

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended September 30, 1999

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 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 issuer's classes of common stock, as of the latest practicable date: 3,588,565 shares of the Company's Common Stock (no par value) were outstanding as of November 8, 1999.

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

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Part I Financial Information

MACATAWA BANK CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

As of September 30, 1999 (unaudited) and December 31, 1998

	September 30,	December
	1999	1998
	(Unaudited)	
	<C>	<C>

<TABLE>		
31,		

<S>		
ASSETS		
Cash and due from banks	\$ 16,236,405	\$
11,453,177		
Federal funds sold	--	
--		
Short-term investments	--	
6,500,000		

Cash and cash equivalents	16,236,405	
17,953,177		
Securities available for sale, at fair value	23,799,160	
27,007,300		
Other securities	2,312,000	
--		
Total loans	252,075,971	
137,882,260		
Allowance for loan losses	(3,525,779)	
(2,030,000)		

	248,550,192	
135,852,260		
Premises and equipment - net	9,160,016	
7,125,755		
Accrued interest receivable	1,594,683	
1,226,199		
Other assets	422,475	
63,982		

Total Assets	\$302,074,931	
\$189,228,673		
=====		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	\$ 27,584,998	
\$18,517,550		
Interest-bearing	215,670,159	
148,471,125		

Total	243,255,157	
166,988,675		
Federal funds purchased	3,500,000	
2,000,000		
Federal Home Loan Bank Borrowings	20,000,000	
--		
Accrued expenses and other liabilities	1,086,700	
628,610		

Total liabilities	267,841,857	
169,617,285		
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; 3,588,565 and		

2,435,125 shares issued and outstanding as of September 30, 1999 and December 31, 1998, respectively	36,882,916
22,260,646	
Retained deficit	(2,385,898)
(2,654,076)	
Net unrealized appreciation (depreciation) on securities available for sale, net of tax	(263,944)
4,818	
----	-----
Total shareholders' equity	34,233,074
19,611,388	
----	-----
Total liabilities and shareholders' equity	\$302,074,931
\$189,228,673	
	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements

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MACATAWA BANK CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Three Month Periods Ended September 30, 1999 and September 30, 1998

Nine Month Periods Ended September 30, 1999 and September 30, 1998

(unaudited)

	Three Months ended September 30, 1999	Three Months ended September 30, 1998	Nine Months ended September 30, 1999	Nine Months ended September 30,
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<C>	<C>	<C>	<C>
1998				
-----	-----	-----	-----	-----
(unaudited)				
<S>				
Interest Income				
Loans, including fees	\$5,020,299	\$1,776,575	\$12,588,440	2,730,932
Investments	455,142	424,631	1,185,375	987,816
	-----	-----	-----	-----
Total interest income	5,475,441	2,201,206	13,773,815	3,718,748
Interest expense				
Deposits	2,325,063	1,054,017	6,084,420	1,639,124
Other	224,727	0	408,963	1,001
	-----	-----	-----	-----
Total interest expense	2,549,790	1,054,017	6,493,383	1,640,125
Net interest income	2,925,651	1,147,189	7,280,432	2,078,623
Provision for loan losses	(505,000)	(620,000)	(1,500,000)	(1,522,500)
Net interest income after provision for loan losses	2,420,651	527,189	5,780,432	556,123
Noninterest income	367,832	220,537	1,119,557	292,250
Noninterest expense				
Salaries and benefits	1,450,136	778,793	3,797,591	1,687,802
Occupancy expense of premises	232,483	93,385	574,663	183,679
Furniture and equipment expense	232,391	76,543	531,672	151,802
Legal and professional fees	33,405	59,654	101,894	133,340
Advertising	68,308	66,535	183,436	131,857
Data Processing	54,981	24,980	141,822	51,267
Shareholder Services	2,889	0	72,668	0
Supplies	93,475	69,306	243,142	145,294
Other expense	319,244	232,358	984,923	463,619
	-----	-----	-----	-----
Total noninterest expenses	2,487,312	1,401,554	6,631,811	2,948,660
Income/(Loss) before federal income tax	301,171	(658,828)	268,178	(2,100,287)
Federal income tax	0	0	0	0
	-----	-----	-----	-----
Net income/(loss)	\$ 301,171	\$ (658,828)	\$ 268,178	\$ (2,100,287)
	=====	=====	=====	=====

Basic and diluted income/(loss) per share (1.10)	.08	(.27)	.09	
Average shares outstanding </TABLE>	3,588,565	2,435,125	2,937,907	1,909,411

See accompanying notes to condensed consolidated financial statements.

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MACATAWA BANK CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Nine Month Periods Ended September 30, 1999 and September 30, 1998
(unaudited)

Months		Nine Months ended September 30, 1999	Nine ended September
		-----	-----
		(Unaudited)	
		<C>	<C>
Cash flows from operating activities			
Net Income		\$ 268,178	\$
(2,100,287)			
Adjustments to reconcile net loss to net cash from operating activities			
Depreciation and amortization		511,376	
161,226			
Provision for loan losses		1,500,000	
1,522,500			
Net change in			
Accrued interest receivable and other assets		(726,977)	
(897,882)			
Accrued expenses and other liabilities		596,534	
674,980		-----	-----

Net cash from operating activities		2,149,111	
639,463			
Purchase of Cash flows from investing activities			
Net increase in loans		(114,197,932)	
(101,601,481)			
Purchase of Federal Home Loan Bank Stock		(2,312,000)	
-			
Purchases of Securities available for sale		(12,199,066)	
(21,000,000)			
Proceeds from Maturities and calls of securities available for sale		15,000,000	4,000,000
Purchases of Premises and equipment		(2,545,637)	
(4,603,184)		-----	-----

Net cash from investing activities		(116,254,635)	
(123,204,665)			
Cash flows from financing activities			
Net increase in deposits		76,266,482	
118,210,029			
Net increase in short term borrowings		1,500,000	
-			
Proceeds from Federal Home Loan Bank borrowings		20,000,000	
-			
Net proceeds from sale of stock		14,622,270	
14,123,378		-----	-----

Net cash from financing activities		112,388,752	
132,333,407			
Net change in cash and cash equivalents		(1,716,772)	
8,489,279			
Cash and cash equivalents at beginning of period		17,953,177	
7,415,120		-----	-----

Cash and cash equivalents at end of period \$16,236,405
 \$15,904,399

Supplemental disclosures of cash flow information
 Cash paid during the period for interest \$ 6,015,062 \$
 1,264,719

</TABLE>

See accompanying notes to condensed consolidated financial statements.

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MACATAWA BANK CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Nine Month Periods Ended September 30, 1999 (Unaudited) and September 30, 1998

<TABLE>

	Common Stock	Retained Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
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 September 30, 1998 (unaudited)		(2,100,287)		(2,100,287)
Other comprehensive income, net of tax: Unrealized gains/losses on securities			82,170	82,170
Other comprehensive income				
Comprehensive loss				(2,018,117)
Balance, September 30, 1998	\$ 22,260,646	\$ (2,265,812)	\$ 82,434	\$ 20,077,268

	Common Stock	Retained Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 1998	\$ 22,260,646	\$ (2,654,076)	\$ 4,818	\$ 19,611,388
Net proceeds from sale of Stock	14,622,270			14,622,270
Net income for nine months ended September 30, 1999 (unaudited)		268,178		268,178
Other comprehensive income, net of tax: Unrealized gains/losses on securities Other comprehensive income			(268,762)	(268,762)
Comprehensive loss				(584)
Balance, September 30, 1999	\$ 36,882,916	\$ (2,385,898)	\$ (263,944)	\$ 34,233,074

</TABLE>

See accompanying notes to condensed consolidated financial statements.

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MACATAWA BANK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 nine month period ended September 30, 1999, are not necessarily indicative of the results that may be expected for the year ended December 31, 1999. For further information, refer to the consolidated financial statements and footnotes thereto included in the

Company's Proxy Statement dated March 5, 1999, containing financial statements for the year ended December 31, 1998.

NOTE 2 COMPUTATION OF EARNINGS PER SHARE

Basic and diluted 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 condensed 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 AND SUBSEQUENT 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. Pursuant to a prospectus dated April 30, 1999, the Company offered for sale up to 1,200,000 shares to its existing shareholders at a purchase price of \$12.75 per share. The purpose of the offering was to strengthen the Company's capital position in anticipation of future growth. The Company issued 1,153,440 shares in the offering, resulting in net proceeds of \$14,622,270. Invoices related to the offering paid in the third quarter totaled \$14,161.

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. The Company's first full year of operation was 1998 and therefore the financial results for the period ended September 30, 1998 differs substantially from the financial results for the period ended September 30, 1999.

MACATAWA BANK CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - SECURITIES

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

Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
<S>	<C>	<C>	<C>	<C>
September 30, 1999 (Unaudited)				
U.S. Treasury securities and \$23,600,091 obligations of U.S. Government corporation and agencies	\$24,000,000	\$ 1,880	\$ (401,789)	
Tax Exempt Municipal Bonds 199,069	199,069	0	0	

Total Securities	\$24,199,069	\$ 1,880	\$ (401,789)	
\$23,799,160				
=====				
December 31, 1998				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$27,000,000	\$ 35,700	\$ (28,400)	
\$27,007,300				
=====				

Contractual maturities of debt securities at September 30, 1999, were as follows. No held-to-maturity securities existed at September 30, 1999. 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.

	Available-for-Sale Securities	
	Amortized Cost	Fair Values
<S>	<C>	<C>
Due from 1999 to 2002	\$14,000,000	\$13,791,720
Due from 2003 to 2007	10,199,069	10,007,440
Total	\$24,199,069	\$23,799,160

</TABLE>

(Continued)

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MACATAWA BANK CORPORATION
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 1999 (unaudited) and December 31, 1998

NOTE 7 - LOANS

Loans are as follows:

	September 30, 1999	December 31, 1998
<S>	(Unaudited)	(Unaudited)
<C>	<C>	<C>
Commercial	\$173,550,683	\$95,669,151
Mortgage	43,026,235	22,528,687
Consumer	35,499,053	19,684,422
	252,075,971	137,882,260
Allowance for loan losses	(3,525,779)	(2,030,000)
	\$248,550,192	\$135,852,260

</TABLE>

Activity in the allowance for loan losses is as follows:

	Nine months ended September 30, 1999	Nine months ended September 30, 1998
<S>	(Unaudited)	(Unaudited)
<C>	<C>	<C>
Balance at beginning of period	\$2,030,000	\$ 7,500
Provision charged to operating expense	1,500,000	1,522,500
Charge Offs	(4,221)	-
Balance at end of period	\$3,525,779	\$1,530,000

</TABLE>

(Continued)

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MACATAWA BANK CORPORATION
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 1999 (unaudited) and December 31, 1998

NOTE 8 - PREMISES AND EQUIPMENT - NET

Premises and equipment are as follows:

	September 30, 1999	December 31, 1998
<S>	<C>	<C>
Land	\$ 1,574,218	\$1,177,184
Building and improvements	4,516,679	3,661,701

Furniture and equipment	3,586,202	2,553,229
	-----	-----
	9,947,099	7,392,114
Less accumulated depreciation	787,083	266,359
	-----	-----
	\$ 9,160,016	\$7,125,755
	=====	=====

</TABLE>

NOTE 9 - DEPOSITS

Deposits are summarized as follows:

	September 30 1999	December 31 1998
	----	----
<S>	<C>	<C>
Noninterest-bearing demand deposit accounts	\$27,584,997	\$ 18,517,550
Money market accounts	90,302,974	71,091,206
NOW and Super NOW accounts	32,595,515	22,425,439
Savings accounts	6,864,018	5,812,028
Certificates of deposit	85,907,653	49,142,452
	-----	-----
	\$243,255,157	\$166,988,675
	=====	=====

</TABLE>

NOTE 10 - FEDERAL HOME LOAN BANK BORROWINGS

The Bank was approved in the first quarter to be a member of the Federal Home Loan Bank of Indianapolis. As a result, the Bank now has availability to Federal Home Loan Bank advances as an additional funding resource. On March 30, 1999, the Bank utilized this resource and borrowed \$10,000,000 in fixed rate loans. Since then the Bank has continued to utilize this resource and has borrowed additional funds under different terms and conditions. Maturity dates and interest rates on these advances are as follows:

Maturity Date	Interest Rate	September 30 1999	December 31 1998
-----	-----	----	----
<S>	<C>	<C>	<C>
March 27, 2000	5.44% (initial rate)	\$ 5,000,000	-
April 1, 2002	5.63% (fixed)	3,000,000	-
March 31, 2003	5.77% (fixed)	3,000,000	-
March 30, 2004	5.84% (fixed)	4,000,000	-
Sept. 1, 2009	5.80% (fixed)	5,000,000	-
		-----	-----
		\$20,000,000	-

</TABLE>

Each advance is payable in full at its respective maturity date. These advances were required to be collateralized by at least \$33,000,000 of the Bank's first mortgage loans under a blanket loan arrangement at September 30, 1999.

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

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 in November 1997 was to establish its management team within the first few months of its operations. Management believes that it has been successful in establishing a very experienced and capable management team which can administer the Company's growth.

The Company has experienced rapid and substantial growth since opening in November 1997. At December 31, 1998, the Bank had a total of eight branch banking offices and two service facilities. By September 30, 1999, the Bank had added three more branches, with two additional expected to open during the last quarter. The Company also completed an underwritten initial public offering of common stock on April 7, 1998. By a prospectus dated April 30, 1999, the Company offered to its shareholders up to 1,200,000 shares of common stock and sold 1,153,440 shares at a purchase price of \$12.75 per share.

The Bank established a Trust Department in the fourth quarter of 1998 to

further provide for customers' financial needs. The Trust Department began business on January 3, 1999 and as of September 30, 1999, had assets of approximately \$140 million.

Financial Condition

Total assets of the Company increased by \$112,846,250 to \$302,074,931 at September 30, 1999, from \$189,228,673 at December 31, 1998. 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 1999 was the Company's seventh full quarter of operations, and the number of deposit accounts increased from approximately 14,000 at December 31, 1998, to approximately 24,000 deposit accounts at September 30, 1999. Management attributes the strong growth in deposits to quality customer service, the desire of customers to deal with a local bank, and convenient accessibility through the expansion of branches. The Company anticipates that the Bank's assets will continue to increase at a comparable rate for the remainder of 1999, which will be the Bank's second full year of operations.

Cash and cash equivalents, which include federal funds sold and short-term investments, decreased \$1,716,772 to \$16,236,405 at September 30, 1999, from \$17,953,177 at December 31, 1998. The decrease is due to a reduction in short term investments, as these funds have been used as a means to fund the strong loan growth.

Securities available for sale decreased \$3,208,140 to \$23,799,160 at September 30, 1999 from \$27,007,300 at December 31, 1998. The decrease is the result of called securities.

Total loans increased \$114,193,711 to \$252,075,971 at September 30, 1999 from \$137,882,260 at December 31, 1998, or 82.8%. Commercial loans increased \$77,881,532 from \$95,669,151 at December 31, 1998, to \$173,550,683 at September 30, 1999, an increase of 81.4%. Commercial loans account for approximately 68.8% of the Bank's total loan portfolio.

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The allowance for loan losses as of September 30, 1999, was \$3,525,779 representing approximately 1.40% of gross loans outstanding, compared to \$2,030,000 at December 31, 1998. The Bank has not experienced any material credit losses as of September 30, 1999.

Bank premises and equipment increased to \$9,160,016 at September 30, 1999 from \$7,125,755 at December 31, 1998. The increase resulted primarily from the purchase of furniture and equipment, which increased from \$2,553,229 at December 31, 1998 to \$3,856,202 at September 30, 1999.

Deposits increased to \$243,255,157 at September 30, 1999, from \$166,988,675 at December 31, 1998. This was primarily as a result of deposits being obtained from new customers of the Bank. Noninterest bearing demand deposit accounts increased by \$9,067,447 to \$27,584,997 at September 30, 1999 from \$18,517,550 at December 31, 1998. These accounts are comprised primarily of business checking accounts and represent 11.34% of Total Deposits.

Results of Operations

Management believes that the Company will realize a modest profit for 1999. Earnings will continue to be curtailed for the balance of 1999 as a result of additional loan loss reserves, 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, 1998 and 1999 will create the infrastructure and lay the foundation for future growth and profitability in subsequent years.

Interest income for the three months ended September 30, 1999 in the amount of \$5,475,441, related to interest income on securities, loans, and interest earning deposits. This compares favorably with the same period last year of \$2,201,206. Interest expense was \$2,549,790 for the three months ended September 30, 1999, and was related to interest incurred on interest bearing deposits and FHLB borrowings.

The Company had an allowance for loan losses of approximately 1.40% of total loans at September 30, 1999. The provision for loan losses for the three months ended September 30, 1999 was \$505,000. This amount was provided as a result of the increase in the total loan portfolio. Management considers it prudent during the first years of operations to provide for loan losses at a level which is consistent with levels maintained by banks with similar loan portfolios. Management will continue to monitor its loan loss performance and adjust its loan loss reserve to more closely align itself to its own history of loss experience.

Non-interest income for the three months ended September 30, 1999, was \$367,832, consisting primarily of service charges on deposit accounts, which totaled \$155,676. This amount, which is nearly 43% of the year to date total of \$363,415, can be attributed to the number of accounts opened in 1999. The Bank's trust fee income is improving with each quarter, commensurate with the growth of

trust assets. Trust revenue recorded in the second quarter was \$45,232 and \$83,626 in the third quarter.

The main components of non-interest expense were primarily salaries and benefits. Non-interest expense for the three months ended September 30, 1999, was \$2,487,312. Other significant components of non-interest expense consisted of occupancy and equipment expenses, legal and accounting fees, marketing expenses, data processing, and supplies.

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Liquidity and Capital Resources

The Company obtained its initial equity capital as a result of a private placement on behalf of 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 \$14,123,378. As a condition to regulatory approval of the Bank's formation, the Bank is required to maintain capitalization sufficient to provide a ratio of Tier 1 Capital to total assets of at least 8% at the end of the third year of its operations. At March 31, 1999 the Bank's Tier 1 Capital as a percent of total assets was 8.43%. Due to the rapid growth of the Bank, additional equity capital was required. The Company filed a Registration Statement with the Securities and Exchange Commission to register and offer to the Company's shareholders up to 1,200,000 shares of Common Stock for a purchase price of \$12.75 per share. The common stock was offered exclusively to shareholders of the Company as of April 9, 1999. Shareholders were entitled to purchase one share for each two shares of Common Stock they owned on April 9, 1999. The rights offering was completed on June 4, 1999 and resulted in additional equity capital to the company in the amount of \$14,622,270. The Company added \$10,000,000 from the proceeds of the offering to the Bank's capital. At June 30, 1999, the Bank's Tier 1 Capital as a percent of total assets was 10.83%. At September 30, 1999, this ratio decreased to 9.71%, due to asset growth. The Company has approximately \$5 million in additional capital which it could contribute to the Bank's capital if necessary.

The Company's sources of liquidity include loan payments by borrowers, maturity and sales of securities available for sale, growth of deposits and deposit equivalents, federal funds sold, borrowings from the Federal Home Loan Bank, and the issuance of common stock.

Asset liability management aids the Company in maintaining liquidity while maintaining a balance between interest earning assets and interest bearing liabilities. Liquidity management involves the ability to meet the cash flow requirements of the Company's customers. These customers may be either borrowers with credit needs or depositors wanting to withdraw funds. Management of interest rate sensitivity attempts to avoid widely varying net interest margins and to achieve consistent net interest income through periods of changing interest rates.

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 eighteen months and has contracted with a leading supplier of information processing services. This equipment and these services were purchased with manufacturer assurances of Year 2000 compliance.

Company management has developed and the Board of Directors has approved a comprehensive Year 2000 Compliance Plan. The plan consists of five phases: awareness, assessment, renovation, validation and implementation. 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.

To date, the Company has spent significant time and approximately \$28,000 on Year 2000 compliance. Management believes that the additional costs to complete the Company's Year 2000 compliance will be minimal.

The Company completed its Year 2000 assessment and made any necessary remediation by June 30, 1999. In addition, the Company may be adversely affected by the inability of other companies whose systems interact with the Company to become Year 2000 compliant.

The Bank's core processing applications are provided by a third party vendor, Rurbanc Data Services, Inc. (RDSI). The Company meets monthly with, and receives regular correspondence from, RDSI which documents the status of their Year 2000 compliance. The Company has been advised that RDSI's software has been successfully tested for Year 2000 compliance.

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Although the Company expects its internal systems to be Year 2000 compliant as described above, the Company is in the process of preparing a contingency plan that will specify what it plans to do if important internal or external systems are not Year 2000 compliant in a timely manner.

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

Legislation recently enacted by Congress eliminates many Federal and state law barriers to affiliations among banks and other financial services providers. The legislation, which takes effect 120 days after the date of enactment, establishes a statutory framework pursuant to which full affiliations can occur between banks and securities firms, insurance companies, and other financial companies. The legislation provides some degree of flexibility in structuring these new affiliations, although certain activities may only be conducted through a holding company structure. The legislation, preserves the role of the Board of Governors of the Federal Reserve System as the umbrella supervisor for holding companies, but incorporates a system of functional regulation pursuant to which the various Federal and state financial supervisors will continue to regulate the activities traditionally within their jurisdictions. The legislation specifies that banks may not participate in the new affiliations unless they are well-capitalized, well-managed and maintain a rating under the Community Reinvestment Act of 1977 of at least "satisfactory" among all affiliates.

The President is expected to sign the legislation into law in the very near future.

At this time, the Company is unable to predict the impact this legislation may have on the Company.

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," "may" or similar expressions. The presentation and discussion of the provision and allowance for loan losses, statements concerning future profitability or future growth or increases, and the Year 2000 readiness discussion are examples of inherently forward looking statements in that they involve judgements and statements of belief as to the outcome of future events. 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 Bank 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 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 8-K - 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, 1999, 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

DATE: November 8, 1999

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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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