,270	14,123,378
	-----	-----
Net change in cash and cash equivalents	3,980,025	914,643
Cash and cash equivalents at beginning of period	914,643	
	-----	-----
Cash and cash equivalents at end of period	\$ 4,894,668	\$ 914,643
	=====	=====
Noncash transaction related to origination of holding company in 1998		
Investment in subsidiary		\$ (7,723,689)
Common stock		8,137,268

Retained deficit
Accumulated other comprehensive income
</TABLE>

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Exhibit 21 - Subsidiaries of Registrant

Macatawa Bank - 100% owned
Incorporated as a Michigan Banking Corporation
51 E. Main Street
Zeeland, Michigan 49464

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements on Form S-8 (File No. 333-53593 and File No. 333-53595) of our report dated January 28, 2000, on our audits of the consolidated financial statements as of December 31, 1999 and 1998, and for the years ended December 31, 1999 and 1998, and for the period from May 21, 1997 (date of inception) through December 31, 1997, which report is included in this Annual Report on Form 10-KSB.

/s/ CROWE, CHIZEK and COMPANY LLP

Grand Rapids, Michigan
March 17, 2000

<TABLE> <S> <C>

<ARTICLE>

9

<LEGEND>

This schedule contains summary financial information from SEC Form 10-KSB and is qualified in its entirety by reference to such financial information.

</LEGEND>

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