UNITED STATES
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, 2005

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 (State of other jurisdiction of incorporation or organization)	38-3391345 (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: 10,210,043 shares of the Company's Common Stock (no par value) were outstanding as of August 4, 2005.

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Part I. Financial Information
Item 1.

MACATAWA BANK CORPORATION
CONSOLIDATED BALANCE SHEETS
As of June 30, 2005 (unaudited) and December 31, 2004

(dollars in thousands)

	June 30, 2005	December 31, 2004
ASSETS		
Cash and due from banks	$ 37,657	$ 31,711
Securities available for sale	161,243	137,249
Securities held to maturity	2,481	2,552
Federal Home Loan Bank stock	13,910	12,239
Loans held for sale	3,243	3,150
Total loans	1,469,493	1,396,387
Allowance for loan losses	(20,010)	(19,251)
	1,449,483	1,377,136
Premises and equipment - net	47,602	45,784
Accrued interest receivable	7,520	6,395
Goodwill	23,915	23,915
Acquisition intangibles	2,140	2,347
Bank-owned life insurance	20,490	20,157
Other assets	10,931	9,971
Total assets	$ 1,780,615	$ 1,672,606
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	$ 169,189	$ 149,104
Interest-bearing	1,168,452	1,202,412
Total	1,337,641	1,351,516
Federal funds purchased	42,565	22,131
Federal Home Loan Bank advances	215,564	123,985
Long-term debt	41,238	41,238
Accrued expenses and other liabilities	7,639	4,662
Total liabilities	1,644,647	1,543,532
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; 10,194,605 shares and 8,823,902 issued and outstanding as of June 30, 2005 and December 31, 2004, respectively	135,828	124,389
Retained earnings	320	4,277
Accumulated other comprehensive income (loss)	(180)	408
Total shareholders' equity	135,968	129,074
Total liabilities and shareholders' equity	$ 1,780,615	$ 1,672,606

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Three and Six Month Periods Ended June 30, 2005 and 2004(unaudited)

(dollars in thousands)

	Three Months Ended June 30, 2005	**Three Months Ended June 30, 2004**	**Six Months Ended June 30, 2005**	**Six Months Ended June 30, 2004**
Interest income				
Loans, including fees	$23,565	$17,241	$45,124	$33,235
Securities	1,652	1,300	3,154	2,493
FHLB Stock	138	94	267	206
Other	2	1	11	7
Total interest income	25,357	18,636	48,556	35,941
Interest expense				
Deposits	7,011	4,229	13,336	8,634
Other	2,859	1,837	4,889	3,346
Total interest expense	9,870	6,066	18,225	11,980
Net interest income	**15,487**	**12,570**	**30,331**	**23,961**
Provision for loan losses	1,125	1,440	2,025	2,665
Net interest income after provision for loan losses	**14,362**	**11,130**	**28,306**	**21,296**
Noninterest income				
Service charges and fees	1,155	729	1,879	1,380
Gain on sales of loans	536	748	1,094	1,277
Trust fees	716	832	1,432	1,570
Other	962	442	1,637	822
Total noninterest income	3,369	2,751	6,042	5,049
Noninterest expense				
Salaries and benefits	5,430	4,848	10,834	9,335
Occupancy of premises	749	640	1,590	1,338
Furniture and equipment	720	730	1,423	1,407
Legal and professional fees	199	262	386	314
Marketing and promotion	388	287	779	573
Supplies	145	126	280	269
Data processing fees	384	246	769	497
Other	1,947	1,794	3,862	3,456
Total noninterest expenses	9,962	8,933	19,923	17,189
Income before income tax expense	**7,769**	**4,948**	**14,425**	**9,156**
Income tax expense	2,507	1,602	4,628	2,944
Net income	**$ 5,262**	**$ 3,346**	**9,797**	**6,212**
Basic earnings per share	$ .52	$ .33	$ .96	$ .61
Diluted earnings per share	.50	.32	.94	.60
Cash dividends per share	.15	.10	.28	.20

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Three and Six Month Periods Ended June 30, 2005 and 2004
(unaudited)

(dollars in thousands)

	Three Months Ended June 30, 2005	**Three Months Ended June 30, 2004**	**Six Months Ended June 30, 2005**	**Six Months Ended June 30, 2004**
Net income	$5,262	$ 3,346	$ 9,797	$ 6,212
Other comprehensive income, net of tax:				
Net change in unrealized gains/(losses) on securities	1,289	(2,979)	(202)	(2,501)
Net change unrealized gains/(losses) on derivative instruments	691	(1,656)	(386)	(1,122)
Comprehensive income (loss)	$7,242	$(1,289)	$ 9,209	$ 2,589

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Six Month Periods Ended June 30, 2005 and 2004
(unaudited)

(dollars in thousands)

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, January 1, 2004	**$114,568**	**$ 5,300**	**$ 2,032**	**$ 121,900**
Net income for six months ended June 30, 2004		6,212		6,212
Other comprehensive income (loss), net of tax:				
Net change in unrealized gain (loss) on securities			(2,501)	(2,501)
Net change in unrealized gain (loss) on derivative instruments				
Comprehensive income			(1,122)	(1,122)
	2,589			
Issued 20,647 shares for stock option exercises (net of 2,661 shares exchanged)	190			190
Issued 418,263 shares in payment of 5% stock dividend	9,330	(9,355)		(25)
Cash dividends at $.20 per share		(2,064)		(2,064)
Balance, June 30, 2004	**$124,088**	**$ 93**	**$(1,591)**	**$ 122,590**
Balance, January 1, 2005	**$124,389**	**$ 4,277**	**$ 408**	**$ 129,074**
Net income for six months ended June 30, 2005		9,797		9,797
Other comprehensive income (loss), net of tax:				
Net change in unrealized gain (loss) on securities			(202)	(202)
Net change in unrealized gain (loss) on derivative instruments			(386)	(386)
Comprehensive income				9,209
Issued 42,294 shares for stock option exercises (net of 1,875 shares exchanged and including $41 of tax benefit)	576			576
Issued 1,328,409 shares in payment of 15% stock dividend	10,863	(10,898)		(35)
Cash dividends at $.28 per share		(2,856)		(2,856)
Balance, June 30, 2005	**$135,828**	**$ 320**	**$ (180)**	**$ 135,968**

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATIONCONSOLIDATED
STATEMENTS OF CASH FLOWS

Six Month Periods Ended June 30, 2005 and 2004(unaudited)

(dollars in thousands)

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Cash flows from operating activities		
Net income	$ 9,797	$ 6,212
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	1,566	1,517
Provision for loan losses	2,025	2,665
Origination of loans for sale	(62,594)	(81,167)
Proceeds from sales of loans originated for sale	63,496	84,588
Gain on sales of loans	(1,094)	(1,277)
Net change in:		
Accrued interest receivable and other assets	(777)	(1,805)
Bank-owned life insurance	(333)	---
Accrued expenses and other liabilities	3,334	299
Net cash from operating activities	15,420	11,032
Cash flows from investing activities		
Loan originations and payments, net	(76,424)	(132,205)
Purchases of securities available for sale	(37,571)	(41,439)
Purchases of FHLB stock	(1,422)	(894)
Maturities and calls of securities available for sale	13,189	18,505
Principal paydowns on securities	98	286
Additions to premises and equipment	(3,126)	(4,101)
Net cash used in investing activities	(105,256)	(159,848)
Cash flows from financing activities		
Net increase (decrease) in deposits	(13,875)	41,948
Net increase in short term borrowings	20,434	30,231
Proceeds from Federal Home Loan Bank advances	360,000	94,000
Repayments of Federal Home Loan Bank advances	(268,421)	(61,933)
Proceeds from long-term debt and other borrowings	---	21,583
Cash dividends paid	(2,891)	(2,089)
Proceeds from exercises of stock options	535	190
Net cash from financing activities	95,782	123,930
Net change in cash and cash equivalents	5,946	(24,886)
Cash and cash equivalents at beginning of period	31,711	60,047
Cash and cash equivalents at end of period	$ 37,657	$ 35,161

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Six Month Periods Ended June 30, 2005 and 2004
(unaudited)

(dollars in thousands)

	Six Months Ended June 30, 2005	**Six Months Ended June 30, 2004**
Supplemental cash flow information		
Interest paid	$17,225	$12,060
Income taxes paid	4,300	3,325
Supplemental noncash disclosures:		
Transfers from loans to other real estate	2,151	---

See accompanying notes to consolidated financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Macatawa Bank, and its wholly-owned subsidiary, Macatawa Bank Mortgage Company; and Macatawa Investment Services, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company also owns all of the common stock of Macatawa Statutory Trust I and Macatawa Statutory Trust II. These are grantor trusts that issued trust preferred securities and are not consolidated with the Company per FASB Interpretation No. 46.

Basis of Presentation: 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 three and six month periods ended June 30, 2005, are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. For further information, refer to the consolidated financial statements and footnotes thereto included in Macatawa Bank Corporation's (the "Company") 2004 Annual Report containing financial statements for the year ended December 31, 2004.

All per share amounts and average shares outstanding have been adjusted for all periods presented to reflect the 15% stock dividend distributed on May 27, 2005, and the 5% stock dividend distributed on May 28, 2004.

Stock Compensation: 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 three and six month periods ended June 30, 2005 and 2004, 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). The pro forma effect may increase in the future if more options are granted.

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Net income as reported	$ 5,262	$ 3,346	$ 9,797	$ 6,212
Stock-based compensation cost, net of tax	(87)	(59)	(146)	(129)
Pro forma net income	5,175	3,287	9,651	6,083
Basic earnings per share as reported	.52	.33	.96	.61
Pro forma basic earnings per share	.51	.32	.95	.60
Diluted earnings per share as reported	.50	.32	.94	.60
Pro forma diluted earnings per share	.50	.32	.93	.59

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently-Issued Standards Not Yet Adopted:

FAS 123, Revised, requires all public companies to record compensation cost for stock options provided to employees in return for employee service. The cost is measured at the fair value of the options when granted, and this cost is expensed over the employee service period, which is normally the vesting period of the options. As amended, this will apply to awards granted or modified beginning with the first quarter of 2006. Compensation cost will also be recorded for prior option grants that vest after the date of adoption. The effect on results of operations will depend on the level of future option grants and the calculation of the fair value of the options granted at such future date, as well as the vesting periods provided, and so cannot currently be predicted. Existing options that will vest after the adoption date are not expected to result in significant additional compensation expense. There will be no significant effect on financial position as total equity will not change.

NOTE 2 — SECURITIES

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

	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Values**
June 30, 2005				
Available for Sale:				
U.S. Treasury and federal agency securities	$113,163	$ 271	$ (799)	$112,635
State and municipal bonds	46,688	1,038	(132)	47,594
Other equity securities	1,000	14	---	1,014
	$160,851	$ 1,323	$ (931)	$161,243
Held to Maturity:				
State and municipal bonds	$ 2,481	$ 11$	---	$ 2,595
December 31, 2004				
Available for Sale:				
U.S. Treasury and federal agency securities	$ 91,394	$ 447	$ (442)	$ 91,399
State and municipal bonds	45,152	907	(209)	45,850
	$136,546	$ 1,354	$ (651)	$137,249
Held to Maturity:				
State and municipal bonds	$ 2,552	$ 11$	---	$ 2,662

NOTE 2 – SECURITIES (Continued)

Securities with unrealized losses at June 30, 2005 and December 31, 2004, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows (in thousands):

Description of Securities	Less than 12 Months Fair Value	Less than 12 Months Unrealized Loss	12 Months or More Fair Value	12 Months or More Unrealized Loss	Total Fair Value	Total Unrealized Loss
June 30, 2005						
U.S. Treasury and federal agency securities	$62,421	$(321)	$19,021	$(478)	$81,442	$(799)
State and municipal bonds	1,153	(1)	7,164	(131)	8,317	(132)
Total temporarily impaired	$63,574	$(322)	$26,185	$(609)	$89,759	$(931)

Description of Securities	Less than 12 Months Fair Value	Less than 12 Months Unrealized Loss	12 Months or More Fair Value	12 Months or More Unrealized Loss	Total Fair Value	Total Unrealized Loss
December 31, 2004						
U.S. Treasury and federal agency securities	$32,610	$(389)	$1,947	$(53)	$34,557	$(442)
State and municipal bonds	10,870	(209)	---	---	10,870	(209)
Total temporarily impaired	$43,480	$(598)	$1,947	$(53)	$45,427	$(651)

For unrealized losses on available for sale securities, no loss has been recognized into income because management has the intent and ability to hold these securities for the foreseeable future and the declines are largely due to differences in market interest rates as compared to those of the underlying securities. The declines in fair value are considered temporary and are expected to recover as the bonds approach their maturity date.

Contractual maturities of debt securities at June 30, 2005 were as follows (in thousands):

	Held-to-Maturity Securities Amortized Cost	Held-to-Maturity Securities Fair Value	Available-for-Sale Securities Amortized Cost	Available-for-Sale Securities Fair Value
Due in one year or less	$ ---	$ ---	$ 4,061	$ 4,089
Due from one to five years	---	---	105,909	105,277
Due from five to ten years	451	454	16,295	16,981
Due after ten years	2,030	2,141	33,586	33,882
	$2,481	$ 2,595	$159,851	$160,229

NOTE 3 – LOANS

Loans were as follows (in thousands):

	June 30, 2005	December 31 2004
Commercial	$ 337,158	$ 338,398
Commercial mortgage	736,881	676,637
Residential mortgage	225,023	218,999
Consumer	170,431	162,353
	1,469,493	1,396,387
Allowance for loan losses	(20,010)	(19,251)
	$ 1,449,483	$ 1,377,136

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

	Three months Ended June 30, 2005	Three months Ended June 30, 2004	Six months Ended June 30, 2005	Six months Ended June 30, 2004
Balance at beginning of period	19,534	16,958	$ 19,251	$ 16,093
Provision for loan losses	1,125	1,440	2,025	2,665
Charge-offs	(693)	(565)	(1,350)	(946)
Recoveries	44	74	84	95
Balance at end of period	$ 20,010	$ 17,907	$ 20,010	$ 17,907

NOTE 4 – DEPOSITS.

Deposits are summarized as follows (in thousands):

	June 30, 2005	December 31, 2004
Noninterest-bearing demand	$ 169,189	$ 149,104
Money market	407,064	514,415
NOW and Super NOW	158,471	169,179
Savings	40,357	38,494
Certificates of deposit	562,560	480,324
	$1,337,641	$1,351,516

NOTE 5 – FEDERAL HOME LOAN BANK ADVANCES

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

Principal Terms	Advance Amount	Range of Maturities	Weight Average Interest Rate
June 30, 2005			
Short-term variable	$ 65,000	November 2005	3.46%
Single maturity fixed rate advances	108,900	July 2005 to May 2010	3.46%
Putable advances	31,000	September 2009 to December 2010	5.80%
Amortizable mortgage advances	10,664	February 2008 to July 2018	3.89%
	$215,564		
December 31, 2004			
Single maturity fixed rate advances	$ 72,100	January 2005 to October 2007	3.03%
Putable advances	41,000	January 2005 to December 2010	5.98%
Amortizable mortgage advances	10,885	February 2008 to July 2018	3.93%
	$123,985		

Each advance is payable at its maturity date and contains a prepayment penalty. These advances were collateralized by securities totaling $111,637,000 and $90,392,000 at June 30, 2005 and December 31, 2004, and residential and commercial real estate loans totaling approximately $565,250,000 and $552,295,000 under a blanket lien arrangement at June 30, 2005 and December 31, 2004.

Maturities as of June 30, 2005 were as follows (in thousands):

2005	$ 69,700
2006	47,200
2007	27,000
2008	15,888
2009	5,442
Thereafter	50,334
	$215,564

NOTE 6 — EARNINGS PER SHARE

A reconciliation of the numerators and denominators of basic and diluted earnings per share for the three and six month periods ended June 30, 2005 and 2004 are as follows (dollars in thousands):

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Basic earnings per share				
Net income	$ 5,262	$ 3,346	$ 9,797	$ 6,212
Weighted average common shares outstanding	10,191,218	10,125,555	10,179,269	10,116,534
Basic earnings per share	$ 0.52	$ 0.33	$ 0.96	$ 0.61
Diluted earnings per share				
Net income	$ 5,262	$ 3,346	$ 9,797	$ 6,212
Weighted average common shares outstanding	10,191,218	10,125,555	10,179,269	10,116,534
Add: Dilutive effects of assumed exercise of stock options	256,657	176,117	252,367	178,514
Weighted average common and dilutive potential common shares outstanding	10,447,875	10,301,672	10,431,636	10,295,048
Diluted earnings per share	$ 0.50	$ 0.32	$ 0.94	$ 0.60

There were no antidilutive shares for the three months ended June 30, 2005. Stock options for 1,150 shares of common stock were not considered in computing diluted earnings per share for the six months ended June 30, 2005 because they were antidilutive. There were no antidilutive shares for the three and six months ended June 30, 2004.

NOTE 7 – CONTINGENCIES

The Company and its subsidiaries periodically become defendants in certain claims and legal actions arising in the ordinary course of business.

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, which the Company acquired effective April 1, 2002. 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, Grand Bank and the Company 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. A third lawsuit was filed in April 2003 by two individual investors against 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. In May 2003 a purported class action complaint was filed against the Company alleging that Grand Bank breached escrow agreements and its fiduciary duties and violated the Michigan Uniform Securities Act with respect to the investments secured by the purported class in viaticals or in interests in limited partnerships which made loans to Trade Partners secured by viaticals. The Company has answered the complaint denying the material allegations and raising certain affirmative defenses. In late July 2005 another purported class action was filed against the Company by the counsel to the receiver making allegations similar to those in the first class action, but on behalf of a class which the suit claims comprises all persons who made any kind of investment with Trade Partners. The Company intends to answer the complaint denying the material allegations and raising certain affirmative defenses. Management believes the Company has strong defenses and will vigorously defend the cases.

Trade Partners is now in receivership. The supervising court authorized the receiver to borrow money from Macatawa Bank to pay premiums, if needed. Macatawa Bank extended a $4 million line of credit to the receiver, conditioned upon obtaining a security interest in the viaticals. No draws were made against the line, and the line expired during the fourth quarter of 2004.

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. The Company has reported the Trade Partners matter to its two insurance carriers. One carrier has assumed the Company's defense and has advanced a portion of its defense costs pursuant to a reservation of rights letter asserting certain coverage defenses, and an Interim Funding Agreement. The other carrier has taken the position that the duty of defense rests solely with the first carrier, and reserves its rights with respect to indemnity.

The legal actions involving Trade Partners have not progressed to trial and the outcome of such actions is uncertain. While we are therefore unable to determine at this time whether or to what extent these actions may impact the Company, the Company believes it has strong defenses and fully intends to defend any and all such actions vigorously.

NOTE 8 – 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.

The Company has entered into interest rate swap arrangements ("swaps"), all of which are classified as cash flow hedges that convert the variable rate cash inflows on certain of its loans to fixed rates of interest. These swaps pay interest to the Company at a fixed rate and require interest payments from the Company at a variable rate. All of these swaps were fully effective during 2004 and the first six months of 2005. It is anticipated that approximately $205,000, net of tax, of net unrealized losses on these cash flow hedges will be reclassified to earnings over the next twelve months.

Summary information about interest rate swaps were as follows (dollars in thousands).

	June 30, 2005	**December 31, 2004**
Notional amounts $	80,000	100,000
Weighted average pay rates	6.25%	5.25%
Weighted average receive rates	6.42%	6.54%
Weighted average maturity	3.5 years	3.2 years
Unrealized gain (loss) related to interest rate swaps	(669)	(75)

NOTE 9 — REGULATORY MATTERS

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

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

At June 30, 2005 and December 31, 2004, actual capital levels and minimum required levels 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, 2005						
Total capital (to risk weighted assets)						
Consolidated	$170,085	11.1%	$123,093	8.0%	$153,866	10.0%
Bank	159,624	10.4	122,884	8.0	153,605	10.0
Tier 1 capital (to risk weighted assets)						
Consolidated	142,852	9.3	61,547	4.0	92,320	6.0
Bank	140,414	9.1	61,442	4.0	92,163	6.0
Tier 1 capital (to average assets)						
Consolidated	142,852	8.3	69,222	4.0	86,528	5.0
Bank	140,414	8.1	69,139	4.0	86,424	5.0
December 31, 2004						
Total capital (to risk weighted assets)						
Consolidated	$161,367	11.1%	$116,104	8.0%	$145,130	10.0%
Bank	147,500	10.2	115,945	8.0	144,931	10.0
Tier 1 capital (to risk weighted assets)						
Consolidated	135,226	9.3	58,052	4.0	87,078	6.0
Bank	129,384	8.9	57,972	4.0	86,959	6.0
Tier 1 capital (to average assets)						
Consolidated	135,226	8.3	65,060	4.0	81,325	5.0
Bank	129,384	8.0	64,904	4.0	81,130	5.0

The Company and the Bank were categorized as well capitalized at June 30, 2005 and December 31, 2004. There are no conditions or events since that notification that management believes have changed either institution's category.

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

Macatawa Bank Corporation is a Michigan corporation and is the holding company for two wholly owned subsidiaries, Macatawa Bank and Macatawa Investment Services, Inc. and for two trusts, Macatawa Statutory Trust I and Macatawa Statutory Trust II. Macatawa Bank Corporation is a financial holding company pursuant to Title I of the Gramm-Leach-Bliley Act. Macatawa Bank is a Michigan chartered bank with depository accounts insured by the Federal Deposit Insurance Corporation. The bank operates twenty-three branch offices and a lending and operational service facility, 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 is a broker/dealer that provides various services including discount brokerage, personal financial planning, and consultation regarding mutual funds and annuities. Macatawa Statutory Trusts I and II are grantor trusts and issued $20.0 million each of pooled trust preferred securities. These trusts are not consolidated in the Corporation's financial statements. For further information regarding consolidation, see the Notes to the Consolidated Financial Statements included herein. 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 of 1997. We first became profitable in 1999 and have increased earnings each year since then with 2004 net income reaching $12.8 million. Since our inception in 1997, we have raised approximately $100.6 million in capital through private and public common stock offerings and trust preferred offerings to facilitate our growth and progress over these years.

We believe that growth in core deposits is key to our long-term success and is our primary funding source for asset growth. Establishing a branching network in our markets has been of high importance in order to facilitate this core deposit growth. We have gained community awareness and acceptance in our markets through this expanding branch network and our high service quality standards.

The West Michigan markets within which we operate continue to provide significant expansion opportunities for us. We opened our tenth branch in the Kent County market on the north side of the greater Grand Rapids area during the second quarter of 2005. Because of the significance of the greater Grand Rapids market and as it represents the greatest opportunity for market share growth, we anticipate additional branch openings in this market. We also continue to enjoy success in building new and existing relationships in both our Holland/Zeeland and Grand Haven markets. We anticipate that we will continue to experience growth in our balance sheet and in our earnings due to these expansion opportunities.

RESULTS OF OPERATIONS

Summary: Net income for the quarter ended June 30, 2005 was $5.26 million, an increase of 57% as compared to second quarter 2004 net income of $3.35 million. Earnings per share on a diluted basis were $.50 for the second quarter of 2005, which was an increase of 56% over the same period of the prior year. Net income for the six months ended June 30, 2005 was up 58% to $9.80 million compared to $6.21 million for the same period in the prior year. Earnings per share on a diluted basis were $.94 for the six months ended June 30, 2005 compared to $.60 for the same period in the prior year.

The increases in net income for both the three months and six months ended June 30, 2005 as compared to the same periods in the prior year were primarily related to growth in net interest income and partially offset by an increase in non-interest expense. An increase in noninterest income and a decrease in the provision for loan losses also contributed to the overall increases in net income for both the three and six months ended June 30, 2005.

Net Interest Income: Net interest income totaled $15.49 million for the second quarter of 2005, an increase of $2.92 million or 23%, as compared to the second quarter of 2004. Net interest income for the first six months of 2005 totaled $30.33 million, an increase of 27% as compared to $23.96 million for the same period in 2004. The improvement in net interest income for both the three and six month periods was driven by a combination of strong increases in both average earning assets and net interest margin. Average earning assets increased $231.06 million to $1.63 billion for the second quarter of 2005 compared to the second quarter of 2004, and $242.89 million to $1.60 billion for the six month period ended June 30, 2005 compared to the same period in the prior year. The net interest margin increased 20 basis points to 3.82% for the second quarter of 2005 and 28 basis points to 3.83% for the first six months of 2005 when compared to the same periods in the prior year.

During both the three and six month periods, the increase in the yield on earning assets exceeded the increase in the cost of funds and is the primary reason for the increase in the net interest margin. The yield on earning assets increased by 89 basis points and 80 basis points, respectively, for the three and six months ended June 30, 2005 as compared to the same periods in the prior year. The increases in short-term rates that began in mid-2004 have caused an increase in the yield on our variable rate loan portfolio and are the primary reasons for the increase in the yield on earning assets. The cost of funds increased by 73 basis points and 55 basis points, respectively, for the three and six months ended June 30, 2005 as compared to the same periods in the prior year. An increase in the rates paid on our deposit accounts and the rollover of time deposits at higher rates within the current rising rate environment is a large reason for the increase in the cost of funds. A shift to higher costing sources of funds that began in the first quarter of 2005 and has continued into the second quarter has also caused an increase in the cost of funds.

Anticipated growth in earning assets is expected to continue to increase levels of net interest income. Because of the shift in our funding sources to higher costing funds, we would expect future increases in short-term rates to have a lesser positive impact on our net interest margin than they have in recent quarters.

The following table shows an analysis of net interest margin for the three-month periods ending June 30, 2005 and 2004 (dollars in thousands).

	For the three months ended June 30,					
		2005			2004	
	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	$ 111,939	1,136	4.06%	$85,873	$ 898	4.18%
Tax-exempt securities (1)	48,762	516	6.54%	37,683	402	6.63%
Loans	1,456,499	23,565	6.42%	1,266,080	17,241	5.40%
Federal Home Loan Bank stock	13,024	138	4.20%	9,446	94	3.96%
Fed funds sold	254	2	3.96%	333	1	0.95%
Total interest earning assets (1)	1,630,478	25,357	6.24%	1,399,415	18,636	5.35%
Noninterest earning assets:						
Cash and due from banks	26,363			32,769		
Other	99,016			67,971		
Total assets	$1,755,857			1,500,155		
Liabilities						
NOWs and MMDAs	605,170	2,748	1.82%	$537,452	1,376	1.03%
Savings	41,592	48	0.47%	38,985	20	0.20%
IRAs	30,214	264	3.50%	27,139	214	3.17%
Time deposits	494,987	3,951	3.20%	385,682	2,619	2.73%
Federal Home Loan Bank advances	207,486	1,944	3.71%	172,494	1,322	3.03%
Long-term debt	41,238	625	6.00%	41,238	419	4.01%
Federal funds borrowed and other borrowings	36,622	290	3.13%	31,973	96	1.19%
Total interest bearing liabilities	1,457,309	9,870	2.70%	1,234,963	6,066	1.97%
Noninterest bearing liabilities:						
Noninterest bearing demand accounts	158,722			133,289		
Other noninterest bearing liabilities	5,807			7,251		
Shareholders' equity	134,019			124,652		
Total liabilities and shareholders' equity	1,755,857			$1,500,155		
Net interest income		$15,487			$12,570	
Net interest spread (1)			3.54%			3.38%
Net interest margin (1)			3.82%			3.62%
Ratio of average interest earning assets to average interest bearing liabilities	111.88%			133.32%		

(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, 2005 and 2004 (dollars in thousands).

	For the six months ended June 30,					
	2005			2004		
	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	$ 105,372	2,132	4.05%	$80,054	$ 1,717	4.29%
Tax-exempt securities (1)	48,157	1,022	6.56%	36,276	776	6.65%
Loans	1,432,484	45,124	6.28%	1,229,804	33,235	5.36%
Federal Home Loan Bank stock	12,678	267	4.18%	9,157	206	4.45%
Fed funds sold	1,010	11	2.25%	1,521	7	0.94%
Total interest earning assets (1)	1,599,701	48,556	6.12%	1,356,812	35,941	5.32%
Noninterest earning assets:						
Cash and due from banks	35,278			31,137		
Other	91,508			67,686		
Total assets	$1,726,487			$1,455,635		
Liabilities						
NOWs and MMDAs	633,357	5,388	1.72%	$530,828	2,746	1.04%
Savings	40,325	82	0.41%	37,990	41	0.22%
IRAs	29,502	500	3.42%	26,783	434	3.26%
Time deposits	483,958	7,366	3.07%	390,467	5,413	2.79%
Federal Home Loan Bank advances	175,217	3,255	3.70%	151,826	2,514	3.27%
Long-term debt	41,238	1,192	5.75%	32,197	670	4.09%
Federal funds borrowed and other borrowings	29,977	442	2.93%	26,552	162	1.21%
Total interest bearing liabilities	1,433,574	18,225	2.55%	1,196,643	11,980	2.00%
Noninterest bearing liabilities:						
Noninterest bearing demand accounts	153,262			127,580		
Other noninterest bearing liabilities	6,616			7,144		
Shareholders' equity	133,035			124,268		
Total liabilities and shareholders' equity	1,726,487			$1,455,635		
Net interest income		$30,331			$23,961	
Net interest spread (1)			3.57%			3.32%
Net interest margin (1)			3.83%			3.55%
Ratio of average interest earning assets to average interest bearing liabilities	111.59%			113.39%		

(1) Yield adjusted to fully tax equivalent.

Provision for Loan Losses: The provision for loan losses for the three and six month periods ended June 30, 2005 decreased to $1,125,000 and $2,025,000, respectively, as compared to $1,440,000 and $2,665,000 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 later discussion under Portfolio Loans and Asset Quality.

Noninterest Income: Noninterest income for the three and six month periods ended June 30, 2005 increased to $3.37 million and $6.04 million, respectively, from $2.75 million and $5.05 million for the same periods in the prior year. An increase in service charges on deposit accounts and other income for both the three and six months periods were partially offset by slight declines in gains on loans sold and trust fee income. Service charges on deposits increased $426,000 and $499,000 during the three and six month periods. During the second quarter of 2005, an overdraft privilege service was implemented for deposit customers that has been received well, and is the primary reason for the increase. Other income increased $520,000 and $993,000 for the three and six month periods. The majority of the increase for each period is associated with the income earned on bank-owned life insurance, purchased in the fourth quarter of 2004. In addition, a $200,000 gain was realized during the second quarter of 2005 from the sale of a commercial property previously held as other real estate.

Noninterest Expense: Noninterest expense for the three and six month periods ended June 30, 2005 increased to $9.96 million and $19.92 million, respectively, from $8.93 million and $17.19 million for the same periods in the prior year. Salaries and benefits increased by $582,000 for the second quarter and $1,499,000 for the first six months of 2005 compared to the same periods in the prior year. The increase is primarily related to additional staffing in each line of business and in support departments consistent with growth of the Bank. The increased costs reflect our attention to properly managing and supporting our growth and our interest in creating a platform for strong future growth. Increased incentives associated with strong performance to date also contributed to the increase in salaries and benefits during both periods. Occupancy expense has increased along with our branch expansion, which included two new locations and a relocation of one of our branch sites since the second quarter of 2004. The increases in marketing and promotion, office supplies, data processing and other expenses reflect the Company’s continued investment in growth. Although we expect noninterest expense levels to generally rise with our growth, we expect to continue to improve our efficiency by better utilizing our capacity as we grow. The efficiency ratio for the second quarter of 2005 was 52.83% compared to 58.31% for the second quarter of 2004. We believe the additional capacity within our branch network will continue to provide future growth opportunities without significant additional costs.

FINANCIAL CONDITION

Summary: Our total assets were $1.78 billion at June 30, 2005, an increase of $108.01 million from $1.67 billion at December 31, 2004. The growth in assets was primarily from an increase of $73.11 million in total portfolio loans and $24.99 million in securities available for sale. The growth in assets was funded by an increase of $112.01 million of other borrowings.

Securities Available for Sale: Securities available for sale were $161.24 million at June 30, 2005 compared to $137.25 million at December 31, 2004. The increase reflects our interest in diversifying our asset base and was primarily from additional U.S. Government Agency securities which became attractive during the period due to the rise in yields for these securities.

Portfolio Loans and Asset Quality: Total portfolio loans were $1.47 billion at June 30, 2005 compared to $1.40 billion at December 31, 2004. Our loan portfolio continues to be driven by our commercial loan department. Commercial and commercial real estate loans accounted for approximately 73% of the total loan portfolio at June 30, 2005 and December 31, 2004. Consumer loans comprised 12% of the portfolio, while residential mortgage loans were 15% of total loans at June 30, 2005.

The loan growth we have experienced continues to reflect the acceptance of our community banking philosophy in the growing communities we serve. During the second quarter of 2005, loans grew approximately $43.7 million after $29.4 million of growth in the first quarter of 2005. Beginning in the fourth quarter of 2004 we began to see increasing pricing pressures from other competitors and a slight slowdown in the more desirable loan prospects that continued into the first quarter of 2005. We are, however, beginning to see an improving economy in West Michigan and accordingly, we have seen recent signs of favorable new business activity among our business customers. We expect our growth rates to increase as 2005 continues.

Nonperforming assets are comprised of nonperforming loans, foreclosed assets and repossessed assets. Our nonperforming loans include loans on non-accrual status, restructured loans, as well as loans delinquent more than 90 days, but still accruing. Foreclosed and repossessed assets include assets acquired in settlement of loans. Non-performing loans to total loans declined to 0.23% at June 30, 2005 from 0.29% at December 31, 2004 and nonperforming assets declined to 0.31% at June 30, 2005 from 0.35% at December 31, 2004. During the second quarter of 2005, the one property held in foreclosed assets at December 31, 2004 was sold with a realized gain of $200,000. The majority of the balance that remains in foreclosed assets at June 30, 2005 relates to the transfer of one nonperforming commercial real estate loan during the first quarter at a value expected to result in no further loss upon disposition.

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

(Dollars in thousands)	**June 30, 2005**	**December 31, 2004**
Nonaccrual loans	$2,288	$3,249
Loans 90 days past due and still accruing	1,097	772
Total nonperforming loans	3,385	4,021
Foreclosed assets	2,151	1,850
Repossessed assets	4	-
Total nonperforming assets	$5,540	$5,871
Nonperforming loans to total loans	0.23%	0.29%
Nonperforming assets to total assets	0.31%	0.35%

Allowance for loan losses: The allowance for loan losses as of June 30, 2005 was $20.01 million, or 1.36% of total portfolio loans, compared to $19.3 million, or 1.38% of total portfolio loans at December 31, 2004. The increase in the allowance was the result of a $2,025,000 provision for loan losses offset by net charge-offs for the quarter. Net charge-offs for the six months ended June 30, 2005 totaled $1,266,000 as compared to $851,000 for the same period in 2004. The ratio of net charge-offs to average loans was 0.18% on an annualized basis for the six months of 2005 compared to 0.16% for the first six months of 2004.

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 loans considered impaired, a 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". The specific allowance for impaired loans was $385,000 at June 30, 2005 and $923,000 at December 31, 2004. The decline in the specific allowance for impaired loans relates primarily to the transfer of the nonperforming loan to foreclosed assets during the first quarter of 2005 discussed above, and the overall reduction of other impaired loans with specific reserves during the period.

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. Because of the relatively unseasoned nature of our loan portfolio and the rapid loan growth we have experienced since inception, our actual historical loan loss experience remains limited. Accordingly, our loss factors are primarily based upon our analysis of the banking industry's historical loan loss experience, including the historical loan loss experience within the current markets we operate. These factors are monitored against our loss experience as our portfolios' age, and may be adjusted for significant factors that, in management's judgment, affect the collectibility of the portfolio as of the analysis date. The formula allowance was $18.0 million at June 30, 2005 compared to $16.4 million at December 31, 2004. The increase in the formula allowance for the period is associated with the continuing growth in the commercial loan portfolio and a slight downward migration of loan ratings for the commercial loan portfolio.

Groups of homogeneous loans, such as residential real estate, open- and closed-end consumer loans, etc., receive general allowance allocations 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 probable losses associated with 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. The general allowance was $1.6 million at June 30, 2005 compared to $1.7 million at December 31, 2004.

Deposits and Other Borrowings: Total deposits decreased $13.9 million to $1.34 billion at June 30, 2005 compared to $1.35 billion at December 31, 2004. During the second quarter of 2005, one large business relationship put to use a large portion of their deposit balances which we anticipated would occur sometime during 2005. Accordingly, we experienced a large decline in the balance of our money market accounts. This decline was offset by an increase in the balance of noninterest-bearing checking accounts and certificates of deposit since December 31, 2004.

We continue to establish new core deposit customers as evidenced by the $20.1 million increase in noninterest-bearing checking balances and the additional 1,800 of new noninterest-bearing checking accounts that were opened during the quarter. It is expected that as these new accounts develop into more full relationships, they will further contribute to deposit growth. The increase in certificates of deposit includes an increase in balances from our core deposit customers, as market rates on these deposit types have increased from historic lows and become more attractive. With our continued focus on quality customer service, the desire of customers to deal with a local bank, and the convenience of our expanding and maturing branch network, we expect continued growth in our core deposits. The increase in certificates of deposit also includes an increase in brokered deposits to help support our asset growth.

The increase in other borrowings of $112.01 million is related to a $20.4 million increase in Federal funds purchased and a $91.6 million increase in Federal Home Loan Bank advances. The increases were to help offset the decline in deposit balances associated with the one large business relationship noted above, and also to support the asset growth we experienced during the first half of 2005.

CAPITAL RESOURCES AND LIQUIDITY

Capital Resources: Total shareholders' equity increased $6.9 million during the quarter to $136.0 million at June 30, 2005, as the retention of earnings was partially offset by a reduction in accumulated other comprehensive income.

Net income generated during the first six months of 2005 of $9.80 million was partially offset by cash dividends of $2.86 million, or $.28 per share. We began paying cash dividends at the end of 2000 and have increased the amount of the dividend each year since then. It is anticipated that we will continue to pay quarterly cash dividends in the future. We have also paid a stock dividend each year beginning in 2001. On April 21, 2005, a 15% stock dividend was announced, representing our fifth consecutive annual stock dividend and was paid on May 27, 2005 to shareholders of record as of May 11, 2005. This 15% dividend was higher than our normal 5% dividend of the last two years. The extra 10% was added to this year's dividend in response to the strong financial performance of the Company. All per share and average share information in this report has been adjusted to reflect the effect of these dividends.

The change in accumulated other comprehensive income was due to a decrease in both the market value of securities available for sale and the derivative instruments associated with the Company's interest rate swap arrangements due principally to the general rise in interest rates during the first six months of 2005. For more information regarding our interest rate swap arrangements see the Notes to the consolidated financial statements.

At June 30, 2005 and December 31, 2004, our total capital to risk-weighted assets was 11.1%. Our Tier 1 Capital as a percent of average assets was 8.3% at both June 30, 2005 and December 31, 2004. Both ratios continue to be maintained at levels in excess of the regulatory minimums for *well capitalized* institutions. The ratios remained stable since the beginning of the year as our strong earnings during the quarter kept pace with the growth in our assets.

Liquidity: The liquidity of a financial institution reflects its ability to measure and monitor a variety of sources and uses of funds. Our Consolidated Statements of Cash Flows categorize these sources and uses into operating, investing and financing activities. We primarily focus on developing access to a variety of borrowing sources to supplement our deposit gathering activities and provide funds for growing our investment and loan portfolios. Our sources of liquidity include our borrowing capacity with the Federal Home Loan Bank and federal funds purchased lines with our correspondent banks, loan payments by our borrowers, maturity and sales of our securities available for sale, growth of our deposits and deposit equivalents, federal funds sold, and the various capital resources discussed above. 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, statements concerning future profitability or future growth or increases, and statements about the adequacy of our capital resources 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. 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 utilize a simulation model as our primary tool to assess the direction and magnitude of variations in net interest income and the economic value of equity ("EVE") resulting from potential changes in market interest rates. Key assumptions in the model include contractual cash flows and maturities of interest-sensitive assets and interest-sensitive liabilities, prepayment speeds on certain assets, and changes in market conditions impacting loan and deposit pricing. We also include pricing floors on discretionary priced liability products which limit how low various checking and savings products could go under declining interest rates. These floors reflect our pricing philosophy in response to changing interest rates.

We forecast the next twelve months of net interest income under an assumed environment of gradual changes in market interest rates under various scenarios. The resulting change in net interest income is an indication of the sensitivity of our earnings to directional changes in market interest rates. The simulation also measures the change in EVE, or the net present value of our assets and liabilities, under the same shifts in interest rates, as calculated by discounting the estimated future cash flows using a market-based discount rate.

The following table shows the impact of changes in interest rates on net interest income over the next twelve months and EVE based on our balance sheet as of June 30, 2005 (dollars in thousands).

Interest Rate Scenario	Economic Value of Equity	Percent Change	Net Interest Income	Percent Change
Interest rates up 200 basis points	$160,858	(7.10)	$66,756	6.90
Interest rates up 100 basis points	168,340	(2.78)	64,615	3.47
No change in interest rates	173,161	-	62,447	-
Interest rates down 100 basis points	179,133	3.45	60,404	(3.27)
Interest rates down 200 basis points	185,369	7.05	57,977	(7.16)

If interest rates were to increase, this analysis suggests that we are well-positioned for improvements in net interest income over the next twelve months. Further, our balanced sensitivity in time horizons beyond one year results in little fluctuation in EVE under the various rate shock scenarios.

We also forecast the impact of immediate and parallel interest rate shocks on net interest income under various scenarios to measure the sensitivity of our earnings under extreme conditions.

The quarterly simulation analysis is monitored against acceptable interest rate risk parameters by the Asset/Liability Committee and reported to the Board of Directors.

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.

Please refer to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, (Part II, Item 1 Legal Proceedings) for information concerning legal proceedings related to Trade Partners, Inc.

A lawsuit was filed in April 2003 by John and Kathryn Brand in Oklahoma state court against 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 and Grand Bank have answered this complaint, denying the material allegations and raising certain affirmative defenses. The trial court had entered an order in February 2005 staying this case, but the stay order was reversed on appeal in May 2005. No trial date has yet been set.

In May 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 included investors who invested in limited liability companies formed by Trade Partners. On November 6, 2003, the court permitted the plaintiffs to amend their complaint to expand the purported class to include all individuals who invested in Trade Partners viatical investments. The class has not been certified. The court had stayed this action to avoid interference with the process of the receivership proceedings, but the stay was lifted in July 2005. The plaintiffs allege that Grand Bank breached certain escrow agreements, breached its fiduciary duties, acted negligently or grossly negligently with respect to the plaintiff's investments and violated the Michigan Uniform Securities Act. The amended complaint seeks certification of the action as a class action, unspecified damages and other relief. The Company has answered this complaint denying the material allegations and raising certain affirmative defenses.

In late July 2005 counsel to the Trade Partners Receiver filed another purported class action on behalf of Kelly Priest and certain trusts controlled by Gary Towle and his wife, making substantially the same allegations as in the Jenkins complaint but on behalf of a class which is asserted to comprise all investors who are holders of allowed claims in the Trade Partners receivership, described below. The Company expects to answer this complaint denying the material allegations and raising certain affirmative defenses.

The Company believes it has meritorious defenses and intends to vigorously defend these cases.

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 sold by Trade Partners to investors, 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 informed the Company that nine policies with a total face value of approximately $1.4 million lapsed for failure to pay premiums prior to the receiver's coordination efforts. In addition, about $700,000 is being contested as to lapses.

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. As of April 15, 2005, the Receiver reported that he had received since the inception of the receivership cash payments for death benefit claims aggregating about $26.5 million, and had claims pending for an additional $5.9 million (though other parties assert claims to some of these proceeds). He reported at the same time that all premium payments were current. As of April 15, 2005, the receiver reported cash on hand of approximately $12.3 million. As additional viaticated policies mature, death benefits from those policies could 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 agreed to extend a $4 million line of credit to the receiver, conditioned upon obtaining a security interest in the viaticals. No draws were made against the line, and the line expired during the fourth quarter of 2004.

The receiver in June 2004 proposed a plan of distribution of the assets of Trade Partners. No hearing has yet been set on the plan. The receiver has recently received authorization from the Court to sell the entire portfolio with a face value of approximately $170 million to Universal Settlements International, Inc., a Canadian company, for an amount equal to 26.58% of face value or approximately $43 million. The receiver had previously indicated that, depending on the outcome of the motion to sell the portfolio, he might propose a new plan of distribution, but to date no such plan has been proposed. The receiver reported as of April 15, 2005 that claims against the receivership estate totaling $114,852,000 have been approved, and that he estimates total claims will be approximately $181,000,000.

The Company has no information on the amount of distributions the receiver may propose to make to investors, or when such distributions might begin.

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. The Company has reported the Trade Partners matter to its two insurance carriers. One carrier has assumed the Company's defense and has advanced a portion of its defense costs pursuant to a reservation of rights letter asserting certain coverage defenses, and an Interim Funding Agreement. The other carrier has taken the position that the duty of defense rests solely with the first carrier, and reserves its rights with respect to indemnity pursuant to a reservation letter asserting certain coverage defenses.

As of the date hereof, except as disclosed above, there were no material pending legal proceedings, other than routine litigation incidental to the business of banking to which we or any of our subsidiaries are a party of or which any of our properties are the subject.

Item 2. UNREGISTERED SALES OF EQUITY 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 was held on April 21, 2005, at which meeting the shareholders elected two directors.

Director Nominee:	Term Expires:	For:	Withheld:
Robert E. DenHerder	2008	7,089,900	271,245
Arend D. Lubbers	2008	7,216,219	144,925

Item 5. OTHER INFORMATION.

None.

Item 6. EXHIBITS.

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.

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, 2005, 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 A. Swets
Jon W. Swets
Chief Financial Officer
(Principal Financial and Accounting Officer)

DATE: August 5, 2005

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) 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

    (d) 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 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:

    (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 5, 2005

/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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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 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:

   (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 5, 2005

/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, 2005 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, 2005 fairly presents, in all material respects, the financial condition and results of operations of Macatawa Bank Corporation.

Dated: August 5, 2005

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

/s/ Jon W. Swets
Jon W. Swets
Senior Vice President and Chief Financial Officer