SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2003

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.)

10753 Macatawa Drive, Holland, Michigan 49424
(Address of principal executive offices) (Zip Code)

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

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 _____

Indicate by check whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes __x__ No _____

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 8,364,151 shares of the Company's Common Stock (no par value) were outstanding as of July 28, 2003.

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Part I Financial Information
Item 1.

MACATAWA BANK CORPORATION
CONSOLIDATED BALANCE SHEETS
As of June 30, 2003 (unaudited) and December 31, 2002

(dollars in thousands except share data)	June 30, 2003 (unaudited)	December 31, 2002
ASSETS		
Cash and due from banks	$ 40,281	$ 47,874
Federal funds sold	---	---
Cash and cash equivalents	40,281	47,874
Securities available for sale	92,109	86,109
Securities held to maturity	2,664	4,061
Federal Home Loan Bank stock	6,968	5,391
Loans held for sale	20,145	18,726
Total loans	1,038,298	961,038
Allowance for loan losses	(14,513)	(13,472)
	1,023,785	947,566
Premises and equipment - net	34,367	25,751
Accrued interest receivable	4,613	4,411
Goodwill	23,915	23,915
Acquisition intangibles	3,022	3,271
Other assets	5,743	9,508
Total assets	$1,257,612	$1,176,583
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	$ 119,028	$ 103,030
Interest-bearing	853,911	817,843
Total	972,939	920,873
Federal funds purchased	23,000	20,000
Federal Home Loan Bank advances	129,353	106,897
Other borrowings	7,291	4,936
Accrued expenses and other liabilities	6,341	9,903
Total liabilities	1,138,924	1,062,609
Shareholders' equity		
Preferred stock, no par value, 500,000 shares authorized; no shares issued and outstanding		
Common stock, no par value, 20,000,000 shares authorized; 8,363,838 shares and 7,891,502 issued and outstanding as of June 30, 2003 and December 31, 2002, respectively	114,486	105,201
Retained earnings	1,103	5,931
Accumulated other comprehensive income	3,099	2,842
Total shareholders' equity	118,688	113,974
Total liabilities and shareholders' equity	$1,257,612	$1,176,583

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Three and Six Month Periods Ended June 30, 2003 and 2002
(unaudited)

(dollars in thousands except per share data)	Three Months Ended June 30, 2003	Three Months ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Interest income	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loans, including fees	$14,766	$13,815	$29,033	$23,376
Securities	1,119	1,185	2,260	2,146
Total interest income	15,885	15,000	31,293	25,522
Interest expense				
Deposits	4,458	4,964	9,024	8,317
Other	1,140	1,222	2,374	2,234
Total interest expense	5,598	6,186	11,398	10,551
Net interest income	**10,287**	**8,814**	**19,895**	**14,971**
Provision for loan losses	870	921	1,865	1,626
Net interest income after provision for loan losses	**9,417**	**7,893**	**18,030**	**13,345**
Noninterest income				
Service charges on deposit accounts	652	551	1,252	1,007
Mortgage production revenue	973	430	1,959	643
Trust fees	603	581	1,186	744
Other	173	139	310	277
Total noninterest income	2,401	1,701	4,707	2,671
Noninterest expense				
Salaries and benefits	4,109	3,239	7,699	5,399
Occupancy	516	495	1,074	849
Furniture and equipment	641	544	1,235	980
Legal and professional fees	168	153	297	279
Advertising	256	160	459	276
Data processing	186	189	385	325
Supplies	143	130	276	223
Other	1,404	1189	2,678	1,945
Total noninterest expenses	7,423	6,099	14,103	10,276
Income before federal income tax	**4,395**	**3,495**	**8,634**	**5,740**
Federal income tax	1,463	1,145	2,891	1,876
Net income	**$2,932**	**$2,350**	**$5,743**	**$3,864**
Basic earnings per share	.35	.28	.69	.54
Diluted earnings per share	.35	.28	.68	.54

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Six Month Periods Ended June 30, 2003 and 2002
(unaudited)

(dollars in thousands except per share data)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, January 1, 2002	$ 62,334	$ 3,180	$ 988	$ 66,502
Net income for six months ended June 30, 2002		3,864		3,864
Other comprehensive income, net of tax:				
Unrealized gains/losses on securities			611	611
Unrealized gain on derivative instruments			171	171
Comprehensive income				4,646
Issued 2,472,015 shares for acquisition of GBFC, adjusted for 4% stock dividend	39,817			39,817
Conversion of GBFC stock options	987			987
Proceeds from exercise of 11,495 stock options	61			61
Issued 212,355 shares in payment Of 4% stock dividend	4,270	(4,277)		(7)
Cash dividends at $.15 per share		(1,065)		(1,065)
Balance, June 30, 2002	$107,469	$ 1,702	$ 1,770	$110,941
Balance, January 1, 2003	$105,201	$ 5,931	$ 2,842	$113,974
Net income for six months ended June 30, 2003		5,743		5,743
Other comprehensive income, net of tax:				
Unrealized gains/losses on securities.			252	252
Unrealized gain on derivative instruments			5	5
Comprehensive income				6,000
Proceeds from exercise of 74,672 stock options	358			358
Issued 397,664 shares in payment Of 5% stock dividend	8,927	(8,941)		(14)
Cash dividends at $.20 per share		(1,630)		(1,630)
Balance, June 30, 2003	$114,486	$ 1,103	$ 3,099	$118,688

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Month Periods Ended June 30, 2003 and 2002
(unaudited)

(dollars in thousands)	Six Months Ended June 30, 2003 (unaudited)	Six Months Ended June 30, 2002 (unaudited)
Cash flows from operating activities		
Net income	$ 5,743	$ 3,864
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	1,550	1,068
Provision for loan losses	1,865	1,626
Gain on sale of loans	(1,959)	(643)
Loans originated for sale	(175,573)	(65,585)
Proceeds from sales of loans	176,113	66,775
Net change in:		
Accrued interest receivable and other assets	3,382	3,760
Accrued expenses and other liabilities	(3,562)	200
Net cash from operating activities	7,559	11,065
Cash flows from investing activities		
Net increase in loans	(78,084)	(97,322)
Purchase of Federal Home Loan Bank Stock	(1,577)	(584)
Purchases of securities available for sale	(16,290)	(18,356)
Proceeds from maturities and calls of securities available for sale	10,069	6,599
Principal paydowns on securities	1,951	761
Cash received from acquisition of GBFC	---	21,390
Additions to premises and equipment	(9,812)	(4,357)
Net cash used in investing activities	(93,743)	(91,869)
Cash flows from financing activities		
Net increase in deposits	52,066	90,011
Net (decrease) increase in short term borrowings	3,000	---
Proceeds from Federal Home Loan Bank advances	40,000	20,264
Repayments of Federal Home Loan Bank advances	(17,544)	(8,590)
Proceeds from other borrowings	2,500	---
Repayments of other borrowings	(145)	---
Cash dividends paid	(1,644)	(1,072)
Proceeds from exercise of options	358	61
Net cash from financing activities	78,591	100,674
Net change in cash and cash equivalents	(7,593)	19,870
Cash and cash equivalents at beginning of period	47,874	34,198
Cash and cash equivalents at end of period	**$ 40,281**	**$ 54,068**

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
Six Month Periods Ended June 30, 2003 and 2002
(unaudited)

(dollars in thousands)	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$11,642	$10,525
Income taxes	3,500	1,900
Noncash investing and financing activities:		
GBFC acquistion:		
Securities acquired (including FHLB stock)	---	11,864
Loans acquired	---	246,344
Premises and equipment acquired	---	656
Acquisition intangibles recorded	---	27,578
Other assets acquired	---	4,142
Deposits assumed	---	246,060
Borrowings assumed	---	20,170
Other liabilities assumed	---	4,940
Value of common stock issued and converted stock options	---	40,804

See accompanying notes to consolidated financial statements

NOTE 1 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America 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 six month period ended June 30, 2003, are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in Macatawa Bank Corporation's (the "Company") 2002 Annual Report containing financial statements for the year ended December 31, 2002.

All per share amounts and average shares outstanding have been adjusted for all periods presented to reflect the 5% stock dividend distributed on May 30, 2003, and the 4% stock dividend distributed on May 8, 2002.

Employee compensation expense under stock option plans is reported using the intrinsic value method. No compensation cost related to stock options was recognized during the six month periods ended June 30, 2003 and 2002, as all options granted had an exercise price equal to or greater than the market price of the underlying common stock at date of grant. Had compensation cost for stock options been measured using the fair value method, net income and basic and diluted earnings per share would have been the pro forma amounts indicated below (dollars in thousands except per share data). The pro forma effect may increase in the future if more options are granted.

	Three months ended June 30, 2003	Three months ended June 30, 2002	Six months ended June 30, 2003	Six months ended June 30, 2002
Net income as reported	$2,932	$2,350	$5,743	$3,864
Stock-based compensation cost, net of tax	(47)	(53)	(83)	(106)
Pro forma net income	2,885	2,297	5,660	3,758
Basic earnings per share as reported	.35	.28	.69	.54
Pro forma basic earnings per share	.34	.27	.68	.53
Diluted earnings per share as reported	.35	.28	.68	.54
Pro forma diluted earnings per share	.34	.27	.67	.52

NOTE 2 — PRINCIPLES OF CONSOLIDATION

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

Grand Bank became a wholly-owned subsidiary effective April 1, 2002 upon the completion of the acquisition of Grand Bank Financial Corporation ("GBFC"), and its results are included in the consolidated statement of income since this date. Effective January 1, 2003, Grand Bank was merged into Macatawa Bank with the combined bank named Macatawa Bank.

NOTE 3 — NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2003, the Company adopted a new accounting standard dealing with asset retirement obligations. The effect of this standard on the financial position and results of operations of the Company was not material.

The Financial Accounting Standards Board (FASB) recently issued two new accounting standards, Statement 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities,* and Statement 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity,* both of which generally become effective in the quarter beginning July 1, 2003.

Because the Company does not have these instruments or is only nominally involved in these instruments, the new accounting standards will not materially affect the Company's operating results or financial condition.

Under the new standard for certain liabilities and equity instruments, mandatorily redeemable instruments such as trust preferred securities are considered liabilities and not part of mezzanine (or temporary) equity. Accordingly, the trust preferred securities issued by the Company on July 15, 2003 will be classified as liabilities for Generally Accepted Accounting Principles, and a component of capital for regulatory purposes, see Note 11.

NOTE 4 — ACQUISITION

On April 1, 2002, the Company completed the acquisition of Grand Bank Financial Corporation ("GBFC"), a commercial bank headquartered in Grand Rapids, Michigan. Under the terms of this transaction, the Company acquired all of the outstanding stock of GBFC in exchange for approximately 2.5 million common shares, adjusted for the 4% stock dividend paid in May 2002. The value of the common shares issued was determined using the Company's quoted market price per share at the time the terms of the acquisition agreement were agreed to and announced. Further, options to acquire GBFC stock were converted to options to acquire Company stock. The value of these options for purposes of determining the total cost to the Company for the acquisition was approximately $1.0 million. Accordingly, the total cost of the transaction considering common stock and converted options was approximately $40.8 million.

The acquisition has been accounted for using the purchase method of accounting, and, accordingly, the purchase price has been allocated to the assets purchased and the liabilities assumed based upon the estimated fair values at the date of acquisition. The purchase accounting fair value adjustments are being amortized under various methods and over the lives of the corresponding assets and liabilities. Goodwill recorded for the acquisition amounted to $23.9 million and is not being amortized. Intangible assets recorded for the acquisition that are subject to amortization are as follows in thousands of dollars as of June 30, 2003:

	Gross Amount	Accumulated Amortization
Core deposit intangible............	$3,185	$475
Trust relationships..................	478	166

The amount of goodwill recorded in this transaction relative to the smaller amounts of identified intangible assets reflects that the value of GBFC related primarily to the foundation it provides to further build our presence in the Grand Rapids market. The value of this foundation lies with the GBFC workforce, their customer service orientation and their relationships within the community. The amount of the core deposits intangible asset recorded is small relative to the total purchase price and reflects that the GBFC deposit portfolio was weighted towards higher interest rate account types.

Both the core deposits and trust relationships intangibles are being amortized on an accelerated basis over a period of ten years. Amortization expense for the six months ended June 30, 2003 was $248,500. Estimated amortization expense for the next five years is as follows in thousands of dollars:

2003.............	$484
2004.............	440
2005.............	406
2006.............	378
2007.............	340

In conjunction with the acquisition, the fair values of significant assets acquired and liabilities assumed were as follows, stated in thousands of dollars:

Cash and cash equivalents	$21,390
Securities	11,070
Loans	246,344
Acquisition intangibles	27,578
Deposits	(246,060)
Other borrowings	(20,170)

The consolidated statements of income reflect the operating results of GBFC since the effective date of the acquisition. The following table presents pro forma information for the six months ended June 30, 2002 as if the acquisition of GBFC had occurred at the beginning of 2002. The pro forma information includes adjustments for the amortization of intangibles arising from the transaction, the elimination of acquisition related expenses, and the related income tax effects. The pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction been effected on the assumed date.

	Six Months Ended June 30, 2002 (proforma)
Interest income	$29,050
Interest expense	12,145
Net interest income	16,905
Provision for loan losses	1,999
Net interest income after provision	14,906
Noninterest income	3,684
Noninterest expense	12,196
Income before federal income tax	6,394
Federal income tax expense	2,089
Net income	$ 4,305
Basic earnings per share	$.51
Diluted earnings per share	$.51

NOTE 5 — EARNINGS PER SHARE

A reconciliation of the numerators and denominators of basic and diluted earnings per share for the three and six months ended June 30, 2003 and June 30, 2002 are as follows (dollars in thousands except per share data):

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Basic earnings per share				
Net income............................	$ 2,932	$ 2,350	$5,743	$ 3,864
Weighted average common shares outstanding.................	8,363,838	8,400,373	8,341,254	7,105,748
Basic earnings per share..............	$0.35	$0.28	$0.69	$0.54
Diluted earnings per share				
Net income............................	$2,932	$2,350	$5,743	$3,864
Weighted average common shares outstanding.................	8,363,838	8,400,373	8,341,254	7,105,748
Add: Dilutive effects of assumed exercise of stock options..........	121,394	139,277	121,082	103,488
Weighted average common and dilutive potential common shares outstanding.................	8,485,232	8,539,650	8,462,336	7,209,236
Diluted earnings per share..............	$0.35	$0.28	$0.68	$0.54

There were no antidilutive options for the quarter and six months ended June 30, 2003 and 2002.

NOTE 6 — SECURITIES

The amortized cost and fair values of securities were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
June 30, 2003				
Available for sale:				
U.S. Treasury securities and obligations of U. S. Government agencies.........	$65,164	$ 2,422	$ ---	$67,586
State and municipal bonds................	23,195	1,332	(4)	24,523
	$88,359	$ 3,754	$ (4)	$92,109
Held to maturity:				
U.S. Treasury securities and obligations of U. S. Government agencies.........	$ 36	1	$ ---	$ 37
State and municipal bonds................	2,628	99	---	2,727
	$ 2,664	$ 100	$ ---	$ 2,764

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
December 31, 2002				
Available for sale:				
U. S. Treasury securities and obligations of U. S. Government agencies.........	$67,747	$ 2,752	$ (1)	$70,498
State and municipal bonds................	15,050	611	(50)	15,611
	$82,797	$ 3,363	$ (51)	$86,109
Held to maturity:				
U.S. Treasury securities and obligations of U. S. Government agencies.........	$ 1,369	$ 12	$ ---	$ 1,381
State and municipal bonds................	2,692	79	(12)	2,759
	$ 4,061	$ 91	$ (12)	$ 4,140

Contractual maturities of debt securities at June 30, 2003 were as follows (in thousands). 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.

	Held to Maturity Securities		Available for Sale Securities	
	Amortized Cost	Fair Values	Amortized Cost	Fair Values
Due less than one year........	$ .36	$ .37	$ 8,035	$ 8,238
Due one year to five years....	---	---	54,243	56,448
Due five years to ten years...	---	---	10,030	10,712
Due after ten years...........	$2,628	$2,727	16,051	16,711
Total	$2,664	$2,764	$88,359	$92,109

NOTE 7 – LOANS

Loans were as follows (in thousands):

	June 30, 2003	December 31, 2002
Commercial	$ 378,347	$341,370
Commercial mortgage	375,503	356,310
Residential mortgage	150,620	133,843
Consumer	133,828	129,515
	1,038,298	961,038
Allowance for loan losses	(14,513)	(13,472)
	$1,023,785	$947,566

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

	Three months ended June 30, 2003	Three months ended June 30, 2002	Six months ended June 30, 2003	Six months ended June 30, 2002
Balance at beginning of period.	$14,163	$ 8,174	$13,472	$ 7,699
Balances from GBFC aquisition	---	3,464	---	3,464
Provision for loan losses..	870	921	1,865	1,626
Charge-offs	(548)	(138)	(856)	(515)
Recoveries	28	9	32	156
Balance at end of period	$14,513	$12,430	$14,513	$12,430

NOTE 8 – DEPOSITS.

Deposits are summarized as follows (in thousands):

	June 30, 2003	December 31, 2002
Noninterest-bearing demand deposit accounts	$119,028	$103,030
Money market accounts	257,293	237,636
NOW and Super NOW accounts	130,746	140,822
Savings accounts	33,220	28,730
Certificates of deposit	432,652	410,655
	$972,939	$920,873

(Continued)

NOTE 9 – FEDERAL HOME LOAN BANK BORROWINGS

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

	June 30, 2003	December 31, 2002
Maturities from July 2003 through July 2018, rates from 1.36% to 6.95%, averaging 3.89%	$129,353	
Maturities from March 2003 through December 2010, rates from 1.80% to 6.95%, averaging 5.19%		$106,897

Each advance is payable at its maturity date and contains a prepayment penalty. These advances were collateralized by securities totaling $66,565,000 and $70,768,000 at June 30, 2003 and December 31, 2002, and first mortgage loans totaling $107,707,000 and $95,530,000 under a blanket lien arrangement at June 30, 2003 and December 31, 2002, respectively.

Maturities as of June 30, 2003 were as follows (in thousands):

2003	$24,454
2004	44,576
2005	17,500
2006	---
2007	---
Thereafter	42,823
	$129,353

(Continued)

NOTE 10 – HEDGING ACTIVITIES

The Company has asset/liability management policies that include guidelines for measuring and monitoring interest rate risk. Within these guidelines, parameters have been established for maximum fluctuations in net interest income. Possible fluctuations are measured and monitored using simulation modeling. The policies provide for the use of derivative instruments and hedging activities to aid in managing interest rate risk to within the policy parameters.

The Company’s assets are comprised of a large portion of loans on which the interest rates are variable. As such, the Company may periodically enter into derivative financial instruments to mitigate exposure to fluctuations in cash flows resulting from changes in interest rates. Interest rate swap arrangements may be utilized to hedge against these fluctuations in cash flows.

In May 2002 the Company entered into a three-year interest rate swap arrangement that converts the variable rate cash inflows on certain of its loans to fixed rates of interest. This interest rate swap bears a notional amount of $20 million, pays interest to the Company at a fixed rate, and requires interest payments from the Company at a variable rate. It is anticipated that approximately $353,000 net of tax, of unrealized gains on this cash flow hedge at June 30, 2003 will be reclassified to earnings over the next twelve months.

NOTE 11 — REGULATORY MATTERS

The Company and the Banks 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 June 30, 2003 and December 31, 2002, actual capital levels and minimum required levels for the Company and the Banks were (in thousands):

	Actual		Minimum Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2003						
Total capital (to risk weighted assets)						
Consolidated	$103,066	9.7%	$84,700	8.0%	$105,875	10.0%
Macatawa Bank	109,203	10.3	84,655	8.0	105,819	10.0
Tier 1 capital (to risk weighted assets)						
Consolidated	89,832	8.5	42,350	4.0	63,525	6.0
Macatawa Bank	91,476	8.6	42,328	4.0	63,491	6.0
Tier 1 capital (to average assets)						
Consolidated	89,832	7.5	47,834	4.0	59,793	5.0
Macatawa Bank	91,476	7.7	47,682	4.0	59,602	5.0
December 31, 2002						
Total capital (to risk weighted assets)						
Consolidated	$97,449	9.9%	$78,860	8.0%	$98,576	10.0%
Macatawa Bank	71,618	10.0	57,197	8.0	71,496	10.0
Grand Bank	28,879	10.7	21,628	8.0	27,035	10.0
Tier 1 capital (to risk weighted assets)						
Consolidated	85,127	8.6	39,430	4.0	59,145	6.0
Macatawa Bank	62,681	8.8	28,599	4.0	42,898	6.0
Grand Bank	21,000	7.8	10,814	4.0	16,221	6.0
Tier 1 capital (to average assets)						
Consolidated	85,127	7.6	44,657	4.0	55,821	5.0
Macatawa Bank	62,681	7.7	32,628	4.0	40,785	5.0
Grand Bank	21,000	7.1	11,879	4.0	14,849	5.0

The Bank and Banks were categorized as well capitalized at June 30, 2003 and year-end 2002, respectively.

On July 15, 2003 the Company issued $20.0 million of pooled trust preferred securities (“Preferred Securities”) through one issuance by a wholly-owned subsidiary grantor trust, Macatawa Statutory Trust I (the “Trust”). The Preferred Securities accrue and pay distributions quarterly at a specified rate as provided in the indenture, three-month LIBOR plus 3.05%. The Trust used the net proceeds from the offering to purchase a like amount of Junior Subordinated Debentures (the “Debentures”) of the Company. The Debentures are the sole assets of the Trust and are eliminated, along with the related income statement effects, in the consolidated financial statements. The Company’s obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the obligations of the Trust. The Preferred Securities are mandatorily redeemable upon the maturity of the Debentures which is July 15, 2033, or upon earlier redemption as provided in the indenture. The Company has the right to redeem the Debentures in whole or in part on or after July 15, 2008, at a redemption price specified in the indenture plus any accrued but unpaid interest to the redemption date. The initial interest rate on the Preferred Securities was 4.16%. It is expected that the entire $20.0 million issuance will qualify as Tier 1 capital for regulatory capital purposes.

NOTE 12 – CONTINGENCIES

The Company and its subsidiaries periodically become defendants in certain claims and legal actions arising in the ordinary course of business. Currently, there are no matters which are expected to have a material adverse effect on the consolidated financial position or results of operations.

On July 8, 2003 the Company filed a Form 8-K (dated July 1, 2003) with the Securities and Exchange Commission reporting events related to a former trust customer, Trade Partners, Inc. ("Trade Partners"), of the former Grand Bank. Trade Partners was involved in purchasing and selling interests in viaticals which are interests in life insurance policies of the terminally ill or elderly. Beginning in 1996, Grand Bank served as a custodian and escrow agent with respect to viaticals purchased by Trade Partners and sold to investors. Two lawsuits were filed, one in December 2002 and another in March 2003, against Trade Partners and Grand Bank alleging that Grand Bank breached certain escrow agreements related to viatical settlement contracts. Both of these lawsuits have been dismissed although the plaintiffs reserved the right to pursue the claims in the future. In addition, in May 2003 a purported class action complaint was filed against the Company alleging that Grand Bank breached escrow agreements and its fiduciary duties with respect to the plaintiff's investments secured by viaticals. The Company has answered the complaint denying the material allegations and raising certain affirmative defenses. Management believes the Company has strong defenses and will vigorously defend the case.

Trade Partners is now in receivership. The receiver has been authorized to borrow money from Macatawa Bank to pay premiums, if needed. Macatawa Bank has agreed to extend a $4 million line of credit to the receiver, conditioned upon obtaining a security interest in the viaticals. As of August 4, 2003 no draws had yet been made on the line of credit.

It is possible that one or more additional legal actions may be initiated involving the custodial and escrow agent services provided by Grand Bank in connection with Trade Partners. If any such legal actions are commenced, the Company intends to defend them vigorously. To the extent any pending or future claims allege errors or omissions on the part of Grand Bank or Macatawa Bank, Management believes that some or all liability, if any is proven or established, will be covered by errors and omissions insurance maintained by Grand Bank and Macatawa Bank.

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

Macatawa Bank Corporation is a Michigan corporation and is the holding company for two wholly owned subsidiaries, Macatawa Bank and Macatawa Investment Services. Effective January 9, 2002, Macatawa Bank Corporation elected to become a financial holding company pursuant to Title I of the Gramm-Leach-Bliley Act. Macatawa Bank commenced operations on November 25, 1997. On April 1, 2002 Macatawa Bank Corporation acquired Grand Bank Financial Corporation ("GBFC") and its wholly owned banking subsidiary, Grand Bank. Its results are included in the consolidated statements of income since this effective date. Grand Bank was formed in 1987 and operated from a single location in Grand Rapids, Michigan. To achieve further synergies from the Grand Bank acquisition, the Company merged Grand Bank into Macatawa Bank effective January 1, 2003 with the combined bank named Macatawa Bank. Macatawa Bank is a Michigan chartered bank with depository accounts insured by the Federal Deposit Insurance Corporation. The bank operates seventeen branch offices and three lending and operational service facilities, providing a full range of commercial and consumer banking and trust services in Kent County, Ottawa County, and northern Allegan County, Michigan. Macatawa Investment Services was formed in October 2001 and gained approval in June 2002 from NASD to commence operations as a broker/dealer. Macatawa Investment Services provides various services including discount brokerage, personal financial planning and consultation regarding mutual funds. Macatawa Bank Mortgage Company, a subsidiary of Macatawa Bank, originates and sells residential mortgage loans into the secondary market on a servicing released basis.

While maintaining asset quality and improving profitability, we have experienced rapid and substantial growth since opening Macatawa Bank in November 1997. We first became profitable in 1999 with net income for that year of $693 thousand. Net income for 2000 was $3.3 million, for 2001 was $5.1 million, and for 2002 was $9.5 million. Since our inception in 1997 we have raised approximately $60.6 million in capital through private and public common stock offerings to facilitate our growth and progress over these years. In conjunction with the acquisition of GBFC we issued 2,472,000 shares of stock in exchange for all of the outstanding stock of GBFC.

The West Michigan markets within which we operate are growing markets. Because of their growth and our ability to provide highly personalized service, these markets have provided significant expansion opportunities for us. In addition, acquisitions of banks within our markets by large banking institutions headquartered far away have provided us additional opportunity to gain market share. Grand Rapids is the largest market within West Michigan. It is also where we hold the lowest percent share of the market relative to the other markets within which we operate, and therefore we believe presents great opportunity. In November 2002 we opened a new branch in Grand Rapids, and in Wyoming we opened an expanded branch allowing us to move from a small storefront office. We have continued this expansion focus in 2003 and expect to open at least three new branches in other desirable locations within our market area. During the second quarter, we began construction for a new branch in Grand Rapids at the corner of Knapp Street and East Beltline Avenue. The construction of a new branch in Grandville replacing a store front location was completed in May and opened for business at the end of that month. In Holland, construction began for a branch located on the North side of the city in order to round out our presence in this market.

Financial Condition

The consolidated financial statements include the effect of the acquisition of GBFC which was effective April 1, 2002. A schedule of the significant GBFC assets and liabilities acquired is contained in Note 4 to the Consolidated Financial Statements.

The acquisition was accounted for using the purchase method of accounting. As a result, certain purchase accounting adjustments were required to record the acquired assets and liabilities at market value. The value of the purchase accounting adjustments is being amortized over the respective lives of the varying assets and liabilities.

Based on SFAS 142, "Goodwill and Other Intangible Assets", we have recorded intangible assets for the estimated value of core deposit accounts and trust customer accounts acquired in the acquisition. The intangible values represent the present value of the estimated net revenue streams attributed to the respective intangibles. The intangible assets acquired are valued using certain assumptions for alternative cost of funds, lives of respective core deposits or trust customers, discount rates and other applicable assumptions. The total of both core deposit intangibles and trust customer intangibles was $3.7 million, and is being amortized on an accelerated basis over 10 years.

The balance of the acquisition price in excess of the fair market value of assets and liabilities acquired, including intangible assets, was recorded as goodwill and totaled $23.9 million. Under SFAS 142, goodwill is defined as an intangible asset with an indefinite useful life, and as such, is not amortized, but is required to be tested annually for impairment of the value. If impaired, an impairment loss must be recorded for the value equal to the excess of the asset's carrying value over its fair value.

The amount of goodwill recorded in this transaction relative to the smaller amounts of identified intangible assets and lack of intangibles related to loan and deposit customer lists reflects that the value of GBFC related primarily to the foundation it provides to further build our presence in the Grand Rapids market. The value of this foundation lies with the GBFC workforce, their customer service orientation and their relationships within the community. The amount of the core deposits intangible asset recorded is small relative to the total purchase price and reflects that the GBFC deposit portfolio was weighted towards higher interest rate account types.

Our total assets were $1.26 billion at June 30, 2003, an increase of $81.0 million as compared to $1.18 billion at December 31, 2002. We believe the continued strong asset growth reflects the acceptance of our community banking philosophy in the growing communities we serve. Our asset growth consists primarily of growth in our loan portfolio as we continue to attract new loan customers despite the strong competition from other locally based community banks and larger regional banks.

Our total portfolio loans at June 30, 2003 were $1,038.3 million, an increase of $77.3 million as compared to $961.0 million at December 31, 2002. Most of the growth was in commercial and commercial real estate loans. Commercial and commercial real estate loans accounted for approximately 73% of the total loan portfolio at June 30, 2003 and at December 31, 2002. Consumer loans comprised 13% of the portfolio, while residential mortgage loans were 14% of total loans at June 30, 2003.

The allowance for loan losses as of June 30, 2003 was $14.5 million, or 1.40% of total portfolio loans, compared to $13.5 million, or 1.40% of total loans at December 31, 2002. Our allowance for loan losses is maintained at a level management considers appropriate based upon our regular, quarterly assessments of the probable estimated losses inherent in the loan portfolio. Our methodology for measuring the appropriate level of allowance relies on several key elements, which include specific allowances for identified problem loans, formula allowance for graded loans, and general allocations based on historical trends for pools of similar loan types.

Specific allowances are established in cases where senior credit management has identified significant conditions or circumstances related to an individually impaired credit that we believe indicates the probability that a loss has been incurred. This amount is determined by methods prescribed by SFAS No. 114, "Accounting by Creditors for Impairment of a Loan". As of June 30, 2003 and December 31, 2002 the specific allowance was $1.7 million and $883,000, respectively.

The formula allowance is calculated by applying loss factors to outstanding loans based on the internal risk grade of such loans. We use a loan rating method based upon an eight point system. Loans are assigned a loss allocation factor for each loan classification category. The lower the grading assigned to a loan category, the greater the allocation percentage that is applied. Changes in risk grade of both performing and nonperforming loans affect the amount of the formula allowance. Loss factors are based on our loss experience, the banking industry's historical loan loss experience, and may be adjusted for significant factors that, in management's judgement, affect the collectibility of the portfolio as of the analysis date. As of June 30, 2003 and December 31, 2002 the formula allowance was $11.0 million and $10.1 million, respectively.

Groups of homogeneous loans, such as residential real estate, open- and closed-end consumer loans, etc., receive an allowance allocation based on loss trends. In lieu of an established loan loss trend for Macatawa Bank, we use historical loss trends based on industry experience and peers in determining an adequate allowance for these pools of loans. General economic and business conditions, credit quality trends, collateral values, seasoning of the portfolios and recent loss experience are conditions considered in connection with allocation factors for these similar pools of loans. Since Grand Bank's loan portfolio is seasoned, its loan loss trends are used in determining an adequate allowance for these pools of loans in addition to industry experience and peer information. As of June 30, 2003 and December 31, 2002 the general allowance was $1.4 million and $1.5 million respectively.

During the six months ended June 30, 2003 the allowance for loan losses increased by $1.0 million due to an increase in the specific allowance and continuing growth in the commercial loan portfolio causing an increase in the formula allowance. The specific allowance increased as two loan relationships were moved from the formula allowance to the specific allowance due to worsening credit conditions of these specific customers. Asset quality was stable during the six months ended June 30, 2003 with the ratio of nonperforming loans to total loans of ..23% compared to .29% at December 31, 2002. The continued increase in the allowance was deemed necessary despite the stability in nonperforming loans to total loans given the growth in loans, the unseasoned nature of our portfolio and current soft economic conditions both on a national basis and locally.

Net charge-offs for the six months ended June 30, 2003 totaled $824,000 as compared to $359,000 for the same period in 2002. Although the amount of net charge-offs was higher, our credit losses on loans continue to be low relative to comparable banks. 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, although there can be no assurance that the allowance for losses on loans will be adequate to cover all losses.

Premises and equipment totaled $34.4 million at June 30, 2003, an increase of $8.6 million from December 31, 2002. The increase resulted from costs incurred with the completion of the company’s new headquarters building and a new branch location, as well as construction costs for the two branch locations that are currently in process. The new headquarters location has allowed us to consolidate our administration, human resources, trust, loan underwriting and processing, and proof and deposit operations at one location. The new branch site allowed us to replace a leased storefront branch site in Grandville with a full service branch in a more favorable location.

Total deposits increased $52.1 million to $972.9 million at June 30, 2003, as compared to $920.9 million at December 31, 2002. Categories of deposit accounts experiencing growth included noninterest-bearing demand deposits, money markets, savings, and certificates of deposit. This growth in deposits was substantially a result of deposits from new customers. We continue to anticipate strong deposit growth based on our focus on quality customer service, the desire of customers to deal with a local bank, convenient accessibility through our growing branch network and our expanded opportunities in the Grand Rapids market as a result of the GBFC acquisition. Our NOW accounts experienced a seasonal decline during the first six months of the year but are expected to gradually increase during the remainder of the year due to these growth opportunities.

Results of Operations

The effective date of the GBFC acquisition was April 1, 2002 and therefore the results of operations for the first quarter of 2002 did not include the effect of GBFC and Grand Bank. For pro forma information concerning the GBFC acquisition, please refer to Note 4 to the Consolidated Financial Statements.

Net income for the quarter ended June 30, 2003 was $2.9 million, an increase of 25% over the second quarter 2002 net income of $2.4 million. Diluted earnings per share for the second quarter of 2003 was $.35, also a 25% increase over the second quarter of the prior year, reflecting the increase in earnings. Net income for the six months ended June 30, 2003 was up 49% to $5.7 million compared to $3.9 million for the same period in the prior year. Earnings per share on a diluted basis were $.68 for the six months year-to-date, an increase of 26% compared to $.54 for the same period in the prior year. The percent increase in earnings per share for the six months was less than the percent increase in net income due to a 45% increase in shares outstanding for the GBFC acquisition in the second quarter of 2002.

Net interest income for the second quarter of 2003 totaled $10.3 million, a 17% increase as compared to $8.8 million for the comparable period in 2002. The net interest income growth was driven primarily by growth in our earning assets, which grew by 16% or $158.5 million from an average of $977.5 million for the second quarter of 2002 to an average of $1.14 billion for the second quarter of 2003. An increase in net interest margin, which was up to 3.64% for the second quarter of 2003 from 3.58% for the same quarter of the prior year, also contributed to the improvement in net interest income. The improvement in net interest margin can be attributed to both strong growth in non-interest bearing deposits and the continued decrease in the cost of interest bearing deposits caused by the currently low interest rate environment. Net interest margin for the six months ended June 30, 2003 was 3.59% compared to 3.68% for the same period in the prior year. The contraction in the net interest margin for the six months relates primarily to the lower net interest margin that GBFC carried compared to Macatawa. Also, we have continued to see strong loan growth, but customer preferences have been for floating rate loans that bear interest rates on average of 175 basis points lower than fixed rate commercial loans. This preference altered our mix of variable versus fixed rate commercial loans and also contributed to the decline in net interest margin for the six months ended June 30, 2003 compared to the same period in the prior year.

Anticipated growth in earning assets is expected to continue to increase levels of net interest income. However, net interest margin is not expected to increase until customer preferences turn back to fixed rate products or short-term interest rates begin to rise. Helping margin, maturities in our certificate of deposit portfolio continue to re-price at lower levels, however, to a lesser extent than during 2002. Derivative instruments as discussed in Note 10 to the consolidated financial statements have also mitigated some of the decline in net interest margin.

The following table shows an analysis of net interest margin for the three-month periods ending June 30, 2003 and 2002.

	For the three months ended June 30,					
	2003			2002		
	Average Balance	Interest Earned or paid	Average Yield Or cost	Average Balance	Interest Earned Or paid	Average Yield or cost
	(Dollars in thousands)					
Assets						
Taxable securities	$ 66,054	$ 815	4.94%	$ 67,451	$ 875	5.20%
Tax-exempt securities (1)	20,444	230	6.96%	13,439	159	7.33%
Loans	1,039,370	14,766	5.64%	873,319	13,815	6.26%
Fed funds sold	55	1	1.19%	18,330	77	1.68%
Federal Home Loan Bank stock	5,744	73	5.04%	4,979	74	5.91%
Total interest earning assets	1,131,667	15,885	5.62%	977,518	15,000	6.13%
Noninterest earning assets						
Cash and due from banks	30,324			36,266		
Other	59,699			43,497		
Total assets	$1,221,690			$1,057,281		
Liabilities						
NOWs and MMDAs	$ 381,795	945	0.99%	$ 350,885	1,412	1.61%
Savings	32,104	39	0.49%	24,462	106	1.74%
IRAs	25,578	237	3.72%	17,811	209	4.69%
Time deposits	416,034	3,176	3.06%	350,886	3,237	3.70%
Fed funds borrowed	16,857	61	1.44%	8,929	44	1.95%
Other borrowings	118,709	1,140	3.80%	103,734	1,178	4.49%
Total interest bearing liabilities	991,077	5,598	2.26%	856,707	6,186	2.89%
Noninterest bearing liabilities						
Noninterest bearing demand accounts	106,279			83,459		
Other noninterest bearing liabilities	6,176			8,632		
Shareholders' equity	118,158			108,483		
Total liabilities and shareholders' equity	$1,221,690			$1,057,281		
Net interest income		$10,287			$ 8,814	
Net interest spread			3.36%			3.24%
Net interest margin			3.64%			3.58%
Ratio of average interest earning assets to Average interest bearing liabilities		114.19%		114.10%		

(1) Yield adjusted to fully tax equivalent.

The following table shows an analysis of net interest margin for the six-month periods ending June 30, 2003 and 2002.

	For the six months ended June 30,					
	2003			2002		
	Average Balance	Interest Earned or paid	Average Yield Or cost	Average Balance	Interest Earned Or paid	Average Yield or cost
	(Dollars in thousands)					
Assets						
Taxable securities	$ 67,279	$ 1,666	4.95%	$ 61,235	$ 1,655	5.41%
Tax-exempt securities (1)	19,100	433	7.03%	11,497	267	7.19%
Loans	1,019,795	29,033	5.68%	724,710	23,376	6.43%
Fed funds sold	1,700	10	1.17%	10,982	91	1.68%
Federal Home Loan Bank stock	5,573	151	5.38%	4,384	133	6.05%
Total interest earning assets	1,113,447	31,293	5.65%	812,808	25,522	6.30%
Noninterest earning assets						
Cash and due from banks	30,556			32,388		
Other	58,198			30,547		
Total assets	$1,202,201			$875,743		
Liabilities						
NOWs and MMDAs	$ 381,605	2,014	1.06%	$298,672	2,418	1.63%
Savings	30,611	76	0.50%	21,921	153	1.41%
IRAs	25,113	476	3.82%	15,962	385	4.86%
Time deposits	411,555	6,457	3.17%	277,346	5,361	3.90%
Fed funds borrowed	12,927	93	1.43%	6,204	61	1.95%
Other borrowings	115,036	2,282	3.94%	89,683	2,173	4.82%
Total interest bearing liabilities	976,847	11,398	2.35%	709,788	10,551	2.99%
Noninterest bearing liabilities						
Noninterest bearing demand accounts	101,866			71,845		
Other noninterest bearing liabilities	6,464			6,039		
Shareholders' equity	117,024			88,071		
Total liabilities and shareholders' equity	$1,202,201			$875,743		
Net interest income		$19,895			$14,971	
Net interest spread			3.30%			3.31%
Net interest margin			3.59%			3.68%
Ratio of average interest earning assets to Average interest bearing liabilities		113.98%		114.51%		

(1) Yield adjusted to fully tax equivalent.

The provision for loan losses for the three and six month periods ended June 30, 2003 were $870,000 and $1,865,000 as compared to $921,000 and $1,626,000 for the same periods in the prior year. The amounts of loan loss provision in both the current and prior year periods were a byproduct of establishing our allowance for loan losses at levels deemed necessary in our methodology for determining the adequacy of the allowance. For more information about our allowance for loan losses and our methodology for establishing its level, see the earlier discussion under Financial Condition. Along with other financial institutions, management shares a concern for the possible continuing weak economic conditions. Should the economic climate remain soft, borrowers may experience more difficulty in making loan payments, and the level of non-performing loans, charge-offs, and delinquencies could rise and require further increases in the provision.

Noninterest income for the three and six month periods ended June 30, 2003 were $2.4 million and $4.7 million as compared to $1.7 million and $2.7 million for the same periods in the prior year. All components of noninterest income increased compared to the prior year periods. Most of the improvement in second quarter and year to date noninterest income came from gains on sales of mortgage loans. Our mortgage banking function continued to capitalize on the current mortgage interest rate environment and achieved high loan sales volume resulting in gains of $973,000 for the quarter, an increase of $543,000 over the prior year second quarter. As mortgage interest rates begin to rise slightly, it is expected that refinance activity will slow down resulting in a decline in our loan sales volume during the latter half of 2003. Income from deposit service charges for the second quarter also increased, growing by $101,000 or 18% compared to the second quarter of the prior year. This growth in service charge income was a direct result of the growth in non-interest bearing deposit accounts which grew by 43% since June 30, 2002. Trust fee income was higher for the six months ended June 30, 2003 compared to the same period in the prior year primarily due to the addition of Grand Bank's trust services effective with the GBFC acquisition on April 1, 2002.

Noninterest expense totaled $7.4 million for the three month period ended June 30, 2003 as compared to $6.1 million for the same period in the prior year. Salaries and benefits increased by $870,000 comprising most of the increase in non-interest expenses. Our growth has required additional staff in various areas including new branches, lending departments, and operations which are all necessary to support increased customer activity. The increased costs reflect our attention to properly managing and supporting our growth and our interest in creating a platform for strong future growth. With the increases in net interest income and non-interest income for the second quarter of 2003, revenue growth offset this non-interest expense growth with the result of achieving an efficiency ratio of 58.5%, approximately the same level as in the second quarter of the prior year.

Noninterest expense totaled $14.1 million for the six month period ended June 30, 2003 as compared to $10.3 million for the same period in the prior year. Salaries and benefits increased by $2.3 million for the six months and was the primary category of increase in noninterest expense. Most of the increase related to the addition of the Grand Bank workforce effective with the GBFC acquisition on April 1, 2002, however, our continued growth has required additional staff as addressed above in the quarterly comparison of noninterest expense. Other increases included occupancy and equipment expense, data processing, and other support related expenses, such as courier, telephone, postage, outside services and legal services, all of which increased partially due to the GBFC acquisition. Most of these costs are customer activity and branch infrastructure related, and increase as a result of new customer activity being generated. Others of these costs such as legal and other outside services increase due to the growth in complexity of our business as we continue to expand. It is anticipated that legal expense may increase over the next several quarters as we continue to defend against litigation related to Trade Partners. For further information regarding litigation related to Trade Partners, please refer to Note 12 of the Notes to Consolidated Financial Statements.

Liquidity and Capital Resources

At June 30, 2003, our Tier I Capital as a percent of average assets was 7.5% and our total capital to risk-weighted assets was 9.7%, as compared to 7.6% and 9.9% respectively at December 31, 2002. The decrease in the risk-based regulatory capital ratio reflects our continued internal growth in assets. On July 15, 2003 we raised additional capital in the amount of $20.0 million by participating in a pooled trust preferred security issuance. This issuance provided additional regulatory capital to support future growth in assets. For more information regarding the trust preferred securities, please refer to Note 11 of the Notes to Consolidated Financial Statements.

We declared our first cash dividend during the fourth quarter of 2000 in the amount of $.07 per share. We subsequently paid a quarterly cash dividend of $.07 per share during 2001. During the fourth quarter of 2001, the cash dividend was increased to $.08 per share and had continued at this level during 2002. During the fourth quarter of 2002 we increased the cash dividend to $.10 per share and paid this same amount for the first and second quarters of 2003. It is anticipated that we will continue to pay quarterly cash dividends in the future. On May 8, 2002, we distributed a 4% stock dividend to our shareholders which was an increase over the 3% dividend paid in May of 2001. On May 30, 2003 we distributed our third consecutive annual stock dividend and raised the amount to 5%. All per share and average share information in this report has been adjusted to reflect the effect of this dividend.

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

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

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

The following table summarizes our interest rate repricing gaps (in thousands) for selected maturity periods as of June 30, 2003.

	<3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Assets:					
Fixed rate loans....................	$ 40,353	$65,580	$202,198	$27,876	$336,007
Variable rate loans.................	667,881	2,450	26,743	5,217	702,291
Taxable securities..................	---	8,274	56,449	2,899	67,622
Tax-exempt securities...............	---	---	---	27,150	27,150
Other securities....................	---	---	---	6,968	6,968
Short term investments..............	---	---	---	---	---
Federal funds sold..................	---	---	---	---	---
Loan Loss Reserve...................	---	---	---	---	(14,513)
Cash & due from banks...............	---	---	---	---	40,281
Acquisition intangibles.............	---	---	---	---	26,937
Loans held for sale.................	---	---	---	---	20,145
Fixed assets........................	---	---	---	---	34,367
Other assets........................	---	---	---	---	10,357
Total	$708,234	$ 76,304	$285,390	$70,110	$ 1,257,612
Liabilities:					
Time deposits $100,000 and over.....	47,329	128,374	94,902	--	270,605
Time deposits under $100,000	18,471	67,280	50,924	--	136,675
Other borrowings....................	32,746	53,381	31,402	42,115	159,644
Savings & IRAs......................	35,587	7,884	15,299	--	58,770
NOW & money market accounts	387,861	---	---	--	387,861
Non-Interest Bearing Deposits.......	---	---	---	--	119,028
Other Liabilities & Equity..........	---	---	---	--	125,029
Total	$521,994	$256,919	$192,527	$42,115	$1,257,612
Period interest rate gap:...........	186,240	(180,615)	92,863	27,995	
Cumulative interest rate gap:.......	186,240	5,625	98,488	126,483	
Cumulative interest rate gap to total assets.....................	14.81%	0.45%	7.83%	10.06%	
Rate sensitive assets to rate Sensitive liabilities............	1.36	0.30	1.48	1.66	
Cumulative rate sensitive assets to Rate sensitive liabilities........	1.36	1.01	1.10	1.12	

The above table shows that total assets maturing or repricing within one year exceeded liabilities maturing within the same time period by $5.6 million indicating that we are asset sensitive in this time horizon. However, repricing and cash flows of various categories of assets and liabilities are subject to competitive and other influences that are beyond our control. Gap analysis also does not reflect the magnitude of interest rate changes on net interest income as a result of the various assets and liabilities shown as re-priceable within twelve months. As a result, various 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. We also include pricing caps and floors on discretionary priced liability products which limit both how low various checking and savings products could go under declining interest rates, as well as how high they could go in a rising interest rate environment. These caps and floors reflect our pricing philosophy in response to changing interest rates.

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 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 risk parameters. The quarterly rate simulation results are reported to the board of directors. The simulation also measures the change in the Economic Value of Equity. This represents the change in the net present value of our assets and liabilities under the same parallel shifts in interest rates, as calculated by discounting the estimated future cash flows using a market-based discount rate. Cash flow estimates incorporate anticipated changes in prepayment speeds of loans and securities.

The following table shows the suggested impact on net interest income over the next twelve months, and the Economic Value of Equity based on our balance sheet as of June 30, 2003 (dollars in thousands).

Interest Rate Scenario	Economic Value of Equity	Percent Change	Net Interest Income	Percent Change
Interest rates up 200 basis points	$108,017	8.32%	$44,128	12.68%
Interest rates up 100 basis points	106,051	6.35	41,715	6.52
No change in interest rates	99,717		39,162	
Interest rates down 100 basis points	93,429	(6.31)	35,806	(8.57)
Interest rates down 200 basis points	96,887	(2.84)	30,995	(20.85)

The net interest income fluctuations in the above table reiterate our asset sensitive position identified by the gap table. If interest rates were to increase, this analysis suggests that we are well positioned for improvements in net interest income. Further, our balanced sensitivity in time horizons beyond one year results in little fluctuation in economic value of equity in the various rate shock scenarios.

In addition to changes in interest rates, the level of future net interest income is also dependent on a number of other variables, including: the growth, composition and absolute levels of loans, deposits, and other earning assets and interest-bearing liabilities; economic and competitive conditions; potential changes in lending, investing and deposit gathering strategies; and client preferences.

Item 4: Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. The company’s Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Form 10-Q Quarterly Report, have concluded that the Company’s disclosure controls and procedures were adequate and effective to ensure that material information relating to the company would be made known to them by others within the company, particularly during the period in which this Form 10-Q Quarterly Report was being prepared.

(b) Changes in Internal Controls. During the period covered by this report, there have been no changes in the Company’s internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The Company completed the acquisition of Grand Bank, a bank with approximately $300 million of assets based in Grand Rapids, Michigan, on April 1, 2002. Grand Bank had a trust department and one of its clients was Trade Partners, Inc.

Trade Partners was involved in purchasing and selling interests in viaticals. Viaticals are interests purchased in life insurance policies or death benefits of terminally ill or elderly individuals. Viatical investors purchase the right to receive a share in the policy death benefits at a discount from the face value of the policy. Selling the death benefit allows the insured individual to receive a cash payment before their death which can be used to pay ongoing living or treatment expenses. Sales of viaticals have become increasingly common in recent years. Trade Partners was involved in hundreds of viatical transactions.

Beginning in 1996, Grand Bank served as a custodian and escrow agent with respect to viaticals purchased by Trade Partners and funds received from viatical investors. Grand Bank was merged into Macatawa Bank on January 1, 2003. On February 7, 2003, Macatawa Bank ceased serving as a custodian and escrow agent for Trade Partners. In May 2003 Trade Partners ceased operations.

Certain legal proceedings against the Company have been initiated relating to the services provided by Grand Bank with respect to the Trade Partners' viaticals.

In December 2002 a suit was filed in Mississippi State Court by 11 Mississippi residents against Trade Partners, certain affiliates of Trade Partners and Grand Bank. The plaintiffs voluntarily dismissed Grand Bank from the suit in return for providing certain information concerning the Trade Partners transactions. The plaintiffs have reserved the right to pursue the claims in the future.

Another suit was filed on March 31, 2003, by Michael Quilling, the receiver for Advanced Financial Services, Inc., a defunct Texas company that was involved in selling interests in viatical settlement contracts procured by Trade Partners. The complaint was filed in the United States District Court for the Northern District of Texas against Trade Partners, certain individuals associated with Trade Partners and the Company. The receiver for Advanced Financial Services also filed a similar complaint in the United States District Court for the Western District of Michigan. The complaints alleged that Grand Bank breached certain escrow agreements related to viatical settlement contracts. The Company and Grand Bank entered into an agreement with the receiver agreeing to provide an accounting of their transactions with Trade Partners. The Company and Grand Bank have been dismissed from these Texas and Michigan proceedings, although the receivers have reserved the right to pursue the claims in the future.

In April 2003 Trade Partners investors John and Kathryn Brand filed a complaint in Oklahoma State District Court. The plaintiffs invested approximately $248,000 and have sued Grand Bank, the Company, Trade Partners and certain individuals and entities associated with Trade Partners. The complaint seeks damages for the asserted breach of certain escrow agreements for which Grand Bank served as custodian and escrow agent. The Company has answered the complaint denying the material allegations and raising certain affirmative defenses. The Company believes it has meritorious defenses and intends to vigorously defend the case.

On May 9, 2003, a purported class action complaint was filed by Forrest W. Jenkins and Russell S. Vail against the Company and against LaSalle Bank Corporation in the United States District Court for the District of Western Michigan. The purported class includes investors who invested in limited liability companies formed by Trade Partners. Grand Bank acted as escrow agent with respect to certain of these limited liability companies. The plaintiffs allege that Grand Bank breached the escrow agreements, breached its fiduciary duties and acted negligently or grossly negligently with respect to the plaintiff's investments. The complaint seeks certification of the action as a class action, unspecified damages and other relief. The Company has answered the complaint denying the material allegations and raising certain affirmative defenses. The Company believes it has meritorious defenses and intends to vigorously defend the case.

It is possible that one or more additional legal actions may be initiated involving the custodial and escrow agent services provided by Grand Bank in connection with Trade Partners. If any such legal actions are commenced, the Company intends to defend them vigorously.

On April 15, 2003, the United States District Court for the Western District of Michigan appointed a receiver for Trade Partners. In order to prevent or minimize any loss to investors in the viaticals, the court appointed receiver has been coordinating the payment of premiums on the approximately 1,000 outstanding viaticated insurance policies in the Trade Partners portfolio so that the policies do not lapse. The receiver initially informed the Company that only one policy has lapsed for failure to pay premiums. The receiver has since informed the Company that an additional eight policies have lapsed (each of these eight policies had a face value of less than $100,000).

The receiver has estimated that approximately $13.4 million will be needed to pay premiums on the Trade Partners viaticals for the next two years. The receiver has received court permission to pool the death benefits of any of the Trade Partners viaticated policies that mature and use the benefits to pay premiums on other viaticated policies. The receiver is currently processing death benefit claims in excess of $5 million which will be used for premium payments. As additional viaticated policies mature, death benefits from those policies will provide a source of funding for continued premium payments.

In addition, on July 1, 2003, the United States District Court for the Western District of Michigan authorized the receiver to borrow money from Macatawa Bank to pay premiums, if needed. Macatawa Bank has agreed to extend a $4 million line of credit to the receiver, conditioned upon obtaining a security interest in the viaticals. As of August 4, 2003 no draws had yet been made on the line of credit.

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.

The annual meeting of shareholders of the Corporation was held on April 24, 2003. The shareholders of the Corporation voted on the following matters at the meeting:

(a) Election of two directors with terms expiring in 2006 and one director with term expiring in 2005.

Director Nominee:	For	Withhold
G. Thomas Boylan (2006)	6,439,023	83,970
Benj. A. Smith, III (2006)	6,292,764	230,229
Arend D. Lubbers (2005)	6,476,144	46,850

Item 5. Other Information. None.

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

(a) Exhibits –

10.1	Consulting Agreement between Benj. A Smith III and Macatawa Bank Corporation dated May 8, 2003.
10.2	Form of Indemnity Agreement between Macatawa Bank Corporation and each of its directors.
31.1	Certificate of the Chief Executive Officer of Macatawa Bank Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of the Chief Financial Officer of Macatawa Bank Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of the Chief Executive Officer and the Senior Vice President and Chief Financial Officer of Macatawa Bank Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on 8-K

The Company filed a Form 8-K Item 12 disclosure dated April 21, 2003 containing a press release announcing the first quarter 2003 earnings.

The Company filed a Form 8-K Item 9 disclosure dated April 24, 2003 containing a press release announcing a stock dividend.

The Company filed a Form 8-K Item 5 dated July 1, 2003 containing information regarding litigation related to a former trust customer, Trade Partners, Inc., of the former Grand Bank.

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 June 30, 2003, 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/ Jon W. Swets

Jon W. Swets
Chief Financial Officer
(Principal Financial and Accounting Officer)

DATE: August 12, 2003

EXHIBIT INDEX

Exhibit	Description
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EXHIBIT 31.1

I, Benj. A. Smith III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Macatawa Bank Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

/s/ Benj. A. Smith, III

Benj. A. Smith, III
Chief Executive Officer

EXHIBIT 31.2

I, Jon W. Swets, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Macatawa Bank Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 12, 2003

/s/ Jon W. Swets

Jon W. Swets
Chief Financial Officer

EXHIBIT 32.1

Benj. A. Smith III, Chief Executive Officer of Macatawa Bank Corporation and Jon W. Swets, Senior Vice President and Chief Financial Officer of Macatawa Bank Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) the information contained in the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 fairly presents, in all material respects, the financial condition and results of operations of Macatawa Bank Corporation.

Dated: August 12, 2003

/s/ Benj. A. Smith, III

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

/s/ Jon W. Swets

Jon W. Swets
Senior Vice President and Chief Financial Officer

CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is entered into as of this May 8, 2003, by and between BENJ. A SMITH III, a Michigan resident ("Smith"), and MACATAWA BANK CORPORATION, a Michigan corporation ("Company"). This Agreement supersedes and totally replaces a Consulting Agreement between the parties dated June 12, 2002. That prior agreement is terminated and is null and void.

RECITALS

Smith is the founder of Macatawa Bank (the "Bank") and the Company. He currently serves as the Chairman and Chief Executive officer of the Company and the Chairman of the Bank and is employed by the Bank. He has been in the banking and investment business for many years and is knowledgeable in all phases of the business of the Company and the Bank, including financial, management and operational matters and is a key employee who has played a major role in the success of the Company and the Bank. It is expected that Smith will continue to be actively engaged as an employee of the Bank or the Company for some period of time. However, in the event that Smith should desire to reduce his activity and involvement and retire from active employment with the Bank and the Company, the Company wishes to have the benefit of Smith's expertise and experience on a consulting basis. The Company has also agreed that in the event of Smith's death his family should have the benefit of the compensation provided in this Agreement even though Smith would not be available to serve the Company.

References to a "Macatawa Entity" in this Agreement include the Company, the Bank and any other entity controlled by the Company or the Bank.

Accordingly, the parties have entered into this Agreement.

1. Commitment. At such time as Smith retires from employment with the Bank and the Company, the Company shall engage Smith as a consultant to the Company and Smith agrees to serve as a consultant to the Company on the terms set forth in this Agreement.

2. Term. The term of the consulting arrangement shall begin on the date ("Commencement Date") that Smith retires from employment with the Bank and the Company. This arrangement will expire six (6) years after the Commencement Date ("Expiration Date") unless terminated earlier as provided in this Agreement.

3. Services. During the term that the consulting services are to be performed, Smith shall provide consulting services to Company as requested by the Board of Directors or senior management of the Company from time to time. Such services may include advice and consultation with respect to any and all phases or aspects of the Company's business or operations. The Company has no obligation to use such consulting services.

4. Availability. Smith shall make himself available for consultation at reasonable times during ordinary business hours. It being understood and agreed, however, that such consultation shall not require Smith's full-time or his physical presence at the Company office but shall be sufficient if provided by telephone, by letter or e-mail advice or by meetings with Company officials and others at such place or places as may be mutually convenient and acceptable to the Company and Smith.

5. Compensation. As compensation for Smith holding himself available for and performing consulting services during the consulting term of this Agreement, the Company shall pay to Smith, Twelve Thousand Five Hundred Dollars ($12,500) per month beginning as of the Commencement Date. In the event of Smith's death before the Expiration Date, these payments shall be continue to be made until the Expiration Date to Smith's wife, or if she is deceased to Smith's living children in equal shares. The Company shall also promptly reimburse Smith for reasonable expenses that he incurs in connection with performing his consulting services upon submission of proper verification to the Company as to the nature and amount of those expenses.

6. Termination. The consulting obligations of Smith and the Company's payment obligations shall terminate:

(a) Immediately upon the Expiration Date;

(b) Immediately upon mutual written agreement of Company and Smith; or

(c) At the option of Company for "cause" as defined below. For purposes of this Agreement, "cause" shall be any of the following reasons:

(i) Smith's personal dishonesty materially and adversely affecting a Macatawa Entity;

(ii) Willful misconduct materially and adversely affecting a Macatawa Entity;

(iii) Willful breach of a fiduciary duty to a Macatawa Entity involving personal profit; or

(iv) The order of any supervising agency with jurisdiction over the affairs of a Macatawa Entity or a court order obtained at the request of any such agency.

For purposes of this Agreement, no act or failure to act on Smith's behalf shall be considered "willful" unless done, or admitted to be done, by him not in good faith and unless he knew or should have known that his action or admission was not in, or was opposed to, the best interests of a Macatawa Entity; provided, that any act or omission to act on Smith's behalf in reliance upon an opinion of counsel to the Company or counsel to Smith shall not be deemed to be willful. Smith shall not be deemed to have been terminated for cause unless or until there shall have been delivered to him a copy of the certification of a majority of the non-officer members of the Company's Board of Directors finding that, in the good faith opinion of such majority, Smith was guilty of conduct deemed to be cause and specifying the details thereof, after reasonable notice to Smith and an opportunity for him, together with his counsel, to be heard before such majority.

Notwithstanding any other provision of this Agreement, if this Agreement is terminated pursuant to this Section 6, the Company shall not be liable to Smith for any cost or obligation, except as may have been earned by Smith prior to the date of the termination.

7. Status of Smith. From and after the Commencement Date, Smith shall be an independent contractor and nothing in this Agreement shall cause Smith to be treated as an employee, agent, or partner of Company.

8. Severability. The parties believe that every provision of this Agreement is effective and valid under applicable law, and whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid. If any provision of this Agreement is held, in whole or in part, to be invalid, the remainder of such provision and this Agreement shall remain in full force and effect, with the offensive term or condition being stricken to the extent necessary to comply with any conflicting law.

9. Waiver. No provision of this Agreement shall be waived by any party hereto, unless such waiver is in a writing, signed by a duly authorized representative of the party against whom such waiver is sought to be enforced. A waiver by either party of any breach or failure to comply with any provision of this Agreement by the other party shall not be construed as or constitute a continuing waiver of such provision or a waiver of any other breach of or failure to comply with any other provision of this Agreement.

10. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties and their respective heirs, personal representatives, successors and assigns.

11. Amendment. This Agreement may not be amended or modified except by the further written agreement of Company and Smith.

12. Notice. All notices hereunder shall be sent by telefax or by U.S. Mail, by mailing such notice in the Untied States mail, first-class postage prepaid, registered or certified mail, return receipt requested to the other party at the last known address of such party or at such other address as a party shall from time to time designate in writing to the other party.

13. Applicable Law; Jurisdiction; Venue. The terms and conditions of this Agreement shall be governed, construed, interpreted and enforced in accordance with the domestic laws of the State of Michigan, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Michigan or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Michigan. Any and all actions concerning any dispute arising hereunder shall be filed and maintained in the Circuit Court of Ottawa County, Michigan or the federal district court for the Western District of Michigan. The parties specifically consent and submit to the jurisdiction and venue of such state or federal court.

14. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement. The provisions of this Agreement shall supersede all contemporaneous oral agreements, communications and understandings and all prior oral and written communications, agreements and understandings between the parties with respect to the subject matter of this Agreement. Each party acknowledges that no representation, inducement or condition not set forth herein has been made or relied upon by either party.

IN WITNESS WHEREOF, Company and Smith have executed this Agreement as of the Effective Date, intending to be legally bound.

SMITH

/s/ Benj. A. Smith III

Benj. A. Smith III

MACATAWA BANK CORPORATION

By: /s/ Philip Koning

Philip Koning
Its: Secretary-Treasurer

INDEMNITY AGREEMENT

AGREEMENT made as of the _____ day of ______________, 2003, by and among **MACATAWA BANK CORPORATION,** a Michigan corporation (the "Corporation") and ______________________________ (the "Indemnitee") with respect to the following:

W I T N E S S E T H:

The Board of Directors of the Corporation (the "Board") recognizes that the recent increase in litigation against corporate directors may discourage persons from serving in such a capacity. In addition, obtaining adequate insurance has become impracticable and the uncertainties relating to indemnification have increased the difficulty of attracting and retaining competent and experienced persons as directors. The Board has determined that it would be detrimental to the best interests of the Corporation's shareholders if it were unable to attract and retain such persons as directors of the Corporation and of Macatawa Bank and of the subsidiaries of each of them and that the Corporation should act to assure directors that they will be provided with adequate protection.

The Board has further concluded that, to retain and attract such persons as directors and to encourage them to take business risks necessary for the success of the Corporation, and in light of the rising costs and reduced coverages of director liability insurance, it is reasonable, prudent and necessary for the Corporation to obligate itself contractually to indemnify such persons and to assume for itself the liability for expenses and damages in connection with claims against them arising out of their service to the Corporation and/or Macatawa Bank and/or their respective subsidiaries.

NOW, THEREFORE, in order to induce Indemnitee to serve or continue to serve the Corporation as a director of the Corporation or Macatawa Bank or of one or more of their respective subsidiaries, and in consideration of the mutual covenants set forth in this Agreement, the parties agree as follows:

1. <u>Definitions</u>. Certain terms used in this Agreement are defined as follows:

(a) <u>Claim</u>. Any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation, whether civil, criminal, administrative or investigative and whether formal or informal, related to or arising from: (1) any actual or alleged act or omission of Indemnitee as a director of the Corporation or Macatawa Bank, or another corporation or enterprise where Indemnitee is or was serving at the request of the Corporation; or (2) the fact that Indemnitee is or was a director of the Corporation or Macatawa Bank or is or was serving at the request of the Corporation as a director of another corporation or enterprise; or (3) the fact that Indemnitee serves or served in any capacity with respect to any employee compensation or benefit plan of the Corporation or Macatawa Bank or any of their respective subsidiaries or any actual or alleged acts or omissions in such capacity.

(b) <u>Expenses</u>. Attorneys' fees and all other costs, expenses and obligations actually and reasonably paid or incurred in connection with investigating, defending, participating or being a witness in, or preparing to defend, participate or be a witness in any Claim or appeal therefrom.

(c) <u>Change in Control</u>. A "change in control" shall be deemed to have occurred if:

(1) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended [the "1934 Act"]), other than a trustee or other fiduciary holding securities under any employee benefit plan of the Corporation or a corporation owned directly or indirectly by the shareholders of the Corporation in substantially the same proportions as their ownership of stock in the Corporation, after the date of this Agreement, becomes the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of shares having thirty percent (30%) or more of the total voting power of the securities of the Corporation issued and outstanding; or

(2) The shareholders of the Corporation approve a merger or consolidation of the Corporation with any other corporation (other than a merger or consolidation which would result in the then outstanding common stock of the Corporation continuing to represent at least eighty percent (80%) of the total voting power of the surviving entity), or the shareholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition of all or substantially all of the Corporation's assets; or

(3) The individuals who comprise at least a majority of the members of the Corporation's Board of Directors at the time a Claim is made did not serve as directors of the Corporation at the time of the alleged act or omission giving rise to such Claim.

2. <u>Agreement to Serve</u>. Indemnitee agrees to serve as a director of the Corporation to the best of his ability so long as he is duly elected and qualified in accordance with the Articles of Incorporation and Bylaws of the Corporation, or until his earlier resignation or removal.

3. <u>Condition Precedent to Indemnification</u>. Indemnitee, as a condition precedent to indemnification under this Agreement, shall tender written notice to the Corporation as soon as practicable of any Claim made against him or her for which indemnification will or likely will be sought under the terms of this Agreement. Notice to the Corporation shall be directed to Macatawa Bank Corporation, Attn: Corporate Secretary. In addition, Indemnitee shall give the Corporation such information and cooperation as may be reasonably necessary and requested by the Corporation.

4. Indemnification in General. Except as provided in Paragraphs 5 and 6 and subject to the terms and conditions of this Agreement, the Corporation agrees to indemnify Indemnitee as follows:

(a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in a Claim, the Corporation shall indemnify Indemnitee against any and all Expenses, judgments, fines, penalties and amounts paid in settlement of such Claim in accordance with and subject to Subparagraph 4(b).

(b) The Corporation shall indemnify Indemnitee as soon as practicable, in any event not later than thirty (30) days after written demand is presented to the Corporation, if a determination is made in writing by the Board of Directors of the Corporation by a majority vote of a quorum of disinterested directors (i) that Indemnitee acted in good faith and in a manner which he or she believed to be in or not opposed to the best interests of the Corporation and (ii) that the payment pursuant to Subparagraph 4(a) will not materially adversely affect the safety and soundness of the Corporation. In the event a quorum of disinterested directors is not obtainable, the Board of Directors shall promptly direct that the determination of entitlement to indemnification be made by the majority vote of a committee of the Board of Directors, consisting of not less than two disinterested directors, or by independent legal counsel in a written opinion.

5. Indemnification in the Event of a Determination of Liability to the Corporation. In the event Indemnitee is found liable to the Corporation as a result of any Claim brought by or in the right of the Corporation, whether and the extent to which Indemnitee is nevertheless entitled to indemnification under this Agreement shall be predicated on a determination that indemnification is appropriate in light of the circumstances of the case and applicable legal standards, which determination shall be made, at the option of Indemnitee, by: (a) majority vote of a committee of two (2) or more disinterested directors appointed by the Board of Directors; (b) independent legal counsel in a written opinion; or (c) by the court in which the Claim was brought.

6. Indemnification in the Event of Change of Control. If a Change of Control shall have occurred, whether and the extent to which Indemnitee is entitled to indemnification under this Agreement shall be determined, at the option of Indemnitee, by: (a) majority vote of a committee of two (2) or more disinterested directors appointed by the Board of Directors; (b) independent legal counsel in a written opinion; or (c) by the court in which the Claim was brought.

7. Limitations on Indemnification.

(a) The Corporation shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee:

(1) For which payment is made to Indemnitee under a valid and collectible insurance policy, except for any excess beyond the amount of payment under such insurance policy;

(2) For which Indemnitee is indemnified by the Corporation otherwise than pursuant to this Agreement;

(3) For an accounting of profits made from the purchase or sale by Indemnitee of securities of the Corporation, within the meaning of Section 16(b) of the 1934 Act and amendments thereto, or similar provisions of any state law;

(4) With respect to any liability or expense (including any penalty, judgment or legal expense) sustained in connection with an administrative or civil enforcement action which is initiated by a federal banking agency and results in a final adjudication or finding against Indemnitee; if such indemnification, reimbursement or payment, on the date thereof, is a prohibited indemnification payment under 12 CFR 359.3; or

(5) For which payment of indemnification by the Corporation is otherwise prohibited by applicable law.

(b) Except as provided in Paragraph 9 hereof, the Corporation shall not be liable under this Agreement to make any payment in connection with any action initiated by Indemnitee against the Corporation or any director of the Corporation, unless the Corporation has joined in or consented to the initiation of such action.

8. <u>Payment of Expenses in Advance</u>. If requested by Indemnitee, the Corporation shall pay (within ten (10) days of such written request) any and all Expenses incurred by Indemnitee in defending or investigating any Claim, in advance of the final disposition of a Claim, upon the receipt of a written undertaking by Indemnitee to repay any such amounts if it is ultimately determined that Indemnitee is not entitled to indemnification by the Corporation.

9. <u>Indemnification for Additional Expenses</u>. The Corporation shall indemnify Indemnitee against any and all expenses, including attorneys' fees, incurred by Indemnitee in connection with any action, including expenses of preparation for such action, brought by Indemnitee for: (a) indemnification or advance payment of Expenses by the Corporation under this Agreement; or (b) recovery under any directors' liability insurance policy or policies maintained by the Corporation; provided, however, that indemnification under this Paragraph 9 shall be limited to those circumstances where the Indemnitee is successful in obtaining a recovery of, or a determination that the Indemnitee is entitled to such indemnification, advance expense payment or insurance recovery.

10. Partial Indemnification. In the event Indemnitee is entitled to indemnification hereunder for a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him in the investigation, defense, appeal or settlement of any Claim but not, however, for the total amount thereof, the Corporation shall indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

11. Consent of Corporation for Amounts to be Paid in Settlement. No amounts to be paid in settlement for any Claim for which indemnity shall be sought hereunder shall be incurred without the Corporation's written consent, which consent shall not be unreasonably withheld.

12. Subrogation. In the event of payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Corporation effectively to bring suit or enforce such rights.

13. No Presumption. For purposes of this Agreement, the termination of any action, suit or proceeding by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

14. Liability Insurance. To the extent the Corporation maintains an insurance policy or policies providing liability insurance for directors, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage extended to any director of the Corporation or of Macatawa Bank.

15. Scope of Agreement. The rights of Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under any provision of the Corporation's Articles of Incorporation, Bylaws or laws of the State of Michigan.

16. Amendment, Termination and Waiver. This Agreement may be amended, modified or terminated and any of the terms and conditions herein may be waived only by the written consent of the parties hereto. The failure of any party at any time or times to require performance of any provisions contained herein shall in no manner affect the right of such party at any later time to enforce the same.

17. Binding Effect and Assignment. This Agreement shall be binding upon and inure to the benefit of the Indemnitee and his personal representatives, heirs and assigns, and the Corporation and its successors and assigns, including any direct or indirect successor of the Corporation by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Corporation; provided, however, that no assignment of any rights or delegation of obligations provided for herein may be made by either party without the express written consent of the other party. This Agreement shall continue in effect while Indemnitee is a director of the Corporation or Macatawa Bank or any of their respective subsidiaries and for the period immediately thereafter, terminating two (2) years subsequent to the duration of any applicable period of limitations for commencing any claims.

18. Governing Law. The parties hereto acknowledge and agree that this Agreement shall be governed by, construed and enforced in accordance with the laws, and in the courts, of the State of Michigan.

19. Severability. Any provision of this Agreement which may be prohibited by law, or otherwise held invalid by a court of competent jurisdiction, shall be ineffective only to the extent of such prohibition or invalidity and shall not invalidate or otherwise render ineffective the remaining provisions of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

CORPORATION:
MACATAWA BANK CORPORATION

By: ______________________________

Its:

INDEMNITEE

____