

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2001

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.)

348 South Waverly Road, Holland, Michigan 49423  
(Address of principal executive offices) (Zip Code)

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

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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: 5,307,201 shares of the Company's Common Stock (no par value) were outstanding as of November 10, 2001.

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Part I Financial Information  
Item 1.

MACATAWA BANK CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
As of September 30, 2001 (unaudited) and December 31, 2000

	September 30, 2001 (unaudited) <C>	December 31, 2000 <C>
<b>ASSETS</b>		
Cash and due from banks	\$ 30,995,790	\$ 26,305,310
Federal funds sold	7,500,000	---
Short-term investments	8,000,000	---
	-----	-----
Cash and cash equivalents	46,495,790	26,305,310
Securities available for sale	64,920,591	48,668,507
Federal Home Loan Bank stock	3,129,400	2,550,000
Total loans	506,668,911	410,675,682
Allowance for loan losses	(7,177,399)	(5,853,972)
	-----	-----
	499,491,512	404,821,710
Premises and equipment - net	14,232,534	12,263,903
Accrued interest receivable	3,567,024	3,270,561
Other assets	1,961,651	1,932,509
	-----	-----
Total assets	\$633,798,502	\$499,812,500
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits		
Noninterest-bearing	\$ 58,950,469	\$ 50,746,045
Interest-bearing	443,537,756	347,871,072
	-----	-----
Total	502,488,225	398,617,117
Federal Home Loan Bank advances	62,588,000	51,000,000
Note payable	---	4,000,000
Federal funds purchased	---	6,200,000
Accrued expenses and other liabilities	2,893,997	1,867,325
	-----	-----
Total liabilities	567,970,222	461,684,442
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; 5,307,201 shares and 3,696,789 issued and outstanding as of September 30, 2001 and December 31, 2000, respectively	62,334,202	36,890,416
Retained earnings	2,133,163	1,136,444
Accumulated other comprehensive income	1,360,915	101,198
	-----	-----
Total shareholders' equity	65,828,280	38,128,058
	-----	-----
Total liabilities and shareholders' equity	\$633,798,502	\$499,812,500
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements

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MACATAWA BANK CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 Three and Nine Month Periods Ended September 30, 2001 and September 30, 2000  
 (unaudited)

	Three Months Ended Sept. 30, 2001	Three Months Ended Sept. 30, 2000	Nine Months Ended Sept. 30, 2001	Nine Months Ended Sept. 30, 2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<S>	<C>	<C>	<C>	<C>
Interest income				
Loans, including fees	\$9,997,771	\$8,309,660	\$29,215,044	\$22,728,502
Securities	1,110,667	716,415	2,812,337	1,771,095
Total interest income	11,108,438	9,026,075	32,027,381	24,499,597
Interest expense				
Deposits	4,503,229	4,119,262	13,395,783	10,818,454
Other	930,153	588,422	2,929,939	1,746,502
Total interest expense	5,433,382	4,707,684	16,325,722	12,564,956
Net interest income	5,675,056	4,318,391	15,701,659	11,934,641
Provision for loan losses	(565,000)	(434,000)	(1,589,000)	(1,516,000)
Net interest income after provision for loan losses	5,110,056	3,884,391	14,112,659	10,418,641
Noninterest income				
Service charges on deposit accounts	447,242	249,786	1,149,320	688,941
Gain on sale of loans	221,743	95,246	708,646	230,427
Trust fees	169,723	132,803	506,691	380,990
Other	84,944	50,006	224,462	150,865
Total noninterest income	923,652	527,841	2,589,119	1,451,223
Noninterest expense				
Salaries and benefits	2,230,710	1,810,283	6,138,050	5,163,534
Occupancy expense of premises	308,257	271,398	878,592	835,362
Furniture and equipment expense	388,839	325,332	1,116,158	883,290
Legal and professional fees	98,480	57,568	236,435	210,924
Advertising	97,493	93,300	343,764	238,054
Data processing	107,376	79,230	308,663	224,811
Shareholder services	38,422	28,142	119,674	79,641
Supplies	109,591	87,285	286,687	262,843
Other expense	651,452	540,411	1,849,256	1,502,185
Total noninterest expenses	4,030,620	3,292,949	11,277,279	9,400,644
Income before federal income tax	2,003,088	1,119,283	5,424,499	2,469,220
Federal income tax	652,500	172,167	1,780,350	172,167
Net income	\$1,350,588	\$947,116	\$3,644,149	\$2,297,053
Basic income per share	\$.26	\$.26	\$.84	\$.62
Diluted income per share	\$.25	\$.26	\$.84	\$.62

See accompanying notes to condensed consolidated financial statements

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MACATAWA BANK CORPORATION  
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 Nine Month Periods Ended September 30, 2001 and September 30, 2000  
 (unaudited)

	Nine Months	Nine Months
--	-------------	-------------

	Ended Sept. 30, 2001 ----- (unaudited) <C>	Ended Sept. 30, 2000 ----- (unaudited) <C>
<S>		
Cash flows from operating activities		
Net income	\$3,644,149	\$2,297,053
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	1,011,631	903,179
Provision for loan losses	1,589,000	1,516,000
Net change in:		
Accrued interest receivables and other assets	(325,605)	(1,882,716)
Accrued expenses and other liabilities	377,729	613,570
	-----	-----
Net cash from operating activities	6,296,904	3,447,086
Cash flows from investing activities		
Net increase in loans	(96,258,802)	(87,877,810)
Purchase of Federal Home Loan Bank Stock	(579,400)	--
Purchases of securities available for sale	(45,371,176)	(14,985,279)
Proceeds from maturities and calls of securities available for sale	31,000,000	--
Additions to premises and equipment	(2,952,509)	(3,324,791)
	-----	-----
Net cash from investing activities	(114,161,887)	(106,187,880)
Cash flows from financing activities		
Net increase in deposits	103,871,108	87,227,385
Net (decrease)increase in short term borrowings	(6,200,000)	6,000,000
Proceeds from Federal Home Loan Bank advances	16,852,000	45,000,000
Repayments of Federal Home Loan Bank advances	(5,264,000)	(35,000,000)
Repayments of notes payable	(4,000,000)	---
Cash dividends paid	(884,858)	---
Proceeds from sale of stock	23,681,213	---
	-----	-----
Net cash from financing activities	128,055,463	103,227,385
Net change in cash and cash equivalents	20,190,480	486,591
Cash and cash equivalents at beginning of period	26,305,310	20,554,039
	-----	-----
Cash and cash equivalents at end of period	\$46,495,790	\$21,040,630
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	\$16,148,116	\$11,922,712
Income taxes	2,494,000	1,250,000

</TABLE>

See accompanying notes to condensed consolidated financial statements

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MACATAWA BANK CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
Nine Month Periods Ended September 30, 2001 and September 30, 2000  
(unaudited)

	Common Stock -----	Retained Earnings (Deficit) -----	Accumulated Other Comprehensive Income (Loss) -----	Total Equity -----
<S>				
Balance, December 31, 1999	\$36,882,916	\$(1,960,810)	\$(395,953)	<C>
\$34,526,153				
Net income for nine months ended September 30, 2000		2,297,053		
2,297,053				
Other comprehensive income, net of tax: Unrealized gains/losses on securities			167,504	
167,504				-----
---				
Comprehensive income				
2,464,557	-----	-----	-----	-----

---			
Balance, September 30, 2000	\$36,882,916	\$ 336,243	\$ (228,449)
\$36,990,710	=====	=====	=====
=====			

<TABLE>			Accumulated Other Comprehensive	Total
Shareholders'	Common Stock -----	Retained Earnings -----	Income -----	Equity -----

<S>	<C>	<C>	<C>	<C>
Balance, December 31, 2000	\$36,890,416	\$ 1,136,444	\$ 101,198	
\$38,128,058				
Net income for nine months ended September 30, 2001		3,644,149		
3,644,149				
Other comprehensive income, net of tax: Unrealized gains/losses on securities			1,259,717	
1,259,717				-----
---				
Comprehensive income				
4,903,866				
Net proceeds from sale of stock	23,679,213			
23,679,213				
Proceeds from exercise of stock options	2,000			
2,000				
Issued 107,474 shares in payment of 3% stock dividend	1,762,573	(1,765,885)		
(3,312)				
Cash dividends at \$.07 per share		(881,545)		
(881,545)	-----	-----	-----	-----
---				
Balance, September 30, 2001	\$62,334,202	\$ 2,133,163	\$1,360,915	
\$65,828,280	=====	=====	=====	
=====				

See accompanying notes to condensed consolidated financial statements

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MACATAWA BANK CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(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 nine month period ended September 30, 2001, are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in Macatawa Bank Corporation's (the "Company") 2000 Annual Report containing financial statements for the year ended December 31, 2000.

All per share amounts and average shares outstanding have been adjusted for all periods presented to reflect the 3% stock dividend distributed on May 4, 2001. The Statement of Changes in Shareholders' Equity reflects the change in retained earnings and common stock for the value of the dividend paid.

## NOTE 2 PRINCIPLES OF CONSOLIDATION

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

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MACATAWA BANK CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

## NOTE 3 EARNINGS PER SHARE

A reconciliation of the numerators and denominators of basic and diluted earnings per share for the quarters and nine months ended September 30, 2001 and September 30, 2000 are as follows:

Months	Three Months Ended Sept. 30, 2001	Three Months Ended Sept. 30, 2000	Nine Months Ended Sept. 30, 2001	Nine Ended Sept. 30,
2000				
	-----	-----	-----	-----
(unaudited)	(unaudited)	(unaudited)	(unaudited)	
<S>	<C>	<C>	<C>	<C>
Basic earnings per share				
Net income	\$1,350,588	\$947,116	\$3,644,149	
\$2,297,053	-----	-----	-----	-----
---				
Weighted average common Shares outstanding	5,279,743	3,696,222	4,327,708	
3,696,222	-----	-----	-----	-----
---				
Basic earnings per share	\$0.26	\$0.26	\$0.84	
\$0.62	=====	=====	=====	
=====				
Diluted earnings per share				
Net income	\$1,350,588	\$947,116	\$3,644,149	
\$2,297,053	-----	-----	-----	-----
---				
Weighted average common Shares outstanding	5,279,743	3,696,222	4,327,708	
3,696,222	-----	-----	-----	-----
Add: Dilutive effects of assumed Exercise of stock options	45,740	11,730	35,357	
15,497	-----	-----	-----	-----
---				
Weighted average common and Dilutive potential common Shares outstanding	5,325,483	3,707,952	4,363,065	
3,711,719	-----	-----	-----	-----
---				
Diluted earnings per share	\$0.25	\$0.26	\$0.84	
\$0.62	=====	=====	=====	
=====				

&lt;/TABLE&gt;

Stock options for 2,000 shares of stock were not considered in computing diluted

earnings per share for the nine months ended September 30, 2001 because they were antidilutive. There were no antidilutive shares for the quarter ended September 30, 2001. Stock options for 78,280 shares of common stock were not considered in computing diluted earnings per share for the quarter and nine months ended September 30, 2000 because they were antidilutive.

(Continued)

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MACATAWA BANK CORPORATION  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (unaudited)

NOTE 4 SECURITIES

The amortized cost and fair values of securities available for sale were as follows:

Values	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair
<S>	<C>	<C>	<C>	<C>
September 30, 2001 (Unaudited)				
U.S. Treasury securities and obligations of U. S. Government agencies	\$53,916,525	\$1,700,519	\$ 0	
\$55,617,044				
State and municipal bonds	8,942,073	361,474	0	
9,303,547				
	\$62,858,598	\$2,061,993	\$ 0	
\$64,920,591				
December 31, 2000				
U. S. Treasury securities and obligations of U. S. Government agencies	\$45,927,221	\$ 191,469	\$ (128,090)	
\$45,990,600				
State and municipal bonds	2,587,955	89,952	---	
2,677,907				
	\$48,515,176	\$281,421	\$ (128,090)	
\$48,668,507				

Contractual maturities of debt securities at September 30, 2001 (unaudited) were as follows. 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.

	Available-for-Sale Securities	
	Amortized Cost	Fair Values
<S>	<C>	<C>
Due from one to five years	\$45,259,026	\$47,163,555
Due from five to ten years	11,878,095	12,273,600
Due after ten years	5,721,477	5,483,436
Total	\$62,858,598	\$64,920,591

(Continued)

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MACATAWA BANK CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

NOTE 5 - LOANS

Loans were as follows:  
<TABLE>

	September 30, 2001	December 31, 2000
	-----	-----
	(unaudited)	
<S>	<C>	<C>
Commercial	\$365,840,041	\$293,541,257
Mortgage	71,700,674	60,822,360
Consumer	69,128,196	56,312,065
	-----	-----
	506,668,911	410,675,682
Allowance for loan losses	(7,177,399)	(5,853,972)
	-----	-----
	\$499,491,512	\$404,821,710
	=====	=====

</TABLE>

Activity in the allowance for loan losses was as follows:

	Three months ended	Three months ended	Nine months ended	Nine
months ended	Sept. 30, 2001	Sept. 30, 2000	Sept. 30, 2001	Sept.
30, 2000	-----	-----	-----	-----
			(unaudited)	
	-----	-----		-----
(unaudited)				
<S>	<C>	<C>	<C>	<C>
Balance at beginning of period	\$6,652,723	\$5,044,595	\$5,853,972	
\$3,995,165				
Provision charged to operating expense	565,000	434,000	1,589,000	
1,516,000				
Charge-offs	(78,977)	(8,722)	(336,739)	
(41,292)				
Recoveries	38,653	11,600	71,166	
11,600				
	-----	-----	-----	-----
Balance at end of period	\$7,177,399	\$5,481,473	\$7,177,399	
\$5,481,473	=====	=====	=====	

</TABLE>

NOTE 6 - DEPOSITS

Deposits are summarized as follows:  
<TABLE>

	September 30, 2001	December 31, 2000
	-----	-----
	(unaudited)	
<S>	<C>	<C>
Noninterest-bearing demand deposit accounts	\$58,950,469	\$50,746,045
Money market accounts	160,087,635	125,427,738
NOW and Super NOW accounts	60,267,587	56,973,193
Savings accounts	15,919,186	10,548,694
Certificates of deposit	207,263,348	154,921,447
	-----	-----
	\$502,488,225	\$398,617,117
	=====	=====

</TABLE>

(Continued)



MACATAWA BANK CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

NOTE 7 - FEDERAL HOME LOAN BANK BORROWINGS

Advances from the Federal Home Loan Bank were as follows:

<TABLE>	September 30, 2001 ----- (unaudited) <C>	December 31, 2000 ----- <C>
<S> Maturities from October 2001 through December 2010, fixed rates from 5.08% to 6.68%, averaging 5.82%.	\$62,588,000 =====	\$51,000,000 =====

</TABLE>

Each advance is payable at its respective maturity date and has a prepayment penalty. These advances were collateralized by securities totaling \$54,000,000 and \$45,000,000 at September 30, 2001 and December 31, 2000, and first mortgage loans totaling \$59,000,000 and \$50,000,000 under a blanket lien arrangement at September 30, 2001 and December 31, 2000, respectively.

Maturities as of September 30, 2001 were as follows:

2001	\$ 5,264,000
2002	8,264,000
2003	3,000,000
2004	5,060,000
2005	10,000,000
2009	5,000,000
2010	26,000,000
	-----
	\$62,588,000 =====

(Continued)

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MACATAWA BANK CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

NOTE 8 - 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 measurements 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 a bank is only adequately capitalized, regulatory approval is required before it is able to accept brokered deposits. If a bank is undercapitalized, capital distributions are limited, as well as its asset growth and expansion, and the bank is required to implement plans for necessary capital restoration.

At September 30, 2001 and December 31, 2000, actual capital levels (in thousands) and minimum required levels for the Company and the Bank were:

<TABLE>	Minimum Required For Capital	To Be Well Capitalized Prompt
Under		

Corrective Regulations	Actual		Adequacy Purposes		Action	
	Amount	Ratio	Amount	Ratio	Amount	
September 30, 2001 (unaudited)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total capital (to risk weighted assets)						
Consolidated	\$70,992	13.6%	\$41,760	8.0%	\$52,200	
10.0%						
Bank	54,207	10.4	41,746	8.0	52,183	
10.0						
Tier 1 capital (to risk weighted assets)						
Consolidated	64,467	12.4	20,880	4.0	31,320	6.0
Bank	47,684	9.1	20,873	4.0	31,310	
6.0						
Tier 1 capital (to average assets)						
Consolidated	64,467	10.4	24,783	4.0	30,979	5.0
Bank	47,684	7.7	24,786	4.0	30,982	
5.0						
December 31, 2000						
Total capital (to risk weighted assets)						
Consolidated	\$43,644	10.4%	\$33,698	8.0%	\$42,123	
10.0%						
Bank	46,820	11.1	33,648	8.0	42,059	
10.0						
Tier 1 capital (to risk weighted assets)						
Consolidated	38,379	9.1	16,849	4.0	25,274	6.0
Bank	41,563	9.9	16,824	4.0	25,236	
6.0						
Tier 1 capital (to average assets)						
Consolidated	38,379	8.2	18,630	4.0	23,288	5.0
Bank	41,563	8.9	18,624	4.0	23,280	
5.0						

The Company and the Bank were categorized as well capitalized at September 30, 2001 and year-end 2000.

During June of 2001, the Company completed an underwritten common stock offering. This resulted in 1,400,000 shares of common stock sold at \$16.00 per share. Net proceeds, after underwriters' discount and offering expense, were \$20.6 million. Subsequently in July 2001, the underwriter exercised its overallotment option resulting in an additional 210,000 shares of stock issued. Net proceeds from the overallotment sale totaled \$3.1 million.

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

Macatawa Bank Corporation is a Michigan corporation and is the bank holding company for Macatawa Bank. Macatawa Bank commenced operations on November 25, 1997. Macatawa Bank is a Michigan chartered bank with depository accounts insured by the Federal Deposit Insurance Corporation. We provide a full range of commercial and consumer banking, and Trust services through our network of 14 full service branches located in communities in Ottawa County, northern Allegan County and southwestern Kent County, Michigan.

We have experienced rapid and substantial growth since opening in November 1997. At September 30, 2001, we had fourteen branch banking offices and three service facilities. We completed an underwritten initial public offering of common stock on April 7, 1998, resulting in net proceeds of \$14.1 million. In June 1999, we completed an offering of common stock to our shareholders resulting in net proceeds of \$14.6 million. An additional follow-on offering was completed in June of 2001. This resulted in the sale of an additional 1,400,000 shares of common stock, at an offering price of \$16.00 per share. During July 2001, the underwriters exercised the over allotment option granted, issuing an additional 210,000 shares at the \$16.00 offering price. Net proceeds, including the exercise of the underwriters' over allotment option exercised in July 2001, totaled \$23.6 million after underwriting discounts, commissions, and expenses.

We 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 September 30, 2001, had assets of approximately \$248 million.

## Financial Condition

Our total assets were \$633.8 million at September 30, 2001, an increase of \$134 million, or 27%, as compared to \$499.8 million at December 31, 2000. The increase in assets was, we believe, attributable primarily to the Bank continuing to attract new deposit and loan customers as a result of its strong customer service focus and community presence. The asset growth was primarily in earning assets of loans and securities, but also included increased cash, premises, and equipment.

Cash and cash equivalents, which include federal funds sold and short-term investments, increased \$20.2 million to \$46.5 million at September 30, 2001, from \$26.3 million at December 31, 2000. The increase was primarily attributable to an increase in federal funds sold of \$15.5 million. The growth in federal funds sold is attributed to the combined results of the second quarter capital offering proceeds, as well as strong deposit growth in excess of loan growth during the third quarter. As a result, the Bank was in a relatively strong liquidity position both during, and at the end of the third quarter.

Securities available for sale totaled \$64.9 million at September 30, 2001, an increase of \$16.2 million as compared to December 31, 2000. The increase in securities was consistent with maintaining the Bank's liquidity ratio in conjunction with overall asset and deposit growth.

Total loans at September 30, 2001 were \$506.7 million, an increase of \$96.0 million, or 23%, as compared to December 31, 2000. Commercial and commercial real estate loans increased \$72.3 million to \$365.8 million at September 30, 2001, from \$293.5 million at December 31, 2000, an increase of 25%. Commercial and commercial real estate loans accounted for approximately 72% of the Bank's total loan portfolio at September 30, 2001, as compared to 71% at December 31, 2000. Consumer loans and residential mortgage loans each comprised 14% of total loans at September 30, 2001.

The allowance for loan losses as of September 30, 2001 was \$7.2 million, or 1.42% of total loans, compared to \$5.9 million, or 1.43% of total loans at December 31, 2000. We provide a loan loss provision on a regular basis consistent with our loan growth and loss experience. Net charge-offs for the first nine months totaled \$266 thousand, as compared to \$30 thousand for the same period last year. While our net charge-off experience was higher during the current year, this represented only 0.08%, on an annualized basis, of average loans. Our credit losses on loans continue to be low, however we recognize that our loan portfolios remain relatively unseasoned, and no material trend of losses has been established. Given the newness of the portfolios and potential economic weakness, in our judgment, we have provided adequate reserves for loan losses. However, there can be no assurance that the

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allowance for losses on loans will be adequate to cover all losses. In lieu of an established loan loss trend for determining an adequate allowance for loan loss, the Bank has built an allowance based on industry peer ratios.

Premises and equipment totaled \$14.2 million at September 30, 2001, an increase of \$1.9 million from December 31, 2000. The increase resulted from the purchase of land for construction of a new headquarters building, as well as a new branch location. The new headquarters location will allow us to consolidate our administration, human resources, trust, loan underwriting and processing, and proof and deposit operations at one location. The new branch site will allow us to construct a full service branch, with drive-up capability, in Hudsonville. The new Hudsonville branch facility is expected to begin operations in early November 2001. This new branch facility will replace an existing small leased storefront location.

Total deposits increased \$103.9 million, or 26%, to \$502.5 million at September 30, 2001, as compared to \$398.6 million at December 31, 2000. We believe the increase was primarily a result of deposits being obtained from new customers. The number of deposit accounts increased from approximately 38,000 at December 31, 2000, to approximately 49,000 at September 30, 2001. We continue to anticipate strong deposit growth given the ongoing consolidation of banks in our market by larger out-of-market regional banks. We feel we have the ability to attract new customers based on our focus on quality customer service, the desire of customers to deal with a local bank, and convenient accessibility through the expansion of our branch network.

Other borrowed funds, consisting of Federal Home Loan Bank Advances, Notes Payable, and Federal Funds Purchased totaled \$62.6 million at September 30, 2001, as compared to \$61.2 million at December 31, 2000. The note payable of \$4.0 million outstanding at December 31, 2000, was retired following the stock offering completed during June 2001.

## Results of Operations

Net income for the quarter ended September 30, 2001, was \$1.4 million, an increase of \$404 thousand over the same period last year. Diluted earnings per share were \$.25 compared to \$.26 for the prior year period. The reduction in earnings per share reflects the dilution impact from the issuance of an

additional 1.6 million shares in conjunction with the stock offering completed in the second quarter. Nine months year-to-date net income was \$3.6 million, an increase of \$1.3 million as compared to the comparable period last year. 2001 net income for the nine months year-to-date included a federal income tax expense provision of \$1.8 million, while the 2000 year-to-date period included only \$172 thousand. The 2000 period included only minimal tax expense as we just became taxable during the third quarter 2000 after all operating loss carry forward positions had been utilized.

Net interest income for the third quarter of 2001 totaled \$5.7 million, a 33% increase as compared to \$4.3 million for the comparable period in 2000. The improvement is reflective of the overall growth of our earning assets. Average earning assets during the third quarter of 2001 totaled \$576.7 million, versus \$403.0 million during the same quarter in 2000. Net interest margin on earning assets was 3.91% for the 2001 quarter, down from 4.18% in the second quarter of 2000.

Net interest income for the nine months year-to-date was \$15.7 million, as compared to \$11.9 million for the same period in 2000. Net interest margin was 3.97% for the nine month period in 2001, as compared to the same period last year net interest margin of 4.19%. The contraction in the net interest margin for both the quarter and year-to-date reflects the decrease in yield on earning assets resulting from the eight prime rate reductions totaling 3.50% in the first nine months of this year. Liability costs have not moved as quickly due to contractual maturities on certificate of deposit portfolios, as well as fixed rate borrowings. Anticipated growth in earning assets is expected to continue to increase levels of net interest income. This will be slightly mitigated by the compression in the net interest margin as a result of any additional interest rate reductions by the Federal Reserve Board. Based on maturities in our fixed term certificate of deposit portfolio, we anticipate several months before re-pricing of the portfolio results in lower costs that will fully offset reductions in our asset yields following any interest rate reduction.

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The following table shows an analysis of net interest margin for the three month periods ending September 30, 2001 and 2000.

<TABLE>

For the three months ended September 30,						
		2001			2000	
		Interest	Average		Interest	
Average	Average	earned	Yield	Average	Earned	or
yield	Balance	or paid	or cost	balance	or paid	or
cost	-----	-----	-----	-----	-----	-----
(Dollars in thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<C>						
<b>Assets</b>						
Taxable securities	\$54,646	\$ 782	5.95%	\$38,098	\$ 589	
6.08%						
Tax-exempt securities (1)	8,075	94	7.13%	1,801	23	
8.06%						
Loans	490,208	9,998	8.02%	357,448	8,310	
9.14%						
Fed funds sold	20,103	173	3.36%	3,234	53	
6.42%						
Short term investments	348	4	2.99%	156	2	
5.09%						
Federal Home Loan Bank stock	3,129	57	7.15%	2,312	49	
8.36%						
	-----	-----		-----	-----	
Total interest earning assets	576,509	11,108	7.64%	403,049	9,026	
8.82%						
<b>Noninterest earning assets</b>						
Cash and due from banks	31,448			19,381		
Other	13,679			10,338		
	-----			-----		
Total assets	\$621,636			\$432,768		
	=====			=====		
<b>Liabilities</b>						
NOWs and MMDAs	\$217,470	1,590	2.89%	\$165,997	1,773	
4.25%						
Savings	15,281	52	1.35%	9,843	47	
1.90%						

IRAs 6.17%	12,354	183	5.90%	8,147	126
Time deposits 6.54%	189,648	2,678	5.60%	132,150	2,174
Fed funds borrowed 7.50%	--	--	--	571	11
Other borrowings 6.11%	62,588	930	5.82%	37,120	577
	-----	-----	-----	-----	-----
Total interest bearing liabilities 5.28%	497,341	5,433	4.32%	353,828	4,708
Noninterest bearing liabilities					
Noninterest bearing demand accounts	54,900			40,635	
Other noninterest bearing liabilities	4,578			1,740	
Shareholders' equity					
	64,817			36,565	
	-----			-----	
Total liabilities and shareholders' equity					
	\$621,636			\$432,768	
	=====			=====	

Net interest income		\$5,675			\$4,318
		=====			=====
Net interest spread			3.32%		3.54%
Net interest margin			3.91%		4.18%
Ratio of average interest bearing assets to					
Average interest bearing liabilities		115.92%		113.91%	

(1) Yield adjusted to fully tax equivalent.  
</TABLE>

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The following table shows an analysis of net interest margin for the nine month periods ending September 30, 2001 and 2000.

<TABLE>

For the nine months ended September 30,

-----						
		2001		2000		
-----						
Average		Interest	Average		Interest	
yield	Average	earned	Yield	Average	Earned	
cost	Balance	or paid	or cost	Balance	or paid	or
-----						
(Dollars in thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Assets						
Taxable securities 5.97%	\$48,686	\$ 2,172	6.03%	\$32,657	\$1,482	
Tax-exempt securities (1) 8.05%	6,056	214	7.20%	1,466	58	
Loans 8.97%	457,661	29,215	8.44%	334,205	22,729	
Fed funds sold 6.08%	8,976	243	3.58%	1,814	84	
Short term investments 3.93%	251	6	3.36%	188	6	
Federal Home Loan Bank stock 8.03%	3,088	177	7.55%	2,312	141	
	-----	-----		-----	-----	
Total interest earning assets 8.68%	524,718	32,027	8.12%	372,642	24,500	
Noninterest earning assets						
Cash and due from banks	25,377			18,482		
Other	12,334			9,746		
	-----			-----		
Total assets	\$562,429			\$400,870		
	=====			=====		
Liabilities						
NOWs and MMDAs 4.13%	\$194,819	4,829	3.31%	\$155,706	4,817	

Savings	13,236	157	1.59%	8,958	129
1.92%					
IRAs	11,352	516	6.08%	7,204	321
5.96%					
Time deposits	175,409	7,893	6.02%	118,100	5,551
6.28%					
Fed funds borrowed	1,668	69	5.44%	1,704	82
6.31%					
Other borrowings	64,237	2,861	5.87%	36,132	1,665
6.07%					
	-----	-----		-----	-----
Total interest bearing liabilities	460,721	16,325		327,804	12,565
Noninterest bearing liabilities					
Noninterest bearing demand accounts	49,111			36,164	
Other noninterest bearing liabilities	3,574			1,396	
Shareholders' equity	49,023			35,506	
	-----			-----	
Total liabilities and shareholders' equity	\$562,429			\$400,870	
	=====			=====	
Net interest income		\$15,702			\$11,935
		=====			=====
Net interest spread			3.39%		
3.57%					
Net interest margin			3.97%		
4.19%					
Ratio of average interest bearing assets to					
Average interest bearing liabilities		113.89%		113.68%	

</TABLE>

(1) Yield adjusted to fully tax equivalent.

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The provision for loan losses for the quarter ended September 30, 2001 was \$565 thousand. The loan loss provision for the nine month period in 2001 was \$1.6 million, as compared to \$1.5 million for the same period in 2000. These amounts were provided as a result of the increase in the total loan portfolio, as well as providing additional allowance for loans charged-off during the periods. Management considers it prudent during the early years of operations to provide for loan losses at similar levels maintained by banks with similar loan portfolios. We will continue to monitor our loan loss experience, and increase our loan loss reserve if needed, to more closely align it with our own history of loss experience. Along with other financial institutions, management shares a concern for the possible continued softening of the economy in 2001. Should the economic climate continue to deteriorate, borrowers may experience difficulty, and the level of non-performing loans, charge-offs, and delinquencies could rise and require further increases in the provision.

Noninterest income for the quarter ended September 30, 2001 was \$924 thousand, an increase of \$396 thousand, or 75%, over the same period last year. On a year-to-date basis, noninterest income totaled \$2.6 million for the 2001 period, as compared to \$1.5 million in the first nine months of 2000. Service charges on deposit accounts was the single largest component of noninterest income and increased to \$447 thousand for the third quarter of 2001, compared to \$250 thousand for the third quarter in 2000. Deposit service charges totaled \$1.1 million for the nine month period in 2001, as compared to \$689 thousand for the 2000 period. The increased service charge income was reflective of the expanded customer account base. Gain on sale of mortgage loans totaled \$222 thousand for the third quarter of 2001, and was \$709 thousand for the nine month period, as compared to \$95 thousand and \$230 thousand for the comparable periods in 2000. The increased gains were from higher volumes of residential mortgage financing activity as a result of the lower interest rate market during the 2001 periods. Higher mortgage refinancing activity is expected to continue as long as interest rates remain favorable for mortgage originations.

Noninterest expense totaled \$4.0 million for the quarter, and \$11.3 million for the nine month period in 2001, as compared to \$3.3 million and \$9.4 million, respectively, for the comparable periods in 2000. Salary and benefits were the primary increases in both the quarter and nine month periods, as a result of additional staff, as well as annual staff merit increases. The growth in salary expense levels reflects the expansion of staff required to handle the growing lending portfolios and operational support infrastructure necessary to support increased customer activity. Other increases included advertising and promotion costs, data processing, and other expense, which includes courier, telephone, postage, and outside services. All of these costs are customer activity and branch infrastructure related, and increase as a result of new customer activity being generated.

Liquidity and Capital Resources

We obtained our initial equity capital, in the amount of approximately \$8.2 million, as a result of a private placement by Macatawa Bank to investors in November 1997. Additional equity capital of \$14.1 million was raised during our initial public offering completed in April 1998. Due to our continued rapid growth, additional equity capital was required in 1999. Through an offering made to our shareholders in June 1999, \$14.6 million of net proceeds from an equity offering was raised. We completed a follow-on stock offering on June 15, 2001, and along with the underwriters exercise of the over allotment option in July, we issued of an additional 1,610,000 shares of common stock. The net proceeds from this offering totaled \$23.6 million, after underwriters discount and offering expenses. The proceeds of this offering were used to pay down \$4 million of indebtedness, while the balance will be used to strengthen our capital position in anticipation of future growth, and for other general corporate purposes. At September 30, 2001, the Company's Tier I Capital as a percent of average assets was 10.40%.

We declared our first cash dividend during the fourth quarter of 2000 in the amount of \$.07 per share. We have paid a quarterly cash dividend of \$.07 per share each quarter of this year as well. It is anticipated that we will continue to pay quarterly cash dividends in the future. On May 4, 2001, we distributed a 3% stock dividend to our shareholders.

We secured a \$5 million credit facility during September of 2000, to provide additional capital to maintain the Bank at required regulatory capital levels. In March 2001, the credit facility was increased to \$8 million. The balance outstanding on this line was \$4 million at December 31, 2000. This debt was paid off during the second quarter 2001, using a portion of the proceeds from the capital offering completed during that quarter.

The liquidity of a financial institution reflects its ability to provide funds to meet loan requests, to accommodate possible outflows in deposits and to take advantage of interest rate market opportunities. Our sources of liquidity include loan payments by borrowers, maturity and sales of securities available for sale, growth of deposits and

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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 our customers. These customers may be either borrowers with credit needs or depositors wanting to withdraw funds.

#### Forward Looking Statements

This report includes "forward-looking statements" as that term is used in the securities laws. All statements regarding our expected financial position, business and strategies are forward-looking statements. In addition, the words "anticipates," "believes," "estimates," "seeks," "expects," "plans," "intends," and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. The presentation and discussion of the provision and allowance for loan losses and statements concerning future profitability or future growth or increases, are examples of inherently forward looking statements in that they involve judgments and statements of belief as to the outcome of future events. Our 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 our operations and our future prospects 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 our 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 us and our business, including additional factors that could materially affect our financial results, is included in our filings with the Securities and Exchange Commission.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Market Risk Analysis

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

We use two interest rate risk measurement techniques in our interest rate risk management. The first is static gap analysis. This measures the difference between the dollar amounts of interest sensitive assets and liabilities that may be refinanced or repriced during a given time period. A significant repricing gap could result in a negative impact to our net interest margin during periods of changing market interest rates. The following table summarizes our interest rate repricing gaps (in thousands) for selected maturity periods as of September 30, 2001.

<S>	<3 Months <C>	3-12 Months <C>	1-5 Years <C>	Over 5 Years <C>	Total <C>
<b>Assets:</b>					
Fixed rate loans \$246,789	\$ 21,254	\$ 41,767	\$158,237	\$25,531	
Variable rate loans 259,880	231,346	1,177	24,468	2,889	
Taxable Securities 55,617	2,010	5,117	39,525	8,965	
Tax-Exempt Securities 9,304	--	--	--	9,304	
Other Securities 3,129	--			3,129	
Short Term Investments 8,000	8,000				
Federal Funds Sold 7,500	7,500			--	
Loan Loss Reserve (7,177)	--	--	--	--	
Cash & Due From Banks 30,996		--	--	--	
Fixed Assets 14,233	--	--	--	--	
Other Assets 5,527		--		--	
---	-----	-----	-----	-----	-----
TOTAL \$633,798	\$270,110	\$ 48,061	\$222,230	\$49,818	
=====	=====	=====	=====	=====	
<b>Liabilities:</b>					
Time deposits \$100,000 and over 106,789	51,672	47,559	7,558	--	
Time deposits under \$100,000 87,739	26,042	45,200	16,497	--	
Repo's & Borrowed Money 62,588	5,264	8,264	18,060	31,000	
Savings & IRAs 28,838	18,138	5,507	4,825	368	
NOW & money market accounts 220,172	220,172	--	--	--	
Non-Interest Bearing Deposits 58,950	--	--	--	--	
Other Liabilities & Equity 68,722				--	
---	-----	-----	-----	-----	-----
TOTAL \$633,798	\$321,288	\$106,530	\$ 46,940	\$31,368	
=====	=====	=====	=====	=====	
Period interest rate gap:	(51,178)	(58,469)	175,290	18,450	
Cumulative interest rate gap:	(51,178)	(109,647)	65,643	84,093	
Cumulative interest rate gap to total assets	(8.07%)	(17.30%)	10.36%	13.27%	
Rate sensitive assets to rate Sensitive liabilities	.84	0.45	4.73	1.59	
Cumulative rate sensitive assets to Rate sensitive liabilities	.84	.74	1.14	1.17	



The above table shows that total liabilities maturing or repricing within one year exceeded assets maturing within one year by \$110 million. However, repricing and cash flows of certain categories of assets and liabilities do not necessarily have the same magnitude of change. We are also subject to competitive and other influences that are beyond our control. As a result, certain assets and liabilities indicated as maturing or repricing within a stated period may, in fact, mature or reprice in other periods or at different volumes.

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

In running the simulation model, we first forecast the next twelve months of net interest income under an assumed environment of constant market interest rates. Next, immediate and parallel interest rate shocks are constructed in the model. These rate shocks reflect changes of equal magnitude to all market interest rates. The next twelve months

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

The following table shows the suggested impact on net interest income over the next twelve months, based on our balance sheet as of September 30, 2001.

Interest Rate Scenario	Percent Change in Net Interest Income
Interest rates down 200 basis points	(11.12)%
Interest rates down 100 basis points	( 3.73)%
No change in interest rates	--
Interest rates up 100 basis points	1.37%
Interest rates up 200 basis points	2.97%

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

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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 - None.

(b) Reports on 8-K - None.

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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 September 30, 2001, to be signed on its behalf by the undersigned, thereunto duly authorized.

MACATAWA BANK CORPORATION

/s/ Benj. A. Smith, III

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

/s/ Steven L. Germond

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Steven L. Germond  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

DATE: November 12, 2001