

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
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FORM 10-QSB

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

For the quarter ended September 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

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Check whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  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 November 13, 1998.

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

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| MACATAWA BANK CORPORATION<br>CONSOLIDATED BALANCE SHEETS<br>September 30, 1998 (unaudited) and December 31, 1997   |  |                                      |
|--|--|--------------------------------------|
|  | September 30,<br>1998<br>-----<br>(Unaudited)<br><C> | December 31,<br>1997<br>-----<br><C> |
| <b>&lt;S&gt;</b>   |  |                                      |
| <b>ASSETS</b>  |  |                                      |
| Cash and due from banks  | \$ 7,204,399   | \$ 415,120                           |
| Federal funds sold   | 8,700,000  | --                                   |
| Short-term investments   | --   | 7,000,000                            |
|  | -----  | -----                                |
| Cash and cash equivalents  | 15,904,399   | 7,415,120                            |
| Securities available for sale, at fair value   | 19,124,900   | 2,000,400                            |
| Total loans  | 102,099,185  | 497,704                              |
| Allowance for loan losses  | (1,530,000)  | (7,500)                              |
|  | -----  | -----                                |
|  | 100,569,185  | 490,204                              |
| Premises and equipment - net   | 5,123,762  | 681,807                              |
| Accrued interest receivable  | 834,392  | 38,532                               |
| Organizational costs   | 41,337   | 66,139                               |
| Other assets   | 156,815  | 29,991                               |
|  | -----  | -----                                |
| <b>Total Assets</b>  | <b>\$141,754,790</b>                                 | <b>\$10,722,193</b>                  |
|  | =====  | =====                                |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |  |                                      |
| Deposits   |  |                                      |
| Noninterest-bearing  | \$ 14,138,860  | \$ 245,812                           |
| Interest-bearing   | 106,783,392  | 2,466,411                            |
|  | -----  | -----                                |
| <b>Total</b>   | <b>120,922,252</b>                                   | <b>2,712,223</b>                     |
| Accrued expenses and other liabilities   | 755,270  | 37,963                               |
|  | -----  | -----                                |
| <b>Total liabilities</b>   | <b>121,677,522</b>                                   | <b>2,750,186</b>                     |
| 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 September 30, 1998, and December 31, 1997, respectively | 22,260,646   | 8,137,268                            |
| Retained deficit   | (2,265,812)  | (165,525)                            |
| Net unrealized appreciation (depreciation) on securities available for sale, net of tax  | 82,434   | 264                                  |
|  | -----  | -----                                |
| <b>Total shareholders' equity</b>  | <b>20,077,268</b>                                    | <b>7,972,007</b>                     |
|  | -----  | -----                                |
| <b>Total liabilities and shareholders' equity</b>  | <b>\$141,754,790</b>                                 | <b>\$10,722,193</b>                  |
|  | =====  | =====                                |

&lt;/TABLE&gt;

See accompanying notes to consolidated financial statements

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| MACATAWA BANK CORPORATION<br>CONSOLIDATED STATEMENTS OF INCOME<br>Three and nine months ended September 30, 1998<br>(unaudited) |  |  |
|---|--|--|
|   | Three Months<br>ended<br>September 30, 1998<br>-----<br>(unaudited)<br><C> | Nine<br>Months ended<br>September 30,<br>-----<br>(unaudited)<br><C> |
| <b>&lt;S&gt;</b>  |  |  |
| <b>Interest Income</b>  |  |  |
| Loans, including fees   | \$ 1,776,575   | \$2,730,932  |
| Investments   | 424,631  | 987,816  |

|   |              |                |
|---|--------------|----------------|
| Total interest income                               | 2,201,206    | 3,718,748      |
| Interest expense                                    |              |                |
| Deposits  | 1,054,017    | 1,639,124      |
| Other   | 0            | 1,001          |
| Total interest expense                              | 1,054,017    | 1,640,125      |
| Net interest income                                 | 1,147,189    | 2,078,623      |
| Provision for loan losses                           | (620,000)    | (1,522,500)    |
| Net interest income after provision for loan losses | 527,189      | 556,123        |
| Noninterest income                                  | 220,537      | 292,250        |
| Noninterest expense                                 |              |                |
| Salaries and benefits                               | 778,798      | 1,687,802      |
| Occupancy expense of premises                       | 93,385       | 183,679        |
| Furniture and equipment expense                     | 76,543       | 151,802        |
| Legal and professional fees                         | 59,654       | 133,340        |
| Advertising   | 66,535       | 131,857        |
| Supplies  | 69,306       | 145,294        |
| Other expense                                       | 257,338      | 514,886        |
| Total noninterest expenses                          | 1,401,554    | 2,948,660      |
| Loss before federal income tax                      | (653,828)    | (2,100,287)    |
| Federal income tax                                  | 0            | 0              |
| Net loss  | \$ (653,828) | \$ (2,100,287) |
| Basic and diluted loss per share                    | (.27)        | (1.10)         |
| Average shares outstanding                          | 2,435,125    | 1,909,411      |

See accompanying notes to consolidated financial statements.

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<TABLE>

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

|   | Nine Months<br>ended<br>September 30, 1998<br>(Unaudited) |
|---|---|
| <S>   | <C>   |
| Cash flows from operating activities                                    |   |
| Net loss  | \$ (2,100,287)  |
| Adjustments to reconcile net loss to net cash from operating activities |   |
| Depreciation and amortization   | 161,226   |
| Provision for loan losses   | 1,522,500   |
| Net change in   |   |
| Organizational costs  | 24,802  |
| Accrued interest receivable and other assets                            | (922,684)   |
| Accrued expenses and other liabilities                                  | 674,980   |
| Net cash from operating activities                                      | 639,463   |
| Cash flows from investing activities                                    |   |
| Net increase in loans   | (101,601,481)   |
| Purchase of   |   |
| Securities available for sale   | (21,000,000)  |
| Maturities and calls of securities available for sale                   | 4,000,000   |
| Premises and equipment  | (4,603,184)   |
| Net cash from investing activities                                      | (123,204,665)   |
| Cash flows from financing activities                                    |   |
| Net increase in deposits  | 118,210,029   |
| Net proceeds from sale of stock   | 14,123,378  |
| Net cash from financing activities                                      | 132,333,407   |
| Net change in cash and cash equivalents                                 | 8,489,279   |

|   |               |
|---|---------------|
| Cash and cash equivalents at beginning of period  | 7,415,120     |
|   | -----         |
| Cash and cash equivalents at end of period        | \$ 15,904,399 |
|   | =====         |
| Supplemental disclosures of cash flow information |               |
| Cash paid during the period for interest          | \$ 1,264,719  |

See accompanying notes to consolidated financial statements.

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<TABLE>

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

|  | Common<br>Stock | Retained<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income | Total<br>Shareholders'<br>Equity |
|--|-----------------|---------------------|---|----------------------------------|
| <S>  | <C>             | <C>                 | <C>   | <C>                              |
| Balance, December 31, 1997                                       | \$ 8,137,268    | \$ (165,525)        | \$ 264  | \$ 7,972,007                     |
| Net proceeds from sale of stock                                  | \$14,123,378    |                     |   | 14,123,378                       |
| Net loss for nine months ended<br>September 30, 1998 (unaudited) |                 | (2,100,287)         |   | (2,100,287)                      |
| Other comprehensive income,<br>net of tax:                       |                 |                     |   |                                  |
| Unrealized gains/losses on<br>securities                         |                 |                     | 82,170  | 82,170                           |
| Other comprehensive income                                       |                 |                     | 82,170  | 82,170                           |
| Comprehensive Income   |                 |                     |   | (1,466,143)                      |
| Balance, September 30, 1998                                      | \$22,260,646    | \$ (2,265,812)      | \$ 82,434                                       | \$20,077,268                     |

</TABLE>

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MACATAWA BANK CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 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 nine month periods ended September 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 \$14,123,378. Invoices relating to the offering paid in the third quarter totalled \$30,517.

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 September 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  
 September 30, 1998 (unaudited) and December 31, 1997

NOTE 6 - SECURITIES

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

|   | Amortized<br>Cost     | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Values        |
|---|-----------------------|------------------------------|-------------------------------|-----------------------|
| <S>   | <C>                   | <C>                          | <C>                           | <C>                   |
| Available for Sale  |                       |                              |                               |                       |
| September 30, 1998 (Unaudited)  |                       |                              |                               |                       |
| U.S. Treasury securities and obligations of U.S. Government corporation and agencies  | \$19,000,000<br>===== | \$124,900<br>=====           | \$ 0<br>=====                 | \$19,124,900<br>===== |
| December 31, 1997   |                       |                              |                               |                       |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | \$ 2,000,000<br>===== | \$ 400<br>=====              | \$ 0<br>=====                 | \$ 2,000,400<br>===== |

</TABLE>

Contractual maturities of debt securities at September 30, 1998, were as follows. No held-to-maturity securities existed at September 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>

|                       | Available-for-Sale Securities  |                                |
|-----------------------|--------------------------------|--------------------------------|
|                       | Amortized<br>Cost              | Fair<br>Values                 |
| <S>                   | <C>                            | <C>                            |
| Due from 1999 to 2002 | \$ 8,000,000                   | \$ 8,033,600                   |
| Due from 2003 to 2007 | 11,000,000                     | 11,091,300                     |
|                       | -----<br>\$19,000,000<br>===== | -----<br>\$19,124,900<br>===== |

</TABLE>

(Continued)

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

NOTE 7 - LOANS

Loans are as follows:

<TABLE>

|                       |                      |
|-----------------------|----------------------|
| September 30,<br>1998 | December 31,<br>1997 |
|-----------------------|----------------------|

|                           | (Unaudited)   |            |
|---------------------------|---------------|------------|
| <S>                       | <C>           | <C>        |
| Commercial                | \$66,375,403  | \$ 130,000 |
| Mortgage                  | 21,485,753    | 207,245    |
| Consumer                  | 14,238,029    | 160,459    |
|                           | -----         | -----      |
|                           | 102,099,185   | 497,704    |
| Allowance for loan losses | (1,530,000)   | (7,500)    |
|                           | -----         | -----      |
|                           | \$100,569,185 | \$ 490,204 |
|                           | =====         | =====      |

</TABLE>

Activity in the allowance for loan losses is as follows:

|  | Nine months ended September 30, 1998 | Period from May 21, (date of inception) through December 31, 1997 |
|--|--------------------------------------|---|
| <S>                                    | (Unaudited)                          | <C>   |
| <C>                                    | <C>                                  | <C>   |
| Balance at beginning of period         | \$ 7,500                             | \$ 0  |
| Provision charged to operating expense | 1,522,500                            | 7,500   |
|  | -----                                | -----   |
| Balance at end of period               | \$ 1,530,000                         | \$ 7,500  |
|  | =====                                | =====   |

</TABLE>

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(Continued)

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

NOTE 8 - PREMISES AND EQUIPMENT - NET

Premises and equipment are as follows:

| <S>                            | Cost         | Accumulated Depreciation | Carrying Value |
|--------------------------------|--------------|--------------------------|----------------|
| <C>                            | <C>          | <C>                      | <C>            |
| September 30, 1998 (unaudited) |              |                          |                |
| Land                           | \$ 779,822   |                          | \$ 779,822     |
| Building and improvements      | 1,492,715    | \$ (42,733)              | 1,449,982      |
| Furniture and equipment        | 1,617,723    | (124,264)                | 1,493,459      |
| Construction in progress       | \$ 1,400,499 |                          | 1,400,499      |
|                                | -----        | -----                    | -----          |
|                                | \$ 5,290,759 | \$ (166,997)             | \$ 5,123,762   |
| 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:

|   | September 30, 1998 | December 31, 1997 |
|---|--------------------|-------------------|
| <S>   | <C>                | <C>               |
| Noninterest-bearing demand deposit accounts | \$ 15,061,734      | \$ 245,812        |
| Money market accounts                       | 51,963,298         | 1,173,742         |
| NOW and Super NOW accounts                  | 13,561,098         | 628,653           |
| Savings accounts                            | 4,917,268          | 146,973           |
| Certificates of deposit                     | 36,341,728         | 517,043           |
|   | -----              | -----             |
|   | \$121,845,126      | \$2,712,223       |
|   | =====              | =====             |

</TABLE>

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 seven full service branch office locations: downtown Zeeland, downtown Holland, Maple Avenue in Holland, Butternut Drive in Holland, 16th Street in Holland, Jenison and temporary facilities in Allendale. In addition, the Bank has a commercial lending, administration and operations center at 250 E. 8th Street, Holland, Michigan. The Bank also has a loan production office at 348 Waverly Road, Holland, Michigan.

The Bank has purchased real estate in Allendale, Michigan, and is building a permanent branch facility. In addition, the Bank has purchased real estate located at the corner of Washington and State Streets in Zeeland, Michigan, where the Bank is building a full service branch office. Both of these offices are expected to open during the fourth quarter of 1998.

Financial Condition

Total assets of the Company increased by \$131,032,597 to \$141,754,790 at September 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 third quarter of 1998 was the Company's third full quarter of operations, and the number of deposit accounts increased from 465 at December 31, 1997, to more than 10,000 deposit accounts at September 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 \$14,123,378. 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, management does not believe that the rate of increase will be as rapid as it was during the first nine months of 1998.

Cash and cash equivalents, which includes federal funds sold and short-term investments, increased \$8,489,279 or 114% to \$15,904,399 at September 30, 1998, from \$7,415,120 at December 31, 1997. The increase is primarily the result of deposit growth since December 31, 1997.

Securities available for sale increased \$17,124,500 to \$19,124,900 at September 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.

Total loans increased by \$101,601,481 to \$102,099,185 at September 30, 1998 from \$497,704 at December 31, 1997. While management believes that total loans will continue to increase, the rate of increase in the future will be substantially less than the rate of increase during the Company's first year of operations.

The allowance for loan losses as of September 30, 1998 was \$1,530,000 representing approximately 1.5% of gross loans outstanding, compared to \$7,500 at December 31, 1997. Macatawa Bank has not experienced any material credit losses as of September 30, 1998.

Bank premises and equipment increased by \$4,441,955 to \$5,123,762 at September 30, 1998 from \$681,807 at December 31, 1997. The increase resulted from the purchase of the Jenison branch and Butternut Drive branch office in Holland, the purchase of the real estate for the proposed Zeeland and Allendale branch offices, and construction in progress, as well as additional furniture, fixtures and equipment necessary to operate the Bank branches.

Deposits increased by \$118,210,029 to \$120,922,252 at September 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 nine month periods ended September 30, 1998, was \$653,828 and \$2,100,287, respectively. As of December 31, 1997, the Company had a retained deficit of \$165,525, and as of September 30, 1998, the Company had a retained deficit of \$2,265,812. 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 also contributed to the retained deficit and net losses. 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 nine month periods ended September 30, 1998 was \$2,201,206 and \$3,718,748, respectively, related to interest income on securities, loans, and interest earning deposits. Interest expense was \$1,054,017 and \$1,640,125 for the three month and nine month periods ended September 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 September 30, 1998. The provision for loan losses for the three month and nine month periods ended September 30, 1998 was \$620,000 and \$1,522,500, 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 nine month periods ended September 30, 1998 was \$1,401,554 and \$2,948,660, respectively. Other significant components of non-interest expense consisted of occupancy and equipment expenses, legal and accounting fees, marketing expenses, insurance and supplies.

#### 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

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April 7, 1998, which resulted in net proceeds of \$14,123,378. Given the rapid growth of the bank, additional equity capital may be required within the next year.

#### 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, its vendors, and major deposit customers. 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, 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

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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.

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#### PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

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

(a) Exhibits -

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 September 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: November 13, 1998

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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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| <PERIOD-END>                   | SEP-30-1998 |
| <CASH>                         | 7,204,399   |
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| <OTHER-SE>                     | (2,183,378) |
| <TOTAL-LIABILITIES-AND-EQUITY> | 141,754,790 |
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| <EPS-DILUTED>                  | (1.10)      |
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