UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

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

For the quarterly period ended June 30, 2008

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 mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [__] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes [__] No [X]

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 mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [__]	Accelerated filer [X]	Non-accelerated filer [__] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [__] No [X]

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 17,023,165 shares of the Company's Common Stock (no par value) were outstanding as of August 6, 2008.

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EXPLANATORY NOTE

Macatawa Bank Corporation (the “Company”) is filing this Amendment No. 1 (the “Amended Report”) to its Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2008, originally filed with the U.S. Securities and Exchange Commission, (“SEC”), on August 8, 2008 (the “Original Filing”). The Company hereby amends Item 1. Financial Statements and Item 2. Management’s Discussion and Analysis of Results of Operations and Financial Condition to reflect a restatement of the financial statements in connection with an additional $17.2 million in loan charge-offs, a corresponding $15.0 million in loan loss provisions and $850,000 in losses on foreclosed properties that were deemed to have existed as of June 30, 2008. See Footnote 13 of the restated financial statements for the specific line items restated.

The additional provisions and losses result in a $10.3 million decrease in earnings for both the three and six months ended June 30, 2008. The Company’s second quarter of 2008 earnings on an after-tax basis declined from $2.2 million in earnings to $8.1 million in net losses. The Company’s earnings for the six months ended June 30, 2008 declined from $4.6 million in earnings to $5.7 million in net losses. After these adjustments, Macatawa Bank continues to remain a well-capitalized financial institution under regulatory guidelines.

The additional provisions and losses result from continued weakness in the Company’s portfolio of real estate loans. The Company’s management and board identified the need for the adjustments based upon their review of information regarding its real estate loan portfolio, in particular, current and constantly evolving information about the challenges faced by the bank’s loan customers and their financial position, valuation data and trends with respect to the collateral securing these loans and, in general, the continued overall decline in the housing market. After consideration of the data, in particular the magnitude of the adjustment identified and considered necessary, the Company determined that the adjustment should be made effective June 30, 2008.

In connection with the restatement of the items described above, the Company reevaluated the effectiveness of its internal controls over financial reporting and accordingly, included revised disclosure in this Amended Report under Part I, Item 4, “Controls and Procedures.”

The Company has not modified or updated disclosures presented in the Original Filing, except as required to reflect the effects of the restatement in this Amended Report. Accordingly, this Amended Report does not reflect events occurring after the Original Filing or modify or update those disclosures affected by subsequent events, except as specifically referenced herein. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the Original Filing.

For the convenience of the reader, this Amended Report sets forth the Original Filing in its entirety, although the Company is only restating those portions affected by corrected financial information.This Amended Report includes currently-dated certifications from the Company’s Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

Part I Financial Information
Item 1.

MACATAWA BANK CORPORATION
CONSOLIDATED BALANCE SHEETS
As of June 30, 2008 (unaudited) and December 31, 2007

(dollars in thousands)	June 30, 2008 (Restated)	December 31, 2007
ASSETS		
Cash and due from banks	$ 41,261	$ 49,816
Federal funds sold	7,759	---
Cash and cash equivalents	49,020	49,816
Securities available for sale	169,378	201,498
Securities held to maturity	1,840	1,917
Federal Home Loan Bank stock	12,275	12,275
Loans held for sale, at fair value at 6/30/08	992	3,127
Total loans	1,748,629	1,750,632
Allowance for loan losses	(29,579)	(33,422)
Net loans	1,719,050	1,717,210
Premises and equipment - net	64,284	64,564
Accrued interest receivable	8,487	10,003
Goodwill	25,919	25,919
Acquisition intangibles	2,803	3,023
Bank-owned life insurance	23,164	22,703
Other assets	32,425	17,911
Total assets	$ 2,109,637	$ 2,129,966
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	$ 186,688	$ 185,681
Interest-bearing	1,417,324	1,337,872
Total deposits	1,604,012	1,523,553
Federal funds purchased	8,500	46,467
Other borrowed funds	295,775	354,052
Long-term debt	41,238	41,238
Accrued expenses and other liabilities	9,563	4,031
Total liabilities	1,959,088	1,969,341
Shareholders' equity		
Preferred stock, no par value, 500,000 shares authorized; no shares issued and outstanding		
Common stock, no par value, 40,000,000 shares authorized; 17,021,379 and 16,968,398 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	163,964	163,522
Retained earnings (deficit)	(14,286)	(4,208)
Accumulated other comprehensive income	871	1,311
Total shareholders' equity	150,549	160,625
Total liabilities and shareholders' equity	$ 2,109,637	$ 2,129,966

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Three and Six Month Periods Ended June 30, 2008 and 2007
(unaudited)

(dollars in thousands, except per share data)	**Three Months Ended June 30, 2008 (Restated)**	**Three Months Ended June 30, 2007**	**Six Months Ended June 30, 2008 (Restated)**	**Six Months Ended June 30, 2007**
Interest income				
Loans, including fees	$ 26,934	$ 33,105	55,899	$ 65,563
Securities	2,040	2,192	4,225	4,408
FHLB Stock	174	123	327	280
Other	51	263	64	364
Total interest income	29,199	35,683	60,515	70,615
Interest expense				
Deposits	10,083	15,296	21,917	30,534
Other	4,029	4,052	8,814	7,686
Total interest expense	14,112	19,348	30,731	38,220
Net interest income	**15,087**	**16,335**	**29,784**	**32,395**
Provision for loan losses	18,460	965	21,160	1,840
Net interest income after provision for loan losses	**(3,373)**	**15,370**	**8,624**	**30,555**
Noninterest income				
Service charges and fees	1,322	1,306	2,563	2,448
Gain on sales of loans	343	370	819	813
Trust fees	1,164	1,209	2,334	2,406
Gain on sales of securities	412	---	412	---
Gain on settlement of interest rate swaps	---	---	832	---
Other	1,814	1,135	3,098	2,088
Total noninterest income	5,055	4,020	10,058	7,755
Noninterest expense				
Salaries and benefits	6,875	6,345	13,776	12,475
Occupancy of premises	1,114	1,020	2,339	2,075
Furniture and equipment	992	933	1,985	1,825
Legal and professional fees	334	306	637	557
Marketing and promotion	353	346	710	663
Data processing fees	466	471	971	950
Other	4,357	3,184	7,664	5,848
Total noninterest expenses	14,491	12,605	28,082	24,393
Income (loss) before income tax expense (benefit)	**(12,809)**	**6,785**	**(9,400)**	**13,917**
Income tax expense (benefit)	(4,703)	2,195	(3,732)	4,492
Net income (loss)	**$ (8,106)**	**$ 4,590**	**$ (5,668)**	**$ 9,425**
Basic earnings (loss) per share	$ (.48)	$ .27	$ (.33)	$ .55
Diluted earnings (loss) per share	(.48)	.26	(.33)	.54
Cash dividends per share	.13	.13	.26	.25

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Three and Six Month Periods Ended June 30, 2008 and 2007
(unaudited)

(dollars in thousands)	Three Months Ended June 30, 2008 (Restated)	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008 (Restated)	Six Months Ended June 30, 2007
Net income (loss)	$ (8,106)	$ 4,590	$ (5,668)	$ 9,425
Other comprehensive income (loss), net of tax:				
Net change in unrealized gains (losses) on securities available for sale	(2,309)	(1,370)	(440)	(1,200)
Net change in unrealized gains (losses) on derivative instruments	---	(120)	---	136
Comprehensive income (loss)	$ (10,415)	$ 3,100	$ (6,108)	$ 8,361

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Six Month Periods Ended June 30, 2008 (Restated) and 2007
(unaudited)

(dollars in thousands, except per share data)	Common Stock	Retained Earnings/ (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2007	**$ 153,728**	**$ 4,840**	**$ (1,719)**	**$ 156,849**
Net income for six months ended June 30, 2007		9,425		9,425
Other comprehensive income (loss), net of tax:				
Net change in unrealized gain (loss) on securities available for sale			(1,200)	(1,200)
Net change in unrealized gain (loss) on derivative instruments			136	136
Comprehensive income				8,361
Issued 20,537 shares for stock option exercises (net of 3,485 shares exchanged and including $18 of tax benefit)	169			169
Stock compensation expense	299			299
Issued 136,936 shares for acquisition of Smith & Associates	3,150			3,150
Issued 819,223 shares in payment of 5% stock dividend	9,518	(9,536)		(18)
Repurchased 60,000 shares of stock	(924)			(924)
Cash dividends at $.25 per share		(4,362)		(4,362)
Balance, June 30, 2007	**$ 165,940**	**$ 367**	**$ (2,783)**	**$ 163,524**
Balance, January 1, 2008	**$ 163,522**	**$ (4,208)**	**$ 1,311**	**$ 160,625**
Net income (loss) for six months ended June 30, 2008		(5,668)		(5,668)
Other comprehensive income (loss), net of tax:				
Net change in unrealized gain (loss) on securities available for sale			(440)	(440)
Comprehensive loss				(6,108)
Issued 28,060 shares for stock option exercises (net of 96 shares exchanged and including $36 of tax benefit)	141			141
Stock compensation expense	301			301
Cash dividends at $.26 per share		(4,410)		(4,410)
Balance, June 30, 2008	**$ 163,964**	**(14,286)**	**$ 871**	**$ 150,549**

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Month Periods Ended June 30, 2008 and 2007
(unaudited)

(dollars in thousands)	Six Months Ended June 30, 2008 (Restated)	Six Months Ended June 30, 2007
Cash flows from operating activities		
Net income (loss)	$ (5,668)	$ 9,425
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	1,924	1,724
Stock compensation expense	301	299
Provision for loan losses	21,160	1,840
Origination of loans for sale	(53,789)	(53,259)
Proceeds from sales of loans originated for sale	56,743	54,022
Gain on sales of loans	(819)	(813)
Gain on sales of securities	(412)	---
Net change in:		
Accrued interest receivable and other assets	(10,476)	318
Bank-owned life insurance	461	(415)
Accrued expenses and other liabilities	5,769	(176)
Net cash from operating activities	15,194	12,965
Cash flows from investing activities		
Loan originations and payments, net	(26,444)	(17,743)
Purchases of securities available for sale	(20,509)	(15,335)
Maturities and calls of securities available for sale	30,651	17,944
Maturities of securities held to maturity	---	715
Sales of securities available for sale	21,704	---
Principal paydowns on securities	92	158
Additions to premises and equipment	(1,430)	(5,017)
Net cash used in investing activities	4,064	(19,278)
Cash flows from financing activities		
Net increase (decrease) in deposits	80,459	(5,871)
Net decrease in short term borrowings	(37,967)	(11,990)
Proceeds from other borrowed funds	228,000	85,000
Repayments of other borrowed funds	(286,277)	(32,258)
Cash dividends paid	(4,410)	(4,380)
Repurchases of stock	---	(924)
Proceeds from exercises of stock options, including tax benefit	141	169
Net cash from financing activities	(20,054)	29,746
Net change in cash and cash equivalents	(796)	23,433
Cash and cash equivalents at beginning of period	49,816	39,882
Cash and cash equivalents at end of period	$ 49,020	$ 63,315
Supplemental cash flow information		
Interest paid	$ 31,574	$ 37,864
Income taxes paid	3,850	5,350
Supplemental noncash disclosures:		
Transfers from loans to other real estate	3,444	3,264
Acquisition of Smith & Associates:		
Acquisition intangibles recorded	---	3,924
Other liabilities assumed	---	774
Common stock issued	---	3,150

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 subsidiary, Macatawa Bank, and its wholly-owned subsidiary, Macatawa Bank Mortgage Company. 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, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's 2007 Annual Report containing financial statements for the year ended December 31, 2007.

New Accounting Pronouncements: In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157*. This FSP delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company adopted the standard effective January 1, 2008 and disclosures have been added in the accompanying Notes to the Financial Statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. Effective January 1, 2008, the standard provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The Company adopted Statement No. 159 for loans originated for sale beginning April 1, 2008. The impact was not material to the Company's financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On November 5, 2007, the SEC issued Staff Accounting Bulletin No. 109, Written Loan Commitments Recorded at Fair Value through Earnings (“SAB 109”). Previously, SAB 105, Application of Accounting Principles to Loan Commitments, stated that in measuring the fair value of a derivative loan commitment, a company should not incorporate the expected net future cash flows related to the associated servicing of the loan. SAB 109 supersedes SAB 105 and indicates that the expected net future cash flows related to the associated servicing of the loan should be included in measuring fair value for all written loan commitments that are accounted for at fair value through earnings. SAB 105 also indicated that internally-developed intangible assets should not be recorded as part of the fair value of a derivative loan commitment, and SAB 109 retains that view. SAB 109 is effective for derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The impact of this standard was not material to the Company.

NOTE 2 — SECURITIES

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2008				
Available for Sale:				
U.S. Treasury and federal agency securities	$ 117,886	$ 725	$ (270)	$ 118,341
State and municipal bonds	49,152	1,029	(123)	50,058
Other equity securities	1,000	---	(21)	979
	$ 168,038	$ 1,754	$ (414)	$ 169,378
Held to Maturity:				
State and municipal bonds	$ 1,840	$ 44	$ ---	$ 1,884
December 31, 2007				
Available for Sale:				
U.S. Treasury and federal agency securities	$ 149,021	$ 1,169	$ (145)	$ 150,045
State and municipal bonds	49,460	1,056	(56)	50,460
Other equity securities	1,000	--	(7)	993
	$ 199,481	$ 2,225	$ (208)	$ 201,498
Held to Maturity:				
State and municipal bonds	$ 1,917	$ 45	$ (1)	$ 1,961

NOTE 2 — SECURITIES (Continued)

Securities with unrealized losses at June 30, 2008 and December 31, 2007, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows (in thousands):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
June 30, 2008						
U.S. Treasury and federal agency securities	$ 19,807	$ (270)	$ ---	$ ---	$ 19,807	$ (270)
State and municipal bonds	9,411	(123)	---	---	9,411	(123)
Other equity securities	979	(21)	---	---	979	(21)
Total temporarily impaired	$ 30,197	$ (414)	$ ---	$ ---	$ 30,197	$ (414)
December 31, 2007						
U.S. Treasury and federal agency securities	$ --	$ ---	$ 37,104	$ (145)	$ 37,104	$ (145)
State and municipal bonds	1,777	(6)	4,479	(51)	6,256	(57)
Other equity securities	--	--	993	(7)	993	(7)
Total temporarily impaired	$ 1,777	$ (6)	$ 42,576	$ (203)	$ 44,353	$ (209)

For unrealized losses on 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, 2008 were as follows (dollars in thousands):

	Held-to-Maturity Securities		Available-for-Sale Securities	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ ---	$ ---	$ 45,495	$ 45,761
Due from one to five years	239	241	79,096	79,453
Due from five to ten years	840	866	29,067	29,657
Due after ten years	761	777	13,380	13,528
	$ 1,840	$ 1,884	$ 167,038	$ 168,399

Proceeds from the sale of available for sale securities were $21,704,000 and resulted in gross gains of $412,000 during the three and six month periods ended June 30, 2008. There were no sales of securities during the three and six month periods ended June 30, 2007.

NOTE 3 — LOANS

Loans were as follows (in thousands):

	June 30, 2008 (Restated)	December 31, 2007
Commercial	$ 439,986	$ 438,743
Commercial mortgage	820,843	855,882
Residential mortgage	300,947	266,325
Consumer	186,853	189,682
	1,748,629	1,750,632
Allowance for loan losses	(29,579)	(33,422)
	$ 1,719,050	$ 1,717,210

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

	Three Months Ended June 30, 2008 (Restated)	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008 (Restated)	Six Months Ended June 30, 2007
Balance at beginning of period	$ 31,954	$ 23,689	$ 33,422	$ 23,259
Provision for loan losses	18,460	965	21,160	1,840
Charge-offs	(21,015)	(789)	(25,221)	(1,295)
Recoveries	180	78	218	139
Balance at end of period	$ 29,579	$ 23,943	$ 29,579	$ 23,943

Impaired loans were as follows at period end (dollars in thousands):

	June 30, 2008 (Restated)	December 31, 2007
Loans with no allocated allowance for loan losses	$ 62,939	$ 17,580
Loans with allocated allowance for loan losses	63,975	81,440
	126,914	99,020
Amount of the allowance for loan losses allocated	$ 11,563	$ 15,831

	Six months ended June 30, 2008 (Restated)	Six months ended June 30, 2007
Average of impaired loans during the period	$ 104,590	$ 14,952
Interest income recognized during impairment	929	---
Cash received for interest during impairment	734	---

Nonperforming loans were as follows at period-end (dollars in thousands):

	June 30, 2008 (Restated)	December 31, 2007
Loans past due over 90 days still on accrual	$ 2,801	$ 2,872
Nonaccrual loans	76,064	70,999
Renegotiated loans	30	38
	$ 78,895	$ 73,909

NOTE 4 – DEPOSITS

Deposits are summarized as follows (in thousands):

	June 30, 2008	December 31, 2007
Noninterest-bearing demand	$ 186,688	$ 185,681
Money market	350,097	337,322
NOW and Super NOW	237,203	273,658
Savings	47,623	40,119
Certificates of deposit	782,401	686,773
	$ 1,604,012	$ 1,523,553

Approximately $544,288,000 and $457,769,000 in time certificates of deposit were in denominations of $100,000 or more at June 30, 2008 and December 31, 2007.

Brokered deposits totaled approximately $241,998,000 and $202,839,000 at June 30, 2008 and December 31, 2007. At June 30, 2008 and December 31, 2007, brokered deposits had interest rates ranging from 3.50% to 5.15% and 3.65% to 5.20%, respectively. At June 30, 2008, maturities ranged from July, 2008 to May, 2011.

NOTE 5 – OTHER BORROWED FUNDS

Other borrowed funds include advances from the Federal Home Loan Bank and securities sold under agreements to repurchase.

Federal Home Loan Bank Advances

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

Principal Terms	Advance Amount	Range of Maturities	Weighted Average Interest Rate
June 30, 2008			
Single maturity fixed rate advances	$ 155,000	October 2008 to November 2010	4.05%
Putable advances	31,000	September 2009 to December 2010	5.80%
Amortizable mortgage advances	19,775	October 2008 to July 2018	3.81%
	$ 205,775		
December 31, 2007			
Single maturity fixed rate advances	$ 135,000	March 2008 to November 2010	4.77%
Daily variable rate advance	70,000	June 2008	4.32%
Putable advances	31,000	September 2009 to December 2010	5.80%
Amortizable mortgage advances	8,052	February 2008 to July 2018	3.81%
	$ 244,052		

NOTE 5 – OTHER BORROWED FUNDS (Continued)

Each advance is payable at its maturity date and contains a prepayment penalty. These advances were collateralized by residential and commercial real estate loans totaling $638,348,000 and $611,055,000 under a blanket lien arrangement at June 30, 2008 and December 31, 2007. Maturities as of June 30, 2008 were as follows (in thousands):

2008	$ 25,319
2009	40,123
2010	121,000
Thereafter	19,333
	$ 205,775

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase ("repo borrowings") are financing arrangements secured by U.S. federal agency securities. These borrowings were collateralized by securities that had a carrying amount of approximately $97,927,000 and $120,263,000 at June 30, 2008 and December 31, 2007. At maturity, the securities underlying the arrangements are returned to the company.

These borrowings were as follows (dollars in thousands):

June 30, 2008			
Fixed rate borrowings	$ 90,000	February 2009 to November 2010	4.66%
December 31, 2007			
Fixed rate borrowings	$ 90,000	February 2009 to November 2010	4.66%
Floating rate borrowings	20,000	August 2009 to August 2010	5.72%
	$ 110,000		

Maturities as of June 30, 2008 were as follows (in thousands):

2009	$ 50,000
2010	40,000
	$ 90,000

The Company terminated $20,000,000 of floating rate borrowings during the second quarter of 2008 resulting in gross gains of $243,000, which was included in other noninterest income for both the three and six month periods ended June 30, 2008.

NOTE 6 – STOCK-BASED COMPENSATION

The Company has stock-based compensation plans for its employees (the Employees' Plans) and directors (the Directors' Plans). The Employees' Plans permit the grant of stock options or the issuance of restricted stock for up to 1,917,210 shares of common stock. The Directors' Plans permit the grant of stock options or the issuance of restricted stock for up to 473,278 shares of common stock. There were 638,816 shares under the Employees' Plans and 165,375 shares under the Directors' Plans available for future issuance as of June 30, 2008. 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, 2007. The Company issues new shares under its stock-based compensation plans from its authorized but unissued shares.

Stock Options

Option awards are granted with an exercise price equal to the market price at the date of grant. Option awards have vesting periods ranging from one to three years and have ten year contractual terms. The fair value of each option award is estimated on the grant date using a closed form option valuation (Black-Scholes) model. The fair value of options granted during the three months ended March 31, 2008 was determined using the following weighted-average assumptions as of grant date.

	2008
Risk-free interest rate	3.14%
Expected option life	6.5 years
Expected stock price volatility	30.09%
Dividend yield	6.07%
Weighted average fair value of options granted	$ 1.35

A summary of option activity in the plans is as follows (dollars in thousands, except per option data):

Options	Number Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Outstanding at January 1, 2008	957,765	$ 14.66		
Granted	114,000	8.57		
Exercised	(28,156)	5.05		
Forfeited	(10,273)	16.11		
Outstanding at June 30, 2008	1,033,336	$ 14.24	6.11	$ 142
Exercisable at June 30, 2008	675,658	$ 12.57	4.90	$ 142

The total intrinsic value of options exercised during the three months ended June 30, 2008 and 2007 was $17,000 and $45,000, respectively. The total intrinsic value of options exercised during the six months ended June 30, 2008 and 2007 was $128,000 and $222,000 respectively.

There were no options vested during the three and six months ended June 30, 2008 or June 30, 2007.

For the three and six month periods ended June 30, 2008, the Company recorded compensation cost for stock options of $113,000, or $100,000 after tax and $192,000, or $167,000 after tax, respectively, each representing $0.01 per share. For the three and six month periods ended June 30, 2007, the Company recorded compensation cost for stock options of $110,000, or $99,000 after tax, and $227,000, or $204,000 after tax, each representing $0.01 per share.

As of June 30, 2008, there was approximately $400,000 of total unrecognized compensation cost related to nonvested stock options granted under the Company's stock-based compensation plans. The cost is expected to be recognized over a weighted-average period of 1.4 years.

NOTE 6 – STOCK-BASED COMPENSATION (Continued)

Restricted Stock Awards

Stock awards have vesting periods of up to four years. A summary of nonvested stock awards activity is as follows (dollars in thousands, except per option data):

Nonvested Stock Awards	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at January 1, 2008	24,339	$ 18.64
Granted	26,590	8.57
Forfeited	(1,669)	14.70
Outstanding at June 30, 2008	49,260	$ 13.34

The Company recorded compensation cost of $54,000 and $36,000 for restricted stock awards for the three months ended June 30, 2008 and June 30, 2007, respectively. The Company recorded compensation cost of $109,000 and $72,000 for restricted stock awards for the six months ended June 30, 2008 and June 30, 2007, respectively.

As of June 30, 2008, there was $448,000 of total unrecognized compensation cost related to nonvested shares granted under the Company's stock-based compensation plans. The cost is expected to be recognized over a weighted-average period of 2.0 years. There were no shares vested during the three and six months ended June 30, 2008 and 2007.

NOTE 7 — EARNINGS (LOSS) PER SHARE

A reconciliation of the numerators and denominators of basic and diluted earnings (loss) per share for the three and six month periods ended June 30, 2008 and 2007 are as follows (dollars in thousands, except per share data):

	Three Months Ended June 30, 2008 (Restated)	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008 (Restated)	Six Months Ended June 30, 2007
Basic earnings (loss) per share				
Net income (loss)	$ (8,106)	$ 4,590	$ (5,668)	$ 9,425
Weighted average common shares outstanding	16,970,634	17,191,063	16,960,909	17,195,050
Basic earnings (loss) per share	$ (0.48)	$ 0.27	$ (0.33)	$ 0.55
Diluted earnings (loss) per share				
Net income (loss)	$ (8,106)	$ 4,590	$ (5,668)	$ 9,425
Weighted average common shares outstanding	16,970,634	17,191,063	16,960,909	17,195,050
Add: Dilutive effects of assumed exercise of stock options		213,955		248,050
Weighted average common and dilutive potential common shares outstanding	16,970,634	17,405,018	16,960,909	17,443,100
Diluted earnings (loss) per share	$ (0.48)	$ 0.26	$ (0.33)	$ 0.54

Stock options and restricted stock awards for 1,084,096 and 360,963 shares of common stock for both the three and six month periods ended June 30, 2008 and June 30, 2007, respectively were not considered in computing diluted earnings (loss) per share because they were antidilutive.

NOTE 8 – FEDERAL INCOME TAXES

The consolidated provision (benefit) for income taxes was as follows (dollars in thousands):

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Current	($5,132)	$ 2,516	($4,009)	$ 5,117
Deferred (benefit) expense	429	(321)	277	(625)
	($4,703)	$ 2,195	($3,732)	$ 4,492

The difference between the financial statement tax expense (benefit) and the amount computed by applying the statutory federal tax rate to pretax income (loss) was reconciled as follows (dollars in thousands):

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Statutory rate	35%	35%	35%	35%
Statutory rate applied to income (loss) before taxes	$ (4,482)	$ 2,375	$ (3,289)	$ 4,871
Add (deduct)				
Tax-exempt interest income	(165)	(159)	(327)	(318)
Bank-owned life insurance	(87)	(77)	(162)	(145)
Other, net	31	56	46	84
	$ (4,703)	$ 2,195	$ (3,732)	$ 4,492

The net deferred tax asset recorded included the following amounts of deferred tax assets and liabilities (dollars in thousands):

	June 30, 2008	December 31, 2007
Deferred tax asset		
Allowance for loan losses	$ 10,388	$ 11,698
Nonaccrual loan interest	1,584	956
Other	941	597
	12,913	13,251
Deferred tax liabilities		
Depreciation	(2,083)	(2,069)
Purchase accounting adjustments	(981)	(1,058)
Unrealized gain on derivative instruments	---	(101)
Unrealized gain on securities available for sale	(469)	(706)
Other	(650)	(648)
	(4,183)	(4,582)
Net deferred tax asset	$ 8,730	$ 8,669

A valuation allowance related to deferred tax assets is required when it is considered more likely than not that all or part of the benefit related to such assets will not be realized. Based on the levels of taxable income in the prior years which would be available to absorb the benefit, management has determined that no valuation allowance was required at June 30, 2008 and December 31, 2007.

There were no unrecognized tax benefits at June 30, 2008, and the Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next twelve months.

The Company is no longer subject to examination by the Internal Revenue Service for years before 2004.

NOTE 9 – 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 claims against Grand Bank and the Company in this lawsuit have been settled and dismissed with prejudice. In May 2003 a purported class action complaint was filed against the Company. As amended, this suit alleges that Grand Bank breached escrow agreements and fiduciary duties and violated the Michigan Uniform Securities Act with respect to the investments secured by the purported class in viaticals and in interests in limited partnerships which made loans to Trade Partners secured by viaticals, and with respect to loans made by purported class members directly to Trade Partners. The Company has answered the complaint denying the material allegations and raising certain affirmative defenses. In November 2006 the court denied class certification in this case. The Company believes that the class action, if it had been approved by the court, might have involved as many as 2,000 to 3,000 individual claimants. Since that denial of class certification, nine new actions, none of which is a class action, raising substantially the same allegations as the former class action have been filed in several jurisdictions on behalf of approximately 1,400 Trade Partners investors. 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. Federal Insurance Company 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. Federal Insurance Company on July 21, 2006 notified the Company that it had filed an Arbitration Demand with the American Arbitration Association, seeking a declaration that based on its asserted coverage defenses its policy does not cover this matter. The Company and Federal Insurance Company have agreed to defer any proceedings with respect to this Arbitration Demand. The Company believes that Federal Insurance Company is obligated to provide coverage, and the Company intends to vigorously pursue its rights under the insurance policy. 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 10 – INTEREST RATE SWAPS

The Company entered into five interest rate swap agreements (i.e. swaps) during 2002, 2003 and 2004, each with a notional amount of $20,000,000. A large portion of the Company's assets are loans on which the interest rates are variable. The Company entered into these swaps to convert the variable rate interest cash inflows on certain of its loans to fixed rates of interest. These swaps paid interest to the Company at a fixed rate and required interest payments from the Company at a variable rate.

At December 31, 2007, the Company determined that accounting for these swaps as cash flow hedges was not appropriate. Accordingly, changes in fair value of these swaps are reported in noninterest income rather than other comprehensive income.

In February of 2008, the Company chose to terminate all of its outstanding swaps, which had a total notional amount of $60,000,000. The Company realized a gain of approximately $832,000 associated with their settlements which was included in other noninterest income.

At December 31, 2007, outstanding swaps with a notional amount of $60,000,000 had weighted average pay rates of 7.25%, weighted average receive rates of 6.65% and a weighted average maturity of 1.5 years. These swaps had a fair value of $288,000 which was reported in other noninterest income.

NOTE 11 — 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.

NOTE 11 — REGULATORY MATTERS (Continued)

At June 30, 2008 and December 31, 2007, 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, 2008 (Restated)						
Total capital (to risk weighted assets)						
Consolidated	$184,690	10.2%	$145,098	8.0%	N/A	N/A
Bank	182,882	10.1	144,909	8.0	$ 181,136	10.0
Tier 1 capital (to risk weighted assets)						
Consolidated	161,932	8.9	72,549	4.0	N/A	N/A
Bank	160,153	8.8	72,455	4.0	108,682	6.0
Tier 1 capital (to average assets)						
Consolidated	161,932	7.7	84,016	4.0	N/A	N/A
Bank	160,153	7.6	83,908	4.0	104,885	5.0
December 31, 2007						
Total capital (to risk weighted assets)						
Consolidated	$194,362	10.7%	$145,898	8.0%	N/A	N/A
Bank	192,677	10.6	145,715	8.0	$ 182,143	10.0
Tier 1 capital (to risk weighted assets)						
Consolidated	171,434	9.4	72,949	4.0	N/A	N/A
Bank	169,778	9.3	72,857	4.0	109,286	6.0
Tier 1 capital (to average assets)						
Consolidated	171,434	8.3	82,850	4.0	N/A	N/A
Bank	169,778	8.2	82,754	4.0	103,443	5.0

The Bank was categorized as well capitalized at June 30, 2008 and December 31, 2007. There are no conditions or events since the date of this filing that management believes have changed its category.

NOTE 12 – FAIR VALUE

Statement 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

NOTE 12 – FAIR VALUE (continued)

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used to in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Assets and liabilities measured at fair value on a recurring basis, are summarized below (in thousands):

	Fair Value Measurements at June 30, 2008 Using			
	June 30, 2008	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Available for sale securities	$ 169,378	$ ---	$ 169,378	$ ---
Loans held for sale	992	$ ---	992	$ ---

Assets and Liabilities Measured on a Non-Recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis are summarized below (in thousands):

	Fair Value Measurements at June 30, 2008 Using			
	June 30, 2008 (Restated)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3) (Restated)**
Assets:				
Impaired loans	$ 63,975	$ ---	$ ---	$ 63,975

The following represent impairment charges recognized during the period:

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of $64.0 million, with a valuation allowance of $11.6 million, resulting in an additional provision for loan losses of approximately $8.6 million and $8.9 million for the three and six month periods ended June 30, 2008.

NOTE 13 – RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Subsequent to the Original Filing, the Company concluded that additional loan charge-offs of $17.2 million, corresponding loan loss provisions of $15.0 million and losses on foreclosed properties of $850,000 were deemed to have existed as of June 30, 2008. As a result of the restatement, the following financial statement line items were adjusted:

(in thousands, except per share data)	As Previously Reported	As Corrected	Effect of Change
As of June 30, 2008			
Consolidated Balance Sheets			
Total loans	$ 1,765,779	$ 1,748,629	$ (17,150)
Allowance for loan losses	31,769	29,579	(2,190)
Net loans	1,734,010	1,719,050	(14,960)
Other assets	26,554	32,425	5,871
Total assets	2,118,726	2,109,637	(9,089)
Accrued expenses and other liabilities	8,375	9,563	1,188
Total liabilities	1,957,900	1,959,088	1,188
Retained earnings (deficit)	(4,009)	(14,286)	(10,277)
Total shareholders' equity	160,826	150,549	(10,277)
Total liabilities and shareholders' equity	2,118,726	2,109,637	(9,089)
For the Three Months Ended June 30, 2008			
Consolidated Statements of Income			
Provision for loan losses	3,500	18,460	14,960
Net interest income after provision for loan losses	11,587	(3,373)	(14,960)
Other expense	3,507	4,357	(850)
Total noninterest expenses	13,641	14,491	(850)
Income (loss) before income tax expense (benefit)	3,001	(12,809)	(15,810)
Income tax expense (benefit)	830	(4,703)	(5,533)
Net income (loss)	2,171	(8,106)	(10,277)
Basic earnings (loss) per share	0.13	(0.48)	(0.61)
Diluted earnings (loss) per share	0.13	(0.48)	(0.61)
Consolidated Statements of Comprehensive Income			
Net income (loss)	2,171	(8,106)	(10,277)
Comprehensive income (loss)	(138)	(10,415)	(10,277)
For the Six Months Ended June 30, 2008			
Consolidated Statements of Income			
Provision for loan losses	6,200	21,160	14,960
Net interest income after provision for loan losses	23,584	8,624	(14,960)
Other expense	6,814	7,664	(850)
Total noninterest expenses	27,232	28,082	(850)
Income (loss) before income tax expense (benefit)	6,410	(9,400)	(15,810)
Income tax expense (benefit)	1,801	(3,732)	(5,533)
Net income (loss)	4,609	(5,668)	(10,277)
Basic earnings (loss) per share	0.27	(0.33)	(0.60)
Diluted earnings (loss) per share	0.27	(0.33)	(0.60)

NOTE 13 – RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share data)	As Previously Reported	As Corrected	Effect of Change
For the Six Months Ended June 30, 2008			
Consolidated Statements of Comprehensive Income			
Net income (loss)	4,609	(5,668)	(10,277)
Comprehensive income (loss)	4,169	(6,108)	(10,277)
Consolidated Statements of Changes in Shareholders' Equity			
Net income (loss)	4,609	(5,668)	(10,277)
Comprehensive income (loss)	4,169	(6,108)	(10,277)
Retained earnings (deficit)	(4,009)	(14,286)	(10,277)
Total shareholders' equity	160,826	150,549	(10,277)
Consolidated Statements of Cash Flows			
Net income (loss)	4,609	(5,668)	(10,277)
Provision for loan losses	6,200	21,160	14,960
Net change in accrued interest receivable and other assets	(4,605)	(10,476)	(5,871)
Net change in accrued expenses and other liabilities	4,581	5,769	1,188

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 a wholly owned subsidiary, Macatawa Bank 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-six branch offices and a lending and operational service facility, providing a full range of commercial and consumer banking and trust and brokerage services in Kent County, Ottawa County, and northern Allegan County, Michigan. 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.

Since opening in November of 1997, Macatawa Bank has experienced substantial growth. 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 our expanding branch network and high quality service standards.

The West Michigan markets within which we operate continue to provide expansion opportunities for us. We opened our twenty-sixth branch in Cascade on the east side of the greater Grand Rapids area during the second quarter of 2007. Because of the significance of the greater Grand Rapids market and the great 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 long-term growth in our balance sheet and in our earnings due to these expansion opportunities.

RESULTS OF OPERATIONS

Summary: Net loss for the quarter ended June 30, 2008 was $(8.1) million, a decrease of 12.7 million as compared to second quarter 2007 net income of $4.6 million. Loss per share was $(0.48) for the second quarter of 2008 compared to diluted earnings per share of $0.26 for the same period in 2007. Net loss for the six months ended June 30, 2008 was $(5.7) million, a decrease of 15.1 million compared to net income of $9.4 million for the same period in the prior year. Loss per share was $(0.33) for the six months ended June 30, 2008 compared to diluted earnings per share of $0.54 for the same period in the prior year.

The decrease in net income for both the three and six months ended June 30, 2008 compared to the same periods in the prior year was primarily due to increases in the provision for loan losses. Also contributing to the decrease in net income for both periods were a decrease in net interest income and an increase in noninterest expense partially offset by an increase in noninterest income.

Net Interest Income: Net interest income totaled $15.1 million for the second quarter of 2008, a decrease of $1.2 million, or 8%, as compared to the second quarter of 2007. Net interest income for the first six months of 2008 totaled $29.8 million, a decrease of $2.6 million or 8% as compared to $32.4 million for the same period in 2007. The decrease in net interest income for both the three and six month periods was primarily from a decline in the net interest margin partially offset by an increase in average earning assets. The net interest margin decreased 26 basis points to 3.06% for the second quarter of 2008 and 30 basis points to 3.03% for the first six months of 2008 when compared to the same periods in the prior year. Only 6 and 11 basis points, respectively, of the declines for both the three and six month periods ended June 30, 2008 compared to the same periods in the prior year were primarily related to the impact of the 325 basis point decline in the Federal funds and prime rates that began in September of 2007. The remaining margin declines were associated with higher balances of nonperforming assets. Average earning assets increased $13.4 million to $1.98 billion for the second quarter of 2008 and $23.3 million to $1.98 billion for the six month period ended June 30, 2008 compared to the same periods of the prior year.

During both the three and six month periods, the decrease in the yield on assets exceeded the decrease in the cost of funds and was the primary reason for the decline in the net interest margin.

The yield on earning assets decreased by 135 basis points for the three months ended June 30, 2008 and 113 basis points for the six months ended June 30, 2008 compared to the same periods in the prior year. The short-term interest rate cuts that began in the third quarter of 2007 caused a decrease in the yield on our variable rate loan portfolio and were the primary reason for the decrease in yield on earning assets. Also contributing to the decrease was the impact of rising balances of nonperforming loans throughout 2007 and into 2008 which resulted in a decline of approximately 20 basis points for both the three and six months ended June 30, 2008.

The cost of funds decreased 119 basis points for the three months ended June 30, 2008 and 91 basis points for the six months ended June 30, 2008 compared to the same periods in the prior year. A decrease in the rates paid on our deposit accounts, the rollover of time deposits at lower rates, and the repositioning of other borrowings within the lower rate environment were the primary reasons for the decrease in the cost of funds.

We expect growth in earning assets to be at lower levels than we have experienced in the past due to the generally weak economic conditions in Michigan. The 225 basis point cuts in the Federal funds and prime rates that occurred in the first six months of 2008 are anticipated to have a minimal impact on net interest income over the next twelve months. The Company’s variable rate loan portfolio exceeds the level of variable rate funding, but the fixed rate funding portfolio that reprices over the next twelve months is expected to offset this excess.

The following table shows an analysis of net interest margin for the three-month periods ending June 30, 2008 and 2007.

	For the three months ended June 30,					
	2008			2007		
	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	$ 135,826	$ 1,497	4.41%	$ 148,593	$ 1,644	4.42%
Tax-exempt securities (1)	51,427	543	6.50%	52,105	548	6.48%
Loans(2)	1,771,590	26,934	6.03%	1,733,992	33,105	7.57%
Federal Home Loan Bank stock	12,275	174	5.60%	12,275	123	3.95%
Federal funds sold	9,352	51	2.15%	20,090	263	5.18%
Total interest earning assets (1)	1,980,470	29,199	5.91%	1,967,055	35,683	7.26%
Noninterest earning assets:						
Cash and due from banks	25,940			30,919		
Other	125,569			117,000		
Total assets	$2,131,979			$2,114,974		
Liabilities						
NOWs and MMDAs	$ 605,666	2,218	1.47%	$ 739,338	6,735	3.65%
Savings	45,339	46	0.41%	42,514	61	0.58%
IRAs	43,482	437	4.04%	43,103	513	4.78%
Time deposits	730,445	7,382	4.07%	656,362	7,987	4.88%
Other borrowed funds	310,072	3,379	4.31%	248,549	3,102	4.94%
Long-term debt	41,238	603	5.66%	41,238	860	8.25%
Federal funds borrowed	10,473	47	2.23%	6,548	90	5.44%
Total interest bearing liabilities	1,786,715	14,112	3.16%	1,777,652	19,348	4.35%
Noninterest bearing liabilities:						
Noninterest bearing demand accounts	168,520			164,532		
Other noninterest bearing liabilities	12,515			7,088		
Shareholders' equity	164,229			165,702		
Total liabilities and shareholders' equity	$2,131,979			$2,114,974		
Net interest income		$15,087			$16,335	
Net interest spread (1)			2.75%			2.91%
Net interest margin (1)			3.06%			3.32%
Ratio of average interest earning assets to average interest bearing liabilities	110.84%			110.65%		

(1) Yield adjusted to fully tax equivalent.
(2) Includes non-accrual loans.

The following table shows an analysis of net interest margin for the six-month periods ending June 30, 2008 and 2007.

	For the six months ended June 30,					
	2008			2007		
	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	$ 140,477	$ 3,140	4.47%	$ 149,570	$ 3,308	4.42%
Tax-exempt securities (1)	51,423	1,085	6.49%	52,244	1,100	6.48%
Loans(2)	1,765,774	55,899	6.28%	1,724,251	65,563	7.58%
Federal Home Loan Bank stock	12,275	327	5.27%	12,275	280	4.54%
Federal funds sold	5,679	64	2.23%	13,965	364	5.19%
Total interest earning assets (1)	1,975,628	60,515	6.14%	1,952,305	70,615	7.27%
Noninterest earning assets:						
Cash and due from banks	26,846			31,067		
Other	121,818			113,466		
Total assets	$2,124,292			$2,096,838		
Liabilities						
NOWs and MMDAs	$ 614,114	5,726	1.88%	$ 733,888	13,293	3.66%
Savings	43,150	103	0.48%	41,557	120	0.58%
IRAs	42,853	914	4.29%	42,174	988	4.72%
Time deposits	706,287	15,174	4.32%	667,196	16,133	4.78%
Other borrowed funds	324,363	7,234	4.41%	232,477	5,751	4.92%
Long-term debt	41,238	1,371	6.57%	41,238	1,712	8.26%
Federal funds borrowed	13,726	209	3.02%	8,138	223	5.45%
Total interest bearing liabilities	1,785,731	30,731	3.44%	1,766,668	38,220	4.35%
Noninterest bearing liabilities:						
Noninterest bearing demand accounts	164,523			161,013		
Other noninterest bearing liabilities	9,672			6,117		
Shareholders' equity	164,366			163,040		
Total liabilities and shareholders' equity	$2,124,292			$2,096,838		
Net interest income		$29,784			$32,395	
Net interest spread (1)			2.70%			2.92%
Net interest margin (1)			3.03%			3.33%
Ratio of average interest earning assets to average interest bearing liabilities	110.63%			110.51%		

(1) Yield adjusted to fully tax equivalent.
(2) Includes non-accrual loans.

Provision for Loan Losses: The provision for loan losses for the three and six month periods ended June 30, 2008 was $18.5 million and $21.2 million compared to $965,000 and $1.8 million for the same periods in the prior year. The increase in the provision for loan losses for both the three and six month periods ended June 30, 2008 was primarily the result of higher net charge-offs and additional reserves considered necessary from increasing impaired loan levels. These higher charge-off and reserve requirements are mostly associated with significant declines in the value of collateral securing real estate loans, primarily residential land development.

The ultimate 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 discussion below under Portfolio Loans and Asset Quality.

Noninterest Income: Noninterest income for the three and six month periods ended June 30, 2008 increased to $5.1 million and $10.1 million, respectively, from $4.0 million and $7.8 million for the same periods in the prior year. The increase for both the three and six month periods included approximately $412,000 and $243,000, respectively, of gains on the sale of securities and the termination of certain borrowings. The increase in the six month period included $832,000 of gains realized on the settlement of interest rate swaps which were free standing derivatives carried at fair value. The Company chose to execute each of these transactions to support its shift to a more balanced sensitivity to future interest rate changes. For more information about the interest rate swaps, refer to Note 9 of the Financial Statements. Increases in revenues from deposit services, investment services, ATM and debit card processing were offset by slight declines in trust income for both the three and six month periods ended June 30, 2008.

Noninterest Expense: Noninterest expense for the three and six month periods ended June 30, 2008 increased to $14.5 million and $28.1 million, respectively, from $12.6 million and $24.4 million for the same periods in the prior year. Increases of $530,000 and $1.3 million in salaries and benefits for the three and six month periods primarily related to general staff additions and merit increases since the prior year. Staff additions were in varied positions throughout the Company, including risk management, credit administration and problem asset departments, and selective sales personnel to support growth in deposits and commercial and industrial lending.

The increase in legal and professional fees and the increase of $1.2 million and $1.8 million in other expense for the three and six month periods primarily related to the impact of higher levels of nonperforming assets. Costs associated with nonperforming assets include writedowns of other real estate owned, legal costs, survey and appraisal fees, repossession expenses and disposition and other carrying costs. These costs increased by approximately $1.3 million and $1.6 million for the three and six month periods ended June 30, 2008 compared to the same periods in the prior year. Approximately $1.1 million of the increase for both the three and six month periods ended June 30, 2008 related to writedowns of other real estate owned. FDIC assessments increased by $84,000 and $222,000 for the three and six month periods due to an increase in insurance rates related to higher nonperforming asset levels. The Company was able to manage costs in other areas to offset these increases. We expect efficiency to continue to improve by better utilizing our capacity as we grow. We believe the additional capacity within our branch network will provide future growth opportunities without significant additional costs.

Federal Income Tax Expense (Benefit): The Company’s federal income tax benefit was $4.7 million and $3.7 million for the three and six month periods ended June 30, 2008. This compared to federal income tax expense of $2.2 million and $4.5 million for the same periods in the prior year. The difference between the Company’s financial statement tax expense (benefit) and the amount computed by applying the Company’s statutory federal tax rate of 35% for all periods is primarily due to tax exempt income from bank-owned life insurance and interest on municipal securities.

FINANCIAL CONDITION

Summary: Total assets were $2.11 billion at June 30, 2008, a decrease of $20.3 million from $2.13 billion at December 31, 2007. The decline was primarily from a decrease of $32.1 million in available for sale securities.

Securities Available for Sale: Securities available for sale were $169.4 million at June 30, 2008 compared to $201.5 million at December 31, 2007. The decrease was primarily due to calls and maturities and the sale of approximately $21.7 million of U.S. Government Agency bonds, partially offset by purchases of U.S. Government Agency bonds. The sales of securities helped support the Company's interest in positioning its assets and liabilities to a more balanced sensitivity to interest rates and resulted in gross gains of $412,000.

Portfolio Loans and Asset Quality: Total portfolio loans were $1.75 billion at both June 30, 2008 and December 31, 2007. Growth in residential mortgage loans was offset by declines in commercial and consumer loans. Because of the relatively short duration of our assets, we have viewed the recent improvement in rates on residential mortgage loans as an opportunity to hold more of these higher quality loans in our portfolio. During the first six months of 2008, our residential mortgage loan portfolios increased by $34.6 million, while our commercial and consumer loan portfolios declined $33.8 million and $3.1 million, respectively. The majority of the decline in the commercial portfolio relates to the $25.0 million of net charge-offs recorded during the first six months of 2008 as more fully discussed below under Allowance for Loan Losses.

The slower loan growth in commercial and consumer loans in recent quarters is a reflection of the weak economic conditions in West Michigan and our interest in maintaining the quality of our loan portfolio. In particular, deterioration in residential land development has impacted both asset growth and asset quality.

Commercial and commercial real estate loans still remain our largest loan segment and accounted for approximately 72% and 74% of the total loan portfolio at June 30, 2008 and December 31, 2007. Residential mortgage loans and consumer loans comprised 17% and 11% of total loans at June 30, 2008, and 15% and 11% at December 31, 2007.

A further breakdown of the composition of commercial loans is shown in the table below (in thousands):

	June 30, 2008	December 31, 2007
Construction/Land Development	$ 308,060	$ 335,366
Farmland and Agriculture	23,186	30,371
Nonfarm, Nonresidential	459,676	454,764
Multi-family	29,921	35,381
Total Commercial Real Estate Loans	820,843	855,882
Commercial and Industrial	439,986	438,743
Total Commercial Loans	$ 1,260,829	$ 1,294,625

Loans for the development or sale of 1-4 family residential properties were approximately $228.3 million at June 30, 2008, representing approximately 74% of the construction and land development portfolio. Of this total, approximately $31.8 million was secured by vacant land, $121.3 million was secured by developed residential land and $75.2 million was secured by 1-4 family properties held for speculative purposes. Vacant land is land zoned for residential purposes but with no further development. Developed residential land is land that has been further developed for future residential construction, including but not limited to completed lot surveys, road work, water, sewer and other utility preparation and general land grade. 1-4 family properties held for speculative purposes are on developed residential lots and include completed residential homes or residential homes in the process of construction. The balances of these loan portfolios remained relatively stable compared to December 31, 2007.

Our loan portfolio is reviewed regularly by our senior management, our loan officers, and an internal loan review team that is independent of our loan originators. When reasonable doubt exists concerning collectibility of interest or principal of one of our loans, that loan is placed in non-accrual status. Any interest previously accrued but not collected is reversed and charged against current earnings.

Nonperforming assets are comprised of nonperforming loans, foreclosed assets and repossessed assets. Nonperforming loans include loans on non-accrual status, restructured loans and loans delinquent more than 90 days but still accruing. Foreclosed and repossessed assets include assets acquired in settlement of loans.

As of June 30, 2008, nonperforming loans totaled $78.9 million or 4.51% of total portfolio loans compared to $73.9 million or 4.22% of total portfolio loans at December 31, 2007.

Nonperforming loans for the development or sale of 1-4 family residential properties were approximately $62.8 million or 80% of total non-performing loans at June 30, 2008. Of this total, approximately $2.8 million was secured by vacant land, $43.3 million was secured by developed residential land and $16.7 million was secured by 1-4 family properties held for speculative purposes. The remaining balance of nonperforming loans at June 30, 2008 consisted of a number of commercial loans most of which were on nonaccrual and which we consider to be well collateralized or adequately reserved through the allowance for loan losses.

Foreclosed assets totaled $7.2 million at June 30, 2008 compared to $5.7 million at December 31, 2007. The balance at June 30, 2008 was comprised of a number of real estate properties carried at their fair value less costs to sell.

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

(Dollars in thousands)	June 30, 2008	December 31, 2007
Nonaccrual loans	$ 76,064	$ 70,999
Renegotiated loans	30	38
Loans 90 days past due and still accruing	2,801	2,872
Total nonperforming loans	78,895	73,909
Foreclosed assets	7,225	5,704
Repossessed assets	218	172
Total nonperforming assets	$ 86,338	$ 79,785
Nonperforming loans to total loans	4.51%	4.22%
Nonperforming assets to total assets	4.09%	3.75%

Allowance for Loan Losses: The allowance for loan losses as of June 30, 2008 was $29.6 million or 1.69% of total portfolio loans, compared to $33.4 million or 1.91% of total portfolio loans at December 31, 2007. Net charge-offs for the six months ended June 30, 2008 totaled $25.0 million, an increased of $19.3 million compared to $1.2 million for the same period in 2007. The provision for loan losses increased a corresponding $19.3 million to $21.2 million for the six months ended June 30, 2008 compared to $1.8 million for the same period of the prior year.

The increase in both net charge-offs and the provision for loan losses was largely associated with a significant decline in the value of collateral for the residential land development portfolio. For residential land development loans, cash flow to service the debt is primarily expected from sales of lots and properties securing these loans, which has declined markedly in recent months. Based upon this constantly evolving data, the Company generally lengthened the payback period and increased the discount rate assumptions used as part of the determination of value for these collateral dependent loans. Accordingly, the deterioration in expected cash flows from these resulting adjustments is the primary reason for the significant declines in the value of the real estate securing these loans.

The ratio of net charge-offs to average loans was 2.83% on an annualized basis for the first six months of 2008 compared to 0.13% for the first six months of 2007.

Our allowance for loan losses is maintained at a level considered 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 is comprised of several key elements, which include specific allowances for loans considered impaired, formula allowance for graded loans, general allocations based on historical trends for pools of similar loan types, and under certain circumstances, an unallocated reserve related to current market conditions that are pertinent to certain aspects of the loan portfolio.

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". Impaired loans increased to $126.9 million at June 30, 2008 from $99.0 million at December 31, 2007. The increase in impaired loans is primarily from loans associated with residential land development. Despite the increase in the balance of impaired loans, the reserves associated with impaired loans declined. The specific allowance for impaired loans was $11.6 million at June 30, 2008 and $15.8 million at December 31, 2007. The decline is primarily from the charge-offs recorded on impaired loans during 2008. This was partially offset by reserves established for impaired loans added during the first six months of 2008.

The allowance allocated to commercial loans that are not considered to be impaired is based upon 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 grade assigned to a loan category, the greater the allocation percentage that is applied. Changes in risk grade of loans affect the amount of the allowance allocation. An allowance for these types may be established due to a change in economic conditions and trends for that type. The determination of our loss factors is based upon our actual loss history by loan grade and adjusted for significant factors that, in management's judgment, affect the collectibility of the portfolio as of the analysis date. The commercial loan allowance was $15.5 million at June 30, 2008 compared to $15.3 million at December 31, 2007 and increased primarily from a general migration of loans to a lower risk grade.

Groups of homogeneous loans, such as residential real estate, open- and closed-end consumer loans, etc., receive allowance allocations based on loan type. As with commercial loans, the determination of the allowance allocation percentage includes consideration of historical loss trends based on industry and peer experience as well as our historical loss experience. General economic and business conditions, credit quality and delinquency trends, collateral values, and recent loss experience are considered in connection with allocation factors for these similar pools of loans. The homogeneous loan allowance was $2.5 million at June 30, 2008 compared to $2.3 million at December 31, 2007. The increase was primarily related to an increase in the balance of our mortgage loan portfolio.

Deposits and Other Borrowings: Total deposits increased $80.5 million to $1.60 billion at June 30, 2008 compared to $1.52 billion at December 31, 2007. Of the $80.5 million in deposit growth, approximately $41 million was from deposits generated within our market area, while approximately $39.2 million was from deposits generated through brokers. The growth in deposits within the Company's markets was primarily from certificates of deposits, money market accounts and regular savings accounts, as deposit customers continue to prefer such accounts within the current rate environment. The growth in deposits allowed the Company to reduce its other borrowing levels since the beginning of the year. 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 further growth in our core transaction deposits.

The decrease of $37.8 million in Federal funds purchased and $58.3 million in other borrowed funds was largely related to the growth in deposits discussed above. Of the decrease in other borrowed funds, $38.3 million was due to a decrease in Federal Home Loan Bank advances and $20 million was due to a decrease in borrowings associated with securities sold under agreements to repurchase ("repo borrowings"). The Company terminated $20 million of repo borrowings in 2008 to support its shift to a more balanced sensitivity to future interest rate changes.

CAPITAL RESOURCES AND LIQUIDITY

Capital Resources: Total shareholders' equity declined $10.1 million during the first six months and was $150.6 million at June 30, 2008 compared to $160.6 million at December 31, 2007.

A net loss during the first six months of 2008 of $5.7 million and cash dividends of $4.4 million, or $.26 per share, were the reasons for the decline. The Company has temporarily suspended its cash dividend to augment its capital position at this time.

Our total capital to risk-weighted assets was 10.2% at June 30, 2008 and 10.7% at December 31, 2007. Our Tier 1 Capital as a percent of average assets was 7.7% and 8.3%, respectively at June 30, 2008 and December 31, 2007. Both ratios continue to be maintained at levels in excess of the regulatory minimums for bank holding companies. The ratios declined since the beginning of the year primarily because of the decline in total capital noted above.

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 Reserve Bank of Chicago's discount window, the Federal Home Loan Bank, structured repo borrowings and federal funds purchased lines with our correspondent banks, loan payments by our borrowers, maturities 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., including the Federal funds rate, the prime rate, mortgage rates, U.S. Treasury rates and various money market indexes. As part of our asset/liability management process, we identify and evaluate opportunities to structure our balance sheet to maximize our earnings while balancing our liquidity and interest rate risk within established parameters.

We utilize a simulation model as our primary measurement technique in our interest rate risk management. Our simulation analyses monitors 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 the repricing of cash flows and maturities of interest-sensitive assets and interest-sensitive liabilities at current market rates, prepayment speeds on certain assets, and changes in market conditions impacting loan and deposit pricing. We also assume certain levels of rate sensitivity to changes in market rates of our non-maturing transaction deposits based upon our historical sensitivity under previous interest rate cycles, and we include pricing floors on discretionary priced liability products which limit how low various checking and savings products could go under declining interest rates. These assumptions 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 an immediate shift, or shock, in interest rates under various scenarios, as calculated by discounting the estimated future cash flows using market-based discount rates.

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, 2008 (dollars in thousands).

Interest Rate Scenario	**Economic Value of Equity**	**Percent Change**	**Net Interest Income**	**Percent Change**
Interest rates up 200 basis points	$ 199,338	(9.39)	$ 63,411	3.34%
Interest rates up 100 basis points	212,007	(3.63)	62,423	1.73
No change in interest rates	220,003	--	61,359	--
Interest rates down 100 basis points	219,837	(0.08)	60,498	(1.40)
Interest rates down 200 basis points	216,442	(1.62)	60,281	(1.76)

This analysis suggests that net interest income will stay within a narrow range over the next twelve months under the differing rate scenarios. If interest rates were to rise, this analysis suggests that we are positioned for improvement in net interest income over the next twelve months.

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. As of the end of the period covered by this report, an evaluation was carried out by the Company's management with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded at that time that these disclosure controls and procedures were effective as of the end of the period covered by this report, i.e. June 30, 2008.

As discussed in the Explanatory Note to this Amended Report, however, subsequent to the Original Filing the Company identified that additional provisions for loan losses and write-downs on foreclosed properties were necessary as of June 30, 2008. Management identified the need for the adjustments based upon our review of constantly evolving information regarding our real estate loan portfolio and ongoing evaluation of the underlying collateral. While the factors related to individual loans varied, the magnitude of the adjustment that was considered necessary indicated that our original June 30, 2008 estimate was in error. In general, we believe that the discount factors applied to our collateral valuation estimates were not adequate to recognize the continuing rapid decline in the market value of real estate collateral securing our problem loans. As a result, Management concluded subsequent to the Original Filing that the Company's disclosure controls and procedures were not effective as of June 30, 2008.

Effective October 17, 2008 with the approval of the Company's Audit Committee, Management modified its internal control procedures for determining values on collateral for non-performing loans and foreclosed properties. Management anticipates that such modified internal controls will operate effectively for the remainder of 2008 and for each reporting period thereafter.

(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 claims asserted against the Company and Grand Bank in this action have been settled and dismissed with prejudice.

In May 2003, a purported class action complaint was filed by Forrest W. Jenkins and Russell S. Vail against the Company in the United States District Court for the District of Western Michigan. As amended, this suit alleges that Grand Bank breached escrow agreements and fiduciary duties and violated the Michigan Uniform Securities Act with respect to the investments secured by the purported class in viaticals and in interests in limited partnerships which made loans to Trade Partners secured by viaticals, and with respect to loans made by purported class members directly to Trade Partners. Plaintiffs' motion for class certification was denied in November 2006. The Company has answered this complaint denying the material allegations and raising certain affirmative defenses.

Following denial of class certification in the Jenkins case, nine new cases were filed in several different jurisdictions. These complaints are identical in all material respects other than the identity of the plaintiffs, and are substantially identical to the complaint in the Jenkins litigation. None of these complaints contain class action allegations, but the total number of named plaintiffs in all the nine cases is about 1,400. The cases are: Ronald Ash, et. al. v. Macatawa Bank Corporation, et. al.—filed November 17, 2006 in the District Court for Oklahoma County, Oklahoma, subsequently removed by the Company to the United States District Court for the Western District of Oklahoma; Steven M. Adamson, et. al. v. Macatawa Bank Corporation, et. al.—filed November 15, 2006 in the United States District Court for the Western District of Oklahoma; James Lee Myers et. al. v. Macatawa Bank Corporation, et. al.—filed November 14, 2006 in the Superior Court for Los Angeles County, California, subsequently removed by the Company to the United States District Court for the Central District of California; Frank V. Bailey et. al. v. Macatawa Bank Corporation, et. al.—filed November 29, 2006 in the United States District Court for the Northern District of Texas; Eddie Elkins, et. al. v. Macatawa Bank Corporation—filed January 29, 2007 in the United States District Court for the Western District of Oklahoma; William A. Giese, et. al. v. Macatawa Bank Corporation, et. al.—filed November 17, 2006 in the Circuit Court for Kent County, Michigan; Gerald Abraham, et. al. v. Macatawa Bank Corporation, et. al—filed November 29, 2006 in the Circuit Court for Kent County, Michigan; Jorge Acevedo, et. al. v. Macatawa Bank Corporation, et. al.—filed December 17, 2006 in the Circuit Court for Kent County, Michigan; and Jose Javier Acasuso, et. al. v. Macatawa Bank Corporation, et. al—filed January 17, 2007 in the Circuit Court for Kent County, Michigan.

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 coordinated the payment of premiums on the approximately 1,000 outstanding viaticated insurance policies in the Trade Partners portfolio so that the policies would 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, the receiver unsuccessfully contested a partial lapse totaling about $700,000. In February 2008 the receiver reported that he had discovered that an unspecified number of group policies in an unspecified face amount had apparently lapsed prior to the receivership "for various reasons, including companies that went out of business or employees who had been terminated."

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 received authorization from the Court in July 2005 to sell the entire portfolio, which the receiver said had 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. Under the terms of the sale, payments are to be made by Universal Settlements to the receivership as policy transfers are processed by the issuing insurance companies. The receiver has reported that as of July 15, 2008 he had received sale payments of approximately $39.7 million and proceeds of maturities aggregating another $31.7 million.

The receiver on July 21, 2006 filed a proposed amended plan of distribution and related disclosure statement, contemplating a complete liquidation of the assets of Trade Partners. The plan was approved by the Court on January 7, 2007. The receiver reported as of February 5, 2008 that claims against the receivership estate totaled $169,430,383.85, but that contrary to his earlier reports he now expected that there may be "one or two" additional claims in unspecified amounts that will be filed.

The receiver reported that he commenced distributions on January 19, 2007, and that as of July 15, 2008 $46,940,264 in court-approved claims and settlements had been distributed. There may be additional distributions, but the Company does not know when they might be made or in what amount.

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. Federal Insurance Company 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. Federal Insurance Company notified the Company on July 21, 2006 that it has filed an Arbitration Demand with the American Arbitration Association, seeking a declaration that based upon its asserted coverage defenses its policy does not cover this matter. The Company and Federal Insurance Company have agreed to defer any proceedings with respect to this Arbitration Demand. The Company believes that Federal Insurance Company is obligated to provide coverage, and the Company intends to vigorously pursue its rights under the insurance policy. 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 1A. Risk Factors.

There have been no material changes in the risk factors applicable to the Company from those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On May 17, 2007, the Corporation announced a repurchase plan that authorized share repurchases of up to $30 million of the Corporation's common stock. The Corporation did not repurchase any shares of its common stock in open market under the repurchase plan during the first six months of 2008. The Corporation has remaining authority to repurchase up to $26,103,695 of market value of its common stock under the repurchase plan.

Item 3. Defaults Upon Senior Securities. None.

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

a) The annual meeting of shareholders was held on April 22, 2008, at which the shareholders of Macatawa Bank Corporation voted to elect two directors for a term of three years. The results are as follows:

Director Nominee	For	Withheld
Robert E. DenHerder	15,471,229	283,280
Arend D. Lubbers	15,130,030	624,479

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 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/A for the quarter ended June 30, 2008, 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: October 17, 2008

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/A 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 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: October 17, 2008

/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/A 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 October 17, 2008

/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/A for the quarterly period ended June 30, 2008 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/A for the quarterly period ended June 30, 2008 fairly presents, in all material respects, the financial condition and results of operations of Macatawa Bank Corporation.

Dated: October 17, 2008

/s/ Benj. A. Smith, III

Benj. A. Smith, III
Chief Executive Officer

/s/ Jon W. Swets

Jon W. Swets
Chief Financial Officer