

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

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

For the quarter ended June 30, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 333-45755

MACATAWA BANK CORPORATION

(Exact name of small business issuer as specified in its charter)

MICHIGAN
(State of other jurisdiction of
incorporation or organization)

38-3391345
(I.R.S. Employer
Identification No.)

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

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

Check whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

The number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date: 2,435,125 shares of the Company's Common Stock (no par value) were outstanding as of August 7, 1998.

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

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Part I Financial Information (unaudited)

MACATAWA BANK CORPORATION
 CONSOLIDATED BALANCE SHEETS
 June 30, 1998 (unaudited) and December 31, 1997

<TABLE>

	June 30, 1998	December 31, 1997
	----- (Unaudited)	-----
ASSETS		
<S>		
Cash and due from banks	\$ 3,733,511	\$ 415,120
Federal funds sold	700,000	--
Short-term investments	--	7,000,000
	-----	-----
Cash and cash equivalents	4,433,511	7,415,120
Securities available for sale, at fair value	15,970,575	2,000,400
Total loans	60,374,560	497,704
Allowance for loan losses	(910,000)	(7,500)
	-----	-----
	59,464,560	490,204
Premises and equipment - net	2,502,189	681,807
Accrued interest receivable	672,057	38,532
Organizational costs	58,423	66,139
Other assets	418,183	29,991
	-----	-----
Total Assets	\$ 83,519,498	\$ 10,722,193
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	\$ 10,411,954	\$ 245,812
Interest-bearing	52,208,983	2,466,411
	-----	-----
Total	62,620,937	2,712,223
Accrued expenses and other liabilities	238,802	37,963
	-----	-----
Total liabilities	62,859,739	2,750,186
Shareholders' equity		
Preferred stock, no par value, 500,000 shares authorized; no shares issued and outstanding		
Common stock, no par value, 9,500,000 shares authorized; 2,435,125 and 940,125 shares issued and outstanding as of June 30, 1998, and December 31, 1997, respectively	22,291,163	8,137,268
Retained deficit	(1,611,984)	(165,525)
Net unrealized appreciation (depreciation) on securities available for sale, net of tax	(19,420)	264
	-----	-----
Total shareholders' equity	20,659,759	7,972,007
	-----	-----
Total liabilities and shareholders' equity	\$ 83,519,498	\$ 10,722,193
	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements

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MACATAWA BANK CORPORATION
 CONSOLIDATED STATEMENTS OF INCOME
 Three and six months ended June 30, 1998
 (unaudited)

<TABLE>

	Three Months ended June 30, 1998	Six Months ended June 30, 1998
--	--	--------------------------------------

	(unaudited) <C>	(unaudited) <C>
<S>		
Interest Income		
Loans, including fees	\$ 808,846	\$ 954,357
Securities	365,224	563,185
	-----	-----
Total interest income	1,174,070	1,517,542
Interest expense		
Deposits	446,763	585,107
Other	962	1,001
	-----	-----
Total interest expense	447,725	586,108
Net interest income	726,345	931,434
Provision for loan losses	(702,000)	(902,500)
Net interest income after provision for loan losses	24,345	28,934
Noninterest income	68,272	71,713
Noninterest expense		
Salaries and benefits	616,611	909,009
Occupancy expense of premises	60,999	90,294
Furniture and equipment expense	45,895	75,259
Legal and professional fees	39,122	73,686
Advertising	38,707	65,322
Supplies	51,514	75,988
Other expense	161,020	257,548
	-----	-----
Total noninterest expenses	1,013,868	1,547,106
Loss before federal income tax	(921,251)	(1,446,459)
Federal income tax	0	0
	-----	-----
Net loss	\$ (921,251)	\$ (1,446,459)
	=====	=====
Basic and diluted loss per share	(.39)	(1.26)
Average shares outstanding	2,336,554	1,148,553

</TABLE>

See accompanying notes to consolidated financial statements.

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MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
Six months ended June 30, 1998
(unaudited)

<TABLE>

	Six Months ended June 30, 1998 (Unaudited) <C>
<S>	
Cash flows from operating activities	
Net loss	\$ (1,446,459)
Adjustments to reconcile net loss to net cash from operating activities	
Depreciation and amortization	79,681
Provision for loan losses	902,500
Net change in	
Organizational costs	7,716
Accrued interest receivable and other assets	(1,021,717)
Accrued expenses and other liabilities	210,980

Net cash from operating activities	(1,267,299)
Cash flows from investing activities	
Net increase in loans	(59,876,856)
Purchase of	
Securities available for sale	(16,000,000)
Maturities and calls of securities available for sale	2,000,000
Premises and equipment	(1,900,063)

Net cash from investing activities	(75,776,919)

Cash flows from financing activities

Net increase in deposits	59,908,714
Net proceeds from sale of stock	14,153,895

Net cash from financing activities	74,062,609
Net change in cash and cash equivalents	(2,981,609)
Cash and cash equivalents at beginning of period	7,415,120

Cash and cash equivalents at end of period	\$ 4,433,511
	=====
Supplemental disclosures of cash flow information	
Cash paid during the period for interest	\$ 430,961

</TABLE>

See accompanying notes to consolidated financial statements.

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MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Six months ended June 30, 1998
(Unaudited)

<TABLE>

Total	Common	Retained	Accumulated Other	
Shareholders'	Stock	Deficit	Comprehensive	
Equity			Income	
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 1997	\$ 8,137,268	\$ (165,525)	\$ 264	\$
7,972,007				
Proceeds from sale of stock	\$14,153,895			
14,153,895				
Net loss for six months ended				
June 30, 1998 (unaudited)		(1,446,459)		
(1,446,459)				
Other comprehensive income, net of tax:				
Unrealized gains/losses on securities			(19,684)	
(19,684)				
-----			-----	-----
Other comprehensive income			(19,684)	
(19,684)				
-----			-----	-----
Comprehensive Income				
(1,466,143)				

Balance, June 30, 1998	\$22,291,163	\$ (1,611,984)	\$ (19,420)	
\$20,659,759				
	=====	=====	=====	

</TABLE>

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1998 (unaudited) and December 31, 1997

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month

periods ended June 30, 1998, are not necessarily indicative of the results that may be expected for the year ended December 31, 1998. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Registration Statement on Form SB-2 containing audited financial statements for the period from May 21, 1997 (date of inception), through December 31, 1997.

NOTE 2 COMPUTATION OF EARNINGS PER SHARE

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

NOTE 3 PRINCIPLES OF CONSOLIDATION

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

NOTE 4 INITIAL PUBLIC OFFERING

The Company completed its initial public offering on April 7, 1998. The Company issued 1,495,000 shares of common stock in the initial public offering, resulting in net proceeds to the Company of \$14,153,895, subject to further adjustment based upon the final actual expenses incurred.

NOTE 5 COMPARATIVE DATA

The Company became the bank holding company for Macatawa Bank on February 23, 1998, when all of the Bank's outstanding common stock was converted into all of the outstanding stock of the Company and all of the Bank's shareholders became all of the Company's shareholders. The Bank had commenced its application process for regulatory approval on May 21, 1997, completed its initial sale of common stock on November 7, 1997, and opened for operations on November 25, 1997. Comparable statements of income and cash flows for the comparable periods ended June 30, 1997, have not been presented since the Company had not been incorporated and did not have operations during that period.

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1998 (unaudited) and December 31, 1997

NOTE 6 - SECURITIES

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair

NOTE 6 - SECURITIES				
The amortized cost and fair values of securities were as follows:				
<TABLE>				
Available for Sale				
Values				
<S>	<C>	<C>	<C>	<C>
June 30, 1998 (Unaudited)				
U.S. Treasury securities and obligations of U.S. Government corporation and agencies	\$16,000,000	\$ 0	\$ (29,425)	
\$15,970,575	=====	=====	=====	
=====				
December 31, 1997				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 2,000,000	\$ 400	\$ 0	\$
2,000,400	=====	=====	=====	
=====				
</TABLE>				

Contractual maturities of debt securities at June 30, 1998, were as follows. No held-to-maturity securities existed at June 30, 1998. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<TABLE>

	Amortized Cost	Fair Values
<S>	<C>	<C>
Due from 1999 to 2002	\$8,000,000	\$7,988,800
Due from 2003 to 2007	8,000,000	7,981,775
	-----	-----
	\$16,000,000	\$15,970,575
	=====	=====

</TABLE>

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1998 (unaudited) and December 31, 1997

NOTE 7 - LOANS

Loans are as follows:

	June 30, 1998 (Unaudited)	December 31, 1997
<S>	<C>	<C>
Commercial	\$ 36,975,857	\$ 130,000
Mortgage	14,863,428	207,245
Consumer	8,535,275	160,459
	-----	-----
Allowance for loan losses	60,374,560 (910,000)	497,704 (7,500)
	-----	-----
	\$ 59,464,560	\$ 490,204
	=====	=====

</TABLE>

Activity in the allowance for loan losses is as follows:

	Six months ended June 30, 1998 (Unaudited)	Period from May 21, (date of inception) through December 31, 1997
<S>	<C>	<C>
Balance at beginning of period	\$ 7,500	\$ 0
Provision charged to operating expense	902,500	7,500
	-----	-----
Balance at end of period	\$ 910,000	\$ 7,500
	=====	=====

</TABLE>

(Continued)

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MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1998 (unaudited) and December 31, 1997

NOTE 8 - PREMISES AND EQUIPMENT - NET

Premises and equipment are as follows:

<TABLE>

	Cost	Accumulated Depreciation	Carrying Value
<S>	<C>	<C>	<C>
June 30, 1998 (unaudited)			
Land	\$ 334,401	--	\$ 334,401
Building and improvements	1,071,165	\$ (19,726)	1,051,439
Furniture and equipment	1,182,073	(65,724)	1,116,349
	-----	-----	-----
	\$ 2,587,639	\$ (85,450)	\$ 2,502,189
December 31, 1997			
Building and improvements	\$ 196,761	\$ (1,055)	\$ 195,706
Furniture and equipment	490,815	(4,714)	486,101
	-----	-----	-----
	\$ 687,576	\$ (5,769)	\$ 681,807
	=====	=====	=====

</TABLE>

NOTE 9 - DEPOSITS

Deposits are summarized as follows:

<TABLE>

	June 30, 1998	December 31, 1997
<S>	<C>	<C>
Noninterest-bearing demand deposit accounts	\$10,411,954	\$ 245,812
Money market accounts	28,189,692	1,173,742
NOW and Super NOW accounts	8,984,123	628,653
Savings accounts	2,829,834	146,973
Certificates of deposit	12,205,334	517,043
	-----	-----
	\$62,620,937	\$ 2,712,223
	=====	=====

</TABLE>

(Continued)

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

General

Macatawa Bank Corporation (the "Company") is a Michigan corporation and is the bank holding company for Macatawa Bank (the "Bank"). The Bank commenced operations on November 25, 1997. The Bank is a Michigan chartered bank with depository accounts insured by the Federal Deposit Insurance Corporation. The Bank provides a full range of commercial and consumer banking services, primarily in the communities of Holland and Zeeland, Michigan, as well as the surrounding market area primarily located in Ottawa County, Michigan.

The Company's initial plan of operation was to establish its management team within the first few months of its operations. Management believes that it has been successful in establishing its management team and that it can administer the Company's growth for the next two to three years, with the addition of branch managers, tellers and other staff personnel at any new branches that are opened. Management believes that it will hire approximately eight full time equivalent employees for each additional branch that is opened.

The Company's plan of operation also includes seeking out and considering locations for additional branches in its market area. Management believes that multiple branches make the Bank more convenient to its customers and assist the Bank in attracting additional depositors and borrowers. The Bank has five office locations: downtown Zeeland, downtown Holland, Maple Avenue in Holland, Jenison and temporary facilities in Allendale.

The Bank has purchased undeveloped real estate in Allendale, Michigan, where the Bank intends to build a branch. In addition, the Bank has purchased real estate and has agreed to purchase an adjacent parcel located at the corner of Washington and State Streets in Zeeland, Michigan, where the Bank proposes to build a full service branch office, subject to the receipt of the necessary regulatory approvals. The Bank has also purchased undeveloped real estate located at 26 Lakewood Boulevard in Holland, Michigan, where the Bank proposes to open a branch office, subject to receipt of the necessary zoning and regulatory approvals. The Bank has leased undeveloped real estate located at 16th Street and Waverly in Holland, Michigan, where the Bank has begun building a full service branch office, subject to receipt of the necessary zoning and regulatory approvals.

Financial Condition

Total assets of the Company increased by \$72,797,305 or 679% to \$83,519,498 at June 30, 1998, from \$10,722,193 at December 31, 1997. The increase in assets is primarily attributable to the Bank continuing to attract customer deposits and then lending and otherwise investing these funds. The second quarter of 1998 was the Company's second full quarter of operations, and the number of deposit accounts increased from 465 at December 31, 1997, to more than 7,500 deposit accounts at June 30, 1998. In addition, the Company completed an initial public offering of common stock on April 7, 1998, which resulted in net proceeds to the Company of \$14,153,895 and an increase in total assets. The Company anticipates that the Bank's assets will continue to increase during 1998, which will be the Bank's first full year of operations. However, there can be no assurance that the rate of increase will be as rapid as it was during the first six months of 1998.

Cash and cash equivalents, which includes federal funds sold and short-term investments, decreased \$2,981,609 or 40.2% to \$4,433,511 at June 30, 1998, from \$7,415,120 at December 31, 1997. The decrease is the result of the increase in the investment and loan portfolios since December 31, 1997.

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Securities available for sale increased \$13,970,175 or 698.4% to \$15,970,575 at June 30, 1998 from \$2,000,400 at December 31, 1997. The increase is the result of the investment of customer deposits that have been obtained since December 31, 1997.

The allowance for loan losses as of June 30, 1998 was \$910,000, representing approximately 1.5% of gross loans outstanding, compared to \$7,500 at December 31, 1997. Macatawa Bank has not experienced any credit losses as of June 30, 1998.

Bank premises and equipment increased by \$1,820,382 or 267.0% to \$2,502,189 at June 30, 1998 from \$681,807 at December 31, 1997. The increase resulted from the purchase of the Jenison branch office and the purchase of the real estate for the proposed Zeeland branch office, as well as additional furniture, fixtures and equipment necessary to operate the Bank branches.

Other assets increased by \$388,192 from \$29,991 at December 31, 1997, to \$418,183 at June 30, 1998. This increase is a result of costs incurred for future branch sites.

Deposits increased by \$59,908,714 to \$62,620,937 at June 30, 1998, from \$2,712,223 at December 31, 1997. This was primarily as a result of deposits being obtained from new customers of the Bank.

Results of Operations

The net loss for the three month and six month periods ended June 30, 1998, was \$921,251 and \$1,446,459, respectively. As of December 31, 1997, the Company had a retained deficit of \$165,525, and as of March 31, 1998, the Company had a retained deficit of \$1,611,984. The retained deficit and net losses are primarily the result of provisions for loan losses, wages paid to employees, and fees and expenses incurred in forming the Company and applying for regulatory approval for the Bank's existing and proposed branches. Management believes that the Company will generate a net loss for 1998 as a result of loan loss reserves and expenditures made to build its management team and open its main office and branch facilities, together with the time needed to more effectively utilize its capital and generate loan interest and fee income by making additional loans. Management believes that the expenditures made in 1997 and 1998 will create the infrastructure and lay the foundation for future growth and profitability in subsequent years.

Interest income for the three month and six month periods ended June 30, 1998 was \$1,174,070 and \$1,517,542 respectively, related to interest income on securities, loans, and interest earning deposits. Interest expense was \$447,725 and \$586,108 for the three month and six month periods ended June 30, 1998, respectively, related to interest incurred on interest bearing deposits.

The Company has an allowance for loan losses of approximately 1.5% of total loans at June 30, 1998. The provision for loan losses for the three month and six month periods ended June 30, 1998 was \$702,000 and \$902,500, respectively. This amount was provided as a result of the increase in the total loan portfolio. Management believes the current loan loss reserve is adequate.

The main components of non-interest expense were primarily salaries and benefits. Non-interest expense for the three month and six month periods ended June 30, 1998 was \$1,013,868 and \$1,547,106, respectively. Other significant components of non-interest expense consisted of occupancy and equipment expenses, legal and accounting fees, marketing expenses, insurance and supplies.

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Liquidity and Capital Resources

The Company obtained its initial equity capital in a private placement by

the Bank to investors in November, 1997. The Company raised additional equity capital in its initial public offering completed April 7, 1998, which resulted in net proceeds of \$14,153,895. The Company's plan of operation for the next twelve months does not contemplate the need to raise additional capital during that period. Management believes that its current capital and liquidity will provide the Company with adequate capital to support its expected level of deposit and loan growth and to otherwise meet its cash and capital requirements for at least the next two or three years.

Year 2000 Compliance

Because many computerized systems use only two digits to record the year in date fields (for example, the year 1998 is recorded as 98), such systems may not be able to accurately process dates ending in the year 2000 and after. The effects of the issue will vary from system to system and may adversely affect the ability of a financial institution's operations as well as its ability to prepare financial statements. The Company and the Bank were organized in 1997 and the Company acquired its computer equipment within the past twelve months and has contracted with a leading supplier of information processing services. The Company has an internal task force to assess year 2000 compliance by the Company and its vendors. In addition, the Bank asks commercial borrowers about year 2000 compliance as part of the loan application and review process. Management does not anticipate that the Company will incur material operating expenses or be required to invest heavily in computer system improvements to be year 2000 compliant. Nevertheless, the inability of the Company to successfully address year 2000 issues could result in interruptions in the Company's business and have a material adverse effect on the Company's results of operations.

Recent Regulatory Developments

Various bills have been introduced in the Congress that would allow bank holding companies to engage in a wider range of nonbanking activities, including greater authority to engage in securities and insurance activities. While the scope of permissible nonbanking activities and the conditions under which the new powers could be exercised varies among the bills, the expanded powers generally would be available to a bank holding company only if the bank holding company and its bank subsidiaries remain well-capitalized and well-managed. The bills also impose various restrictions on transactions between the depository institution subsidiaries of bank holding companies and their non-bank affiliates. These restrictions are intended to protect the depository institutions from the risks of the new nonbanking activities permitted to such affiliates. At this time, the Company is unable to predict whether any of the pending bills will be enacted and, therefore, is unable to predict the impact such legislation may have on the operations of the Company and the Bank.

Forward Looking Statements

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995, and is including this statement for purposes of these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations and future prospects of the Company and the subsidiaries include, but are not limited to, changes in: interest rates,

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general economic conditions, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Company's market area and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

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

(a) Exhibits -

27 Financial Data Schedule
(EDGAR version only)

(b) Reports on Form 8K - None.

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Quarterly Report on Form 10-QSB for the quarter ended June 30, 1998, to be signed on its behalf by the undersigned, thereunto duly authorized.

MACATAWA BANK CORPORATION

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

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

DATE: August 13, 1998

<TABLE> <S> <C>

<ARTICLE>

9

<LEGEND>

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

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