SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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# FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2000

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to ________

Commission file number: 000-25927

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

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

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

Registrant's telephone number, including area code: (616) 748-9491

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Check whether the issuer: (1) has 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 ___X___ No ________

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 3,588,565 shares of the Company's Common Stock (no par value) were outstanding as of May 10, 2000.

Transitional Small Business Disclosure Format (check one): Yes _____ No __X__

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Part I Financial Information

MACATAWA BANK CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
As of March 31, 2000 (unaudited) and December 31, 1999

<TABLE>

| | March 31, 2000 (Unaudited) | December 31, 1999 |
|---|---|---|
| <S> | <C> | <C> |
| ASSETS | | |
| Cash and due from banks | $ 23,344,536 | $ 20,554,039 |
| Federal funds sold | 1,500,000 | - |
| Cash and cash equivalents | 24,844,536 | 20,554,039 |
| Securities available for sale, at fair value | 29,581,543 | 28,281,375 |
| Federal Home Loan Bank Stock | 2,312,000 | 2,312,000 |
| Total loans | 325,952,756 | 285,374,451 |
| Allowance for loan losses | (4,482,165) | (3,995,165) |
| | 321,470,591 | 281,379,286 |
| Premises and equipment - net | 11,666,705 | 9,997,566 |
| Accrued interest receivable | 2,097,691 | 1,904,126 |
| Other assets | 736,185 | 492,743 |
| Total Assets | $392,709,251 | $344,921,135 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Deposits | | |
| Noninterest-bearing | $ 36,191,301 | $34,542,493 |
| Interest-bearing | 285,393,853 | 244,847,389 |
| Total | 321,585,154 | 279,389,882 |
| Federal Home Loan Bank Borrowings | 35,000,000 | 30,000,000 |
| Accrued expenses and other liabilities | 1,122,006 | 1,005,100 |
| Total liabilities | 357,707,160 | 310,394,982 |
| 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 shares issued and outstanding as of March 31, 2000 and December 31, 1999. | 36,882,916 | 36,822,916 |
| Retained deficit | (1,434,197) | (1,960,810) |
| Accumulated other comprehensive income | (446,628) | (395,953) |

| | | |
|---|---|---|
| Total shareholders' equity | 35,002,091 | 34,526,153 |
| Total liabilities and shareholders' equity | $392,709,251 | $344,921,135 |

</TABLE>

See accompanying notes to condensed consolidated financial statements



MACATAWA BANK CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Three Month Periods Ended March 31, 2000 and March 31, 1999
(unaudited)

<TABLE>

| <S> | <C> Three Months ended March 31, 2000 (Unaudited) | <C> Three Months ended March 31, 1999 (Unaudited) |
|---|---|---|
| Interest Income | | |
| Loans, including fees | $6,610,646 | $3,278,369 |
| Investments | 495,285 | 356,783 |
| Total interest income | 7,105,931 | 3,635,152 |
| Interest expense | | |
| Deposits | 3,056,181 | 1,749,202 |
| Other | 512,525 | 2,485 |
| Total interest expense | 3,568,706 | 1,751,687 |
| Net interest income | 3,537,225 | 1,883,465 |
| Provision for loan losses | (487,000) | (450,000) |
| Net interest income after provision for loan losses | 3,050,225 | 1,433,465 |
| Noninterest income | | |
| Service charges on deposit accounts | 200,959 | 89,514 |
| Gain (loss) on sale of loans | 39,321 | 255,988 |
| Trust revenue | 113,366 | -- |
| Other | 52,004 | 43,643 |
| Total noninterest income | 405,650 | 389,145 |
| Noninterest expense | | |
| Salaries and benefits | 1,648,019 | 1,101,157 |
| Occupancy expense of premises | 255,264 | 158,390 |
| Furniture and equipment expense | 262,996 | 138,957 |
| Legal and professional fees | 51,044 | 32,865 |
| Advertising | 69,753 | 40,424 |
| Data Processing | 73,807 | 42,386 |
| Shareholder Services | 18,174 | 6,380 |
| Supplies | 104,157 | 67,671 |
| Other expense | 446,048 | 311,490 |
| Total noninterest expenses | 2,929,262 | 1,899,720 |
| Income/(Loss) before federal income tax | 526,613 | (77,110) |
| Federal income tax | 0 | 0 |
| Net income/(loss) | $ 526,613 | $ (77,110) |
| Basic and diluted income/(loss) per share | .15 | (.03) |
| Average shares outstanding | 3,558,565 | 2,435,125 |

</TABLE>

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See accompanying notes to condensed consolidated financial statements.



MACATAWA BANK CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Three Month Periods Ended March 31, 2000 and March 31, 1999
(unaudited)

- ------------------------------------------------------------------------------
<TABLE>

| | Three Months ended March 31, 2000 | Three Months ended March 31, 1999 |
|---|---|---|
| | (Unaudited) | (Unaudited) |
| <S> | <C> | <C> |
| Cash flows from operating activities | | |
| Net Income | $ 526,613 | $ (77,110) |
| Adjustments to reconcile net loss to net cash from operating activities | | |
| Depreciation and amortization | 249,464 | 137,209 |
| Provision for loan losses | 487,000 | 450,000 |
| Net change in | | |
| Accrued interest receivable and other assets | (437,007) | (75,524) |
| Accrued expenses and other liabilities | 143,011 | 143,520 |
| Net cash from operating activities | 969,081 | 578,095 |
| Purchase of Cash flows from investing activities | | |
| Net increase in loans | (40,578,305) | (39,238,031) |
| Purchase of Federal Home Loan Bank Stock | -- | (1,216,900) |
| Purchases of securities available for sale | (1,371,656) | (4,000,000) |
| Proceeds from maturities and calls of securities available for sale | -- | 15,000,000 |
| Purchases of premises and equipment | (1,923,895) | (703,479) |
| Net cash from investing activities | (43,873,856) | (30,158,410) |
| Cash flows from financing activities | | |
| Net increase in deposits | 42,195,272 | 23,234,652 |
| Net increase (decrease) in short term borrowings | -- | (2,000,000) |
| Advances of Federal Home Loan Bank Borrowings | 25,000,000 | 10,000,000 |
| Repayments of Federal Home Loan Bank Borrowings | (20,000,000) | -- |
| Net cash from financing activities | 47,195,272 | 31,234,652 |
| Net change in cash and cash equivalents | 4,290,497 | 1,654,337 |
| Cash and cash equivalents at beginning of period | 20,554,039 | 17,953,177 |
| Cash and cash equivalents at end of period | $24,844,536 | $19,607,514 |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the period for interest | $ 2,844,098 | $ 1,775,073 |

</TABLE>

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See accompanying notes to condensed consolidated financial statements.



MACATAWA BANK CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Three Month Periods Ended March 31, 2000 and March 31, 1999
(unaudited)

| | Common Stock | Retained Deficit | Accumulated Other Comprehensive Income | Total Shareholders' Equity |
|---|---|---|---|---|
| Balance, December 31, 1998 | $22,260,646 | $(2,654,076) | $ 4,818 | $ 19,611,388 |
| Net loss for three months ended March 31, 1999 (unaudited) | | (77,110) | | (77,110) |
| Other comprehensive income, net of tax: Unrealized gains/losses on securities | | | (53,448) | (53,448) |
| Other comprehensive income | | | | (53,448) |
| Comprehensive loss | | | | (130,558) |
| Balance, March 31, 1999 | $22,260,646 | $ (2,731,186) | $ (48,630) | $ 19,480,830 |

| | Common Stock | Retained Deficit | Accumulated Other Comprehensive Income | Total Shareholders' Equity |
|---|---|---|---|---|
| Balance, December 31, 1999 | $ 36,882,916 | $ (1,960,810) | $ (395,953) | 34,526,153 |
| Net income for three months ended March 31, 2000 (unaudited) | | 526,613 | | 526,613 |
| Other comprehensive income, net of tax: Unrealized gains/losses on securities | | | (50,675) | (50,675) |
| Other comprehensive income | | | (50,675) | (50,675) |
| Comprehensive income | | | | 475,938 |
| Balance, March 31, 2000 | $ 36,882,916 | $ (1,434,197) | $ (446,628) | $ 35,002,091 |

See accompanying notes to condensed consolidated financial statements.



MACATAWA BANK CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2000 and March 31, 1999
(unaudited)

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2000, are not necessarily indicative of the results that may be expected for the year ended December 31, 2000. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Proxy Statement dated March 20, 2000, containing financial statements for the year ended December 31, 1999.

NOTE 2 COMPUTATION OF EARNINGS PER SHARE

Basic and diluted earnings (loss) per share is based on net income (loss) divided by the weighted average number of shares outstanding during the period.

NOTE 3 PRINCIPLES OF CONSOLIDATION

The accompanying condensed consolidated financial statements include the accounts of Macatawa Bank Corporation (the "Company), and its wholly-owned subsidiary, Macatawa Bank (the "Bank"). All significant intercompany accounts and transactions have been eliminated in consolidation.





NOTE 4 - SECURITIES

The amortized cost and fair values of securities were as follows:
<TABLE>
Available for Sale

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Values |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| March 31, 2000 (Unaudited) | | | | |
| U.S. Treasury securities and obligations of U.S. Government corporation and agencies | $28,928,489 | $ 590 | $ (675,389) | $28,253,690 |
| Tax Exempt Municipal Bonds | 1,329,763 | 3,127 | (5,037) | 1,327,853 |
| Total Securities | $30,258,252 | $ 3,717 | $ (680,426) | $29,581,543 |
| December 31, 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 |

</TABLE>

Contractual maturities of debt securities at March 31, 2000, were as follows. No held-to-maturity securities existed at March 31, 2000. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.
<TABLE>

| | Available-for-Sale Securities | |
|---|---|---|
| | Amortized Cost | Fair Values |
| <S> | <C> | <C> |
| Due from one to five | $19,984,497 | $19,597,490 |
| Due from five to ten | 8,943,992 | 8,656,200 |
| Due after ten years | 1,329,763 | 1,327,853 |

| | | |
|---|---|---|
| Total | $30,258,252 | $29,581,543 |

</TABLE>

(Continued)





NOTE 5 - LOANS

Loans are as follows:

<TABLE>

| | March 31, 2000 (Unaudited) | December 31, 1999 |
|---|---|---|
| <S> | <C> | <C> |
| Commercial | $231,615,620 | $201,391,721 |
| Mortgage | 49,494,376 | 44,734,529 |
| Consumer | 44,842,760 | 39,248,201 |
| | 325,952,756 | 285,374,451 |
| Allowance for loan losses | (4,482,165) | (3,995,165) |
| | $321,470,591 | $ 281,379,286 |

</TABLE>

Activity in the allowance for loan losses is as follows:

<TABLE>

| | Three months ended March 31, 2000 (Unaudited) | Three months ended March 31, 1999 (Unaudited) |
|---|---|---|
| <S> | <C> | <C> |
| Balance at beginning of period | $3,995,165 | $2,030,000 |
| Provision charged to operating expense | 487,000 | 450,000 |
| Balance at end of period | $4,482,165 | $2,480,000 |

</TABLE>

(Continued)





NOTE 6 - PREMISES AND EQUIPMENT - NET

Premises and equipment are as follows:

<TABLE>

| | March 31 2000 | December 31 1999 |
|---|---|---|
| <S> | <C> | <C> |
| Land | $ 1,869,218 | $1,574,218 |
| Building and improvements | 6,053,369 | 4,915,252 |
| Furniture and equipment | 5,007,252 | 4,516,473 |
| | 12,929,839 | 11,005,943 |
| Less accumulated depreciation | (1,263,134) | (1,008,377) |
| | $11,666,705 | $9,997,566 |

</TABLE>

NOTE 7 - DEPOSITS

Deposits are summarized as follows:
<TABLE>

| | March 31 2000 | December 31 1999 |
|---|---|---|
| <S> | <C> | <C> |
| Noninterest-bearing demand deposit accounts | $ 36,191,301 | $ 34,542,493 |
| Money market account | 110,101,540 | 100,642,349 |
| NOW and Super NOW accounts | 42,393,162 | 43,237,004 |
| Savings accounts | 8,837,950 | 7,411,691 |
| Certificates of deposit | 124,061,201 | 93,556,345 |
| | $321,585,154 | $279,389,882 |

</TABLE>

NOTE 8 - FEDERAL HOME LOAN BANK BORROWINGS

The Bank was approved in the first quarter of 1999 to be a member of the Federal Home Loan Bank of Indianapolis. As a result, the Bank now has availability to Federal Home Loan Bank advances as an additional funding resource. Maturity dates and interest rates on these advances are as follows:
<TABLE>

| Maturity Date | Interest Rate | March 31 2000 | December 31 1999 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| March 27, 2000 | 5.44% (initial rate) | 0 | $5,000,000 |
| June 19, 2000 | 5.65% (initial rate) | 0 | 5,000,000 |
| June 26, 2000 | 3.85% (initial rate) | 0 | 5,000,000 |
| April 1, 2002 | 5.63% (fixed) | 3,000,000 | 3,000,000 |
| March 31, 2003 | 5.77% (fixed) | 3,000,000 | 3,000,000 |
| March 30, 2004 | 5.84% (fixed) | 4,000,000 | 4,000,000 |
| Sept. 1, 2009 | 5.80% (fixed) | 5,000,000 | 5,000,000 |
| January 7, 2005 | 6.68% (fixed) | 5,000,000 | 0 |
| January 7, 2005 | 6.465% (fixed) | 5,000,000 | 0 |
| March 23, 2010 | 5.99% (fixed) | 10,000,000 | 0 |
| | | $35,000,000 | $30,000,000 |

</TABLE>

Each advance is payable in full at its respective maturity date. These advances were required to be collateralized by at least $56,000,000 of the Bank's first mortgage loans under a blanket loan arrangement at March 31, 2000.





NOTE 9 - 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 weighting, 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 restorations required

At March 31, 2000 and December 31, 1999, actual capital levels (in thousands) and minimum required levels for the Company and the Bank were:
<TABLE>

| | Actual | Minimum Required For Capital Adequacy Purposes | To Be Well Capitalized Under Prompt Corrective Action Regulations |
|---|---|---|---|

| March 31, 2000 | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| --- | --- | --- | --- | --- | --- | --- |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Total capital (to risk weighted assets) | | | | | | |
| Consolidated | $39,931 | 12.2% | $26,100 | 8.0% | $32,626 | 10.0% |
| Bank | 38,066 | 12.2 | 26,097 | 8.0 | 32,622 | 10.0 |
| Tier 1 capital (to risk weighted assets) | | | | | | |
| Consolidated | 35,449 | 10.9 | 13,050 | 4.0 | 19,575 | 6.0 |
| Bank | 33,584 | 10.9 | 13,049 | 4.0 | 19,573 | 6.0 |
| Tier 1 capital (to average assets) | | | | | | |
| Consolidated | 35,449 | 9.8 | 14,452 | 4.0 | 18,065 | 5.0 |
| Bank | 33,584 | 9.4 | 14,451 | 4.0 | 18,064 | 5.0 |
| December 31, 1999 | | | | | | |
| Total capital (to risk weighted assets) | | | | | | |
| Consolidated | $38,358 | 14.0% | $21,989 | 8.0% | $27,489 | 10.0% |
| Bank | 33,463 | 12.2 | 21,992 | 8.0 | 27,491 | 10.0 |
| Tier 1 capital (to risk weighted assets) | | | | | | |
| Consolidated | 34,922 | 12.7 | 10,994 | 4.0 | 16,491 | 6.0 |
| Bank | 30,027 | 10.9 | 10,996 | 4.0 | 16,494 | 6.0 |
| Tier 1 capital (to average assets) | | | | | | |
| Consolidated | 34,922 | 10.8 | 12,940 | 4.0 | 16,175 | 5.0 |
| Bank | 30,027 | 9.4 | 12,811 | 4.0 | 16,014 | 5.0 |

</TABLE>

The Company and the Bank were categorized as well capitalized at March 31, 2000 and at year-end 1999.



## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 March 31, 2000, 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 March 31, 2000, had assets of approximately $208 million.

### Financial Condition

Total assets of the Company increased by $47,788,116 to $392,709,251 at March 31, 2000 from $344,921,135 at December 31, 1999. The increase in assets is primarily attributable to the Bank continuing to attract customer deposits and then lending and otherwise investing these funds. The number of deposit accounts increased from approximately 27,000 at December 31, 1999, to approximately 30,000 deposit accounts at March 31, 2000. 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.

Cash and cash equivalents, which include federal funds sold and short-term investments, increased $4,290,497 to $24,844,536 at March 31, 2000, from $20,554,039 at December 31, 1999. The increase is due to an increase in deposits on the last day of the quarter. These funds will be used as a means to fund future loan growth.

Securities available for sale increased $1,300,168 to $29,581,543 at March 31, 2000 from $28,281,375 at December 31, 1999. The increase is the result of purchasing additional securities as a means of strengthening the Bank's liquidity ratio.

Total loans increased $40,578,305 to $325,952,756 at March 31, 2000 from $285,374,451 to December 31, 1999, or 11.7%. Commercial loans increased $30,223,899 from $201,391,721 at December 31, 1999 to $231,615,620 at March 31, 2000, an increase of 15%. Commercial loans account for approximately 71% of the Bank's total loan portfolio.

The allowance for loan losses as of March 31, 2000 was $4,482,165 representing approximately 1.38% of gross loans outstanding, compared to $3,995,165 at December 31, 1999. The Bank has not experienced any material credit losses as of March 31, 2000.

Bank premises and equipment increased to $11,666,705 at March 31, 2000 from $9,997,566 at December 31, 1999. The increase resulted primarily from the purchase of a branch facility operated by the Bank and located at 699 E. 16th Street in Holland. The Bank previously leased this facility.

Deposits increased to $321,585,154 at March 31, 2000, from $279,389,882 at December 31, 1999. This was primarily as a result of deposits being obtained from new customers of the Bank. Noninterest bearing demand deposit accounts increased by $1,648,808 to $36,191,301 at March 31, 2000 from $34,542,493 at December 31, 1999. These accounts are comprised primarily of business checking accounts and represented approximately 10% of total deposits at March 31, 2000.

Results of Operations

Net income for the quarter ended March 31, 2000, was $526,613, an increase of $603,723 over



the same period last year. 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. Net interest income for the quarter ended March 31, 2000 was $3,537,225 and $1,883,465 for the quarter ended March 31, 1999. Interest income for the quarter ended March 31, 2000 was $7,105,931, related to interest income on securities, loans and interest earning deposits. Interest expense was $3,568,706 for the quarter ended 2000, related to interest incurred on interest bearing deposits, fed funds purchased and Federal Home Loan Bank advances.

The Company had an allowance for loan losses of approximately 1.38% of total loans at March 31, 2000. The provision for loan losses for the quarter ended March 31, 2000 was $487,000. 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 for the quarter ended March 31, 2000 was $405,650, an increase of $16,505 over the same period last year. Gains on sales of loans decreased by $216,667 to $39,321 at March 31, 2000, from $255,988 at March 31, 1999. The decrease can be attributed primarily to a decline in refinancing of residential mortgages as a result of recent market rate increases. Another component of non-interest income is service charges on deposit accounts which increased by $111,445 to $200,959 at March 31, 2000 from $89,514 at March 31, 1999. This is the result of an increase in the number of deposit accounts to approximately 30,000 at March 31, 2000 from approximately 17,000 at March 31, 1999. Trust revenues also contributed to non-interest income. The Trust Department began business on January 3, 1999. Trust revenues for the quarter ended March 31, 2000 were $113,366 compared to no revenues for the quarter ended March 31, 1999. Trust revenues continue to improve each quarter, commensurate with the growth of trust assets.

Non-interest expense for the quarter ended March 31, 2000 was $2,929,262, compared to $1,899,728 at March 31, 1999, an increase of $1,029,534. The increase in the main components of non-interest expense can be attributed primarily to the growth of the Bank and building the infrastructure for future growth. The main components of non-interest expense were primarily salaries and benefits which totaled $1,648,019, an increase of $546,862 over March 31, 1999 of $1,101,157. Other significant components of non-interest expense consisted of occupancy and equipment expenses, supplies, data processing advertising and legal and accounting fees. These components, in aggregate, totaled to $817,021 at March 31, 2000, an increase of $336,328 from $480,693 at March 31, 1999.

Liquidity and Capital Resources

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 operations. The Bank will complete its third year of operations on November 25, 2000. 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 million from the proceeds of this offering to the Bank's capital. Due to continued growth of the Bank, an additional $3 million was contributed to the Bank from the Company's cash reserves of approximately $5 million. At March 31, 2000, the Bank's Tier 1 Capital as a percent of total assets was 8.44%.

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.



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.

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.



Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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) at March 31, 2000.

| | Less than 3 Months | 3 - 12 Months | 1 - 5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Loans-Fixed | 15,888 | 26,880 | 117,114 | 26,223 | 186,105 |
| Loans-Variable | 119,885 | 323 | 17,159 | 2,479 | 139,846 |
| Taxable Securities | - | - | 28,254 | - | 28,254 |
| Tax-Exempt Securities | - | - | - | 1,328 | 1,328 |
| Other Securities | - | - | - | 2,312 | 2,312 |
| Federal Funds Sold | 1,500 | - | - | - | 1,500 |
| Loan Loss Reserve | - | - | - | - | (4,482) |
| Cash & Due From Banks | - | - | - | - | 23,345 |
| Fixed Assets | - | - | - | - | 11,667 |
| Other Assets | - | - | - | - | 2,834 |
| TOTAL | 137,273 | 27,203 | 162,527 | 32,342 | 392,709 |
| Liabilities: | | | | | |
| CD's 100M and Over | 35,065 | 25,887 | 11,601 | - | 72,553 |
| CD's-Less than 100M | 7,061 | 19,514 | 19,033 | - | 45,608 |
| Repo's & Borrowed Money | - | - | 20,000 | 15,000 | 35,000 |
| Savings & IRA's | 2,495 | 1,736 | 10,344 | 788 | 15,363 |
| NOW & MMDA's | 78,930 | - | 72,940 | - | 151,870 |
| Non-Interest Bearing Deposits | - | - | - | - | 36,191 |
| Other Liabilities & Equity | - | - | - | - | 36,124 |
| TOTAL | 123,551 | 47,137 | 133,918 | 15,788 | 392,709 |
| Period Gap: | 13,722 | (19,934) | 28,609 | 16,554 | |
| Cumulative Gap: | 13,722 | (6,212) | 22,397 | 38,951 | |
| Cumulative Gap/Total Assets | 3.49% | -1.58% | 5.70% | 9.92% | |
| RSA/RSL | 1.11 | 0.58 | 1.21 | 2.05 | |
| Cumulative RSA/RSL | 1.11 | 0.96 | 1.07 | 1.12 | |

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



PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Securities Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits -

27 Financial Data Schedule
(EDGAR version only)

(b) Reports on Form 8-K - None.



SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, to be signed on its behalf by the undersigned, thereunto duly authorized.

MACATAWA BANK CORPORATION

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

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

DATE: May 12, 2000

<TABLE> <S> <C>

<ARTICLE> 9

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

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