October 28, 2010

Macatawa Bank Corporation Reports Profitable Third Quarter, Continued Improvement in Key Financial Metrics

Addition of New Board Members Further Strengthens Company's Team

HOLLAND, Mich., Oct. 28, 2010 (GLOBE NEWSWIRE) -- Macatawa Bank Corporation (Nasdaq:MCBC) today announced its second consecutive quarter of profitability and improvements in several key capital and operational ratios in the third quarter 2010. The Company's results for the quarter included:

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 Net income of $703,000, compared to a loss of $20.9 million in the same quarter of

 Improvement in asset quality metrics

  Non-performing loans down 13 percent compared to second quarter 2010

  Net charge-offs of $4.6 million, down 27 percent from second quarter 2010 ($6.3 mi

  Provision for loan losses of $550,000, down from $21 million in third quarter 2009


 Continued year-over-year improvement in net interest margin, now at 3.22 percent

 Solid improvement in capital ratios - remain categorized as "adequately capitalized

 Stronger on-balance sheet liquidity

 Deposit accounts remain insured by the FDIC up to the maximum amount permitted by l
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Macatawa reported net income available to common shares of $703,000, or $0.04 per diluted share, for the third quarter 2010, compared to a net loss available to common shares of $20.9 million, or $1.18 per diluted share, for the third quarter 2009 and net income of $1.7 million, or $0.10 per diluted share, for the second quarter 2010. For the first nine months of 2010, the Company's net loss available to common shares totaled $18.7 million, compared to a net loss of $57.3 million for the same period in 2009.

"We are pleased to have achieved two consecutive quarters of profitability and improvements in several capital and performance metrics," said Richard L. Postma, Chairman of Macatawa Bank Corporation. "These results are the product of hard and focused work by our people and the disciplined approach we continue to implement across the Company. But to be clear, two profitable quarters are only a beginning. We recognize that the results from the two most recent quarters are preceded by six consecutive quarters of high net losses. We must continue to focus our efforts to build accountability, confidence and performance in Macatawa Bank. Our goal remains to return to 'well-capitalized' status, and we continue to work closely with regulators in our efforts to comply with the terms of our consent order. We remain committed to doing the things necessary to achieve sustained profitability in order to serve West Michigan as a strong community bank. There is much work yet to be done."

Under the leadership of Mr. Postma and the Board of Directors, the Bank continues to implement improved business and banking principles, has added experienced personnel in both management and at the board level, has bolstered the Bank's risk management functions by adding key individuals in its Special Assets and Loan Review departments, and continues to implement new and more disciplined lending and loan risk management policies and procedures. Macatawa Bank continued its focus on improved asset quality during the third quarter by accelerating workout strategies with some of its more stressed loan customers, which resulted in significant reductions in the level of nonperforming loans at the end of the quarter.

The Company recently announced the appointment of five new Macatawa Bank Corporation Board members, further strengthening its leadership team. New directors Wayne J. Elhart, Charles C. Geenen, Birgit M. Klohs, Robert L. Herr, and Thomas P. Rosenbach each add complementary expertise to the Board of Directors.

Operating Results

Net interest income for the third quarter 2010 totaled $12.4 million, a decrease of $381,000 from the second quarter 2010 and a decrease of $757,000 from the third quarter 2009. Net interest margin was 3.22 percent, down 7 basis points from 3.29 percent on a consecutive quarter basis and up 39 basis points from 2.83 percent in the third quarter 2009.

Average interest-earning assets for the third quarter 2010 declined $39.9 million from the second quarter 2010 and declined $355.5 million from the third quarter 2009, negatively impacting net interest income. The decline in assets continues to reflect the Bank's focus on strengthening liquidity, improving capital ratios, and reducing credit exposure within certain segments.

Non-interest income of $3.7 million for the third quarter 2010 was up $92,000 from the third quarter 2009, but down $2.6 million from the second quarter 2010. The decrease from the second quarter 2010 was due to a one-time gain on the sale of securities in our portfolio recognized in the second quarter 2010.

Non-interest expense was $14.9 million for the third quarter 2010, compared to $14.3 million for the second quarter 2010 and $15.7 million for the third quarter 2009. In the most recent quarter, costs associated with the administration and disposition of problem loans and non-performing assets were $3.2 million, compared to $2.5 million in the second quarter 2010 and $3.1 million in the third quarter 2009. FDIC insurance assessments remained elevated at $1.2 million in the most recent quarter, compared to $1.2 million in the second quarter 2010 and $1.0 million in the third quarter 2009, as a result of higher assessment rates implemented by the FDIC.

When excluding non-performing asset costs and FDIC assessments, non-interest expense was $10.5 million for the most recent quarter, down from $10.6 million in the second quarter 2010 and $11.6 million in the third quarter 2009. Salaries and employee benefits were consistent with the second quarter 2010 and down $616,000 from the third quarter of 2009. This is the result of a reduction in overall staffing levels as the Company has scaled its operations to respond to the impact of the prolonged economic weakness.

Asset Quality

The provision for loan losses of $550,000 for the third quarter 2010 declined by $1.3 million from the second quarter 2010, and was down $21.0 million from the third quarter 2009. Net charge-offs were $4.6 million for the third quarter 2010, compared to $6.3 million for the second quarter 2010 and $11.2 million for the third quarter 2009.

The allowance for loan losses of $52.2 million was 4.08 percent of total loans at Sept. 30, 2010, compared with 4.12 percent at June 30, 2010 and 3.09 percent at Sept. 30, 2009. The loan loss allowance coverage of non-performing loans was 61.8 percent of non-performing loans at Sept. 30, 2010, compared to 59.2 percent at June 30, 2010 and 54.5 percent at Sept. 30, 2009.

At Sept. 30, 2010, the Company's non-performing loans were $84.4 million (6.61 percent of total loans) compared to $95.1 million (6.96 percent of total loans) at June 30, 2010 and $103.9 million (6.88 percent of total loans) at December 31, 2009. Sales of foreclosed properties continued to improve as compared to 2009, with the Bank selling nearly $16.0 million of real estate in the first nine months of 2010 compared to sales of $7.5 million for all of 2009.

A break-down of non-performing loans is shown in the table below.

Dollars in 000s	September 30,	June 30, 2010	Marc
	Commercial Real Estate	$72,310	
	Commercial and Industrial	8,326	
	Total Commercial Loans	80,636	
	Residential Mortgage Loans	2,702	
	Consumer Loans	1,110	
	Total Non-Performing Loans	$84,448	
	Residential Developer Loans (a)	$32,822	

(a) Represents the amount of loans to residential developers secured by single famil

Total non-performing assets were $138.6 million, or 8.49 percent of total assets, at September 30, 2010. A break-down of non-performing assets is shown in the table below.

Dollars in 000s	September 30,	June 30, 2010	March 31, 2010	December 31, 2010	Sep
	Non-Performing Loans	$84,448	$95,058	$102,548	
	Other Repossessed Assets	130	81	84	
	Other Real Estate Owned	53,982	48,672	45,790	
	Total Non-Performing Assets	$138,560	$143,811	$148,422	

Balance Sheet, Liquidity and Capital

Total assets were $1.61 billion at Sept. 30, 2010, a decrease of $219 million from $1.83 billion at Dec. 31, 2009. Total loans were $1.28 billion at Sept. 30, 2010, down $233 million from $1.51 billion at Dec. 31, 2009.

Commercial loans decreased by $199.0 million, representing the majority of the decrease since Dec. 31, 2009. The commercial real estate loan portfolio was reduced by $115.4 million as the Company continues its efforts to reduce exposure in this segment. Commercial and industrial loans declined by $83.6 million, due in part to a general decline in business activity. Of the decline in commercial real estate loans, $47.0 million of the decrease was in loans to residential developers, the portfolio that has caused the majority of stress within the Company's commercial loan portfolio.

The composition of the commercial loan portfolio is shown in the table below:

Dollars in 000s	September 30,	June 30,	March 31, 2010	
Construction and development			$139,579	
Other commercial real estate			548,071	
Commercial Loans Secured by Real Estate			687,650	
Commercial and Industrial			285,924	
Total Commercial Loans			$973,574	$
Residential Developer Loans (a)			$106,372	

(a) Represents the amount of loans to residential developers secured by single famil

The reduction in loans since year-end 2009 allowed the Company to reduce wholesale funding, including out-of-market deposits acquired through brokers, by $139.7 million and to reduce other borrowed funds by $61.7 million. Total deposits were $1.28 billion at Sept. 30, 2010, down $136.6 million from $1.42 billion at Dec. 31, 2009, primarily from the run-off of brokered deposits. Core customer deposit accounts have remained stable throughout this year and continue to be fully insured to the highest levels available under the FDIC insurance programs.

Two of the three regulatory capital ratios for Macatawa Bank, including the tier one risk-based capital ratio and the tier one leverage capital ratio, were maintained at levels in excess of those ordinarily required to be categorized as "well capitalized" under applicable regulatory capital guidelines. Despite these ratios, the Bank was categorized as "adequately capitalized" as its total risk-based capital ratio of 9.23 percent was below the 10.0 percent minimum ordinarily required to be categorized as "well capitalized." Because the Bank is subject to a consent order, the Bank cannot be categorized as "well capitalized" regardless of its capital levels. At Sept. 30, 2010, the Bank did not have capital at levels required by its consent order. While the capital ratios were below the consent order requirements, they continued to improve in the third quarter 2010. The total risk-based capital ratio of 9.23 percent is up significantly from its lowest point of 8.14 percent at March 31, 2010.

About Macatawa Bank

Headquartered in Holland, Michigan, Macatawa Bank Corporation is the parent company for Macatawa Bank. Through its banking subsidiary, the Company offers a full range of banking, investment and trust services to individuals, businesses, and governmental entities from a network of 26 full service branches located in communities in Kent County, Ottawa County, and northern Allegan County. Services include commercial, consumer and real estate financing; business and personal deposit services, ATM's and Internet banking services, trust and employee benefit plan services, and various investment services. The Company emphasizes its local management team and decision making, along with providing customers excellent service and superior financial products.

"CAUTIONARY STATEMENT: This press release contains forward-looking statements that are based on management's current beliefs, expectations, assumptions, estimates, plans and intentions. Forward-looking statements are identifiable by words or phrases such as "will," "continue," "return to," "yet," "focus," "goal," and other similar words or phrases. Such statements are based upon current beliefs and expectations and involve substantial risks and uncertainties which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These statements include, among others, statements related to our ability to build accountability, confidence and performance in Macatawa Bank, our ability to return to "well capitalized" status and our ability to achieve sustained profitability. All statements with references to future time periods are forward-looking. Management's determination of the provision and allowance for loan losses, the appropriate carrying value of intangible assets (including goodwill, mortgage servicing rights and deferred tax assets) and the fair value of investment securities (including whether any impairment on any investment security is temporary or other-than-temporary and the amount of any impairment) involves judgments that are inherently forward-looking. Our ability to fully comply with our Consent Order, improve regulatory capital ratios, successfully implement new programs and initiatives, increase efficiencies, address regulatory issues, maintain our current level of deposits and other sources of funding, maintain liquidity, respond to declines in collateral values and credit quality, and improve profitability is not entirely within our control and is not assured. The future effect of changes in the real estate, financial and credit markets and the national and regional economy on the banking industry, generally, and Macatawa Bank Corporation, specifically, are also inherently uncertain. Failure to comply with the agreements in our Consent Order could result in further regulatory action which could have a material adverse effect on Macatawa Bank Corporation and its shareholders. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("risk factors") that are difficult to predict with regard to timing, extend, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed in or implied by such forward-looking statements. Macatawa Bank Corporation does not undertake to update forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements.

Risk factors include, but are not limited to, the risk factors described in "Item 1A - Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2009 and in "Part II, Item 1A – Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010. These and other factors are representative of the risk factors that may emerge and could cause a difference between an ultimate actual outcome and a preceding forward-looking statement.

MACATAWA BANK CORPORATION

CONSOLIDATED FINANCIAL SUMMARY

(Unaudited)

(Dollars in thousands except per share information)

Three Months

Septemb

EARNINGS SUMMARY	2010	
Total interest income	$ 18,444	$ 23,5
Total interest expense	6,007	10
Net interest income	12,437	13,
Provision for loan loss	550	21
Net interest income after provision for loan loss	11,887	(8,3
NON-INTEREST INCOME		
Deposit service charges	1,097	1
Net gains on mortgage loans	345	
Trust fees	695	
Net gains on security sales	--	-
Other	1,589	1,
Total non-interest income	3,726	3,
NON-INTEREST EXPENSE		
Salaries and benefits	5,546	6
Occupancy	1,026	1
Furniture and equipment	854	1
FDIC assessment	1,232	1
Administration and disposition of problem assets	3,220	3
Trade Partners litigation settlement	--	-
Other	3,032	3
Total non-interest expense	14,910	15,
Income (loss) before income tax	703	(20,
Income tax expense (benefit)	--	(6
Net income (loss)	$ 703	$ (19,88
Dividends declared on preferred shares	--	
Net income (loss) available to common shares	$ 703	$ (20,87
Basic earnings per common share	$ 0.04	$ (1.1
Diluted earnings per common share	$ 0.04	$ (1.1
Return on average assets	0.17%	-
Return on average equity	4.21%	-
Net interest margin	3.22%	
Efficiency ratio	92.25%	
BALANCE SHEET DATA		Sep
Assets		
Cash and due from banks		$ 36,
Federal funds sold and other short-term investments		161
Securities available for sale		20
Securities held to maturity		
Federal Home Loan Bank Stock		12
Loans held for sale		7
Total loans		1,278
Less allowance for loan loss		52
Net loans		1,226,
Premises and equipment, net		57
Bank-owned life insurance		24
Other real estate owned		53
Other assets		10
Total Assets		$ 1,611,
Liabilities and Shareholders' Equity		
Noninterest-bearing deposits		$ 249,
Interest-bearing deposits		1,030
Total deposits		1,279,
Other borrowed funds		216
Subordinated debt		1

Long-term debt	41
Other liabilities	5
Total Liabilities	1,544
Shareholders' equity	66
Total Liabilities and Shareholders' Equity	$ 1,611,

MACATAWA BANK CORPORATION
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(Unaudited)

(Dollars in thousands except per share inf

	3rd Qtr 2010	
EARNINGS SUMMARY		
Net interest income	$ 12,437	$ 1
Provision for loan loss	550	
Total non-interest income	3,726	
Total non-interest expense	14,910	
Federal income tax expense (benefit)	--	
Net income (loss)	703	
Dividends declared on preferred shares	--	
Net income (loss) available to common shares	$ 703	$
Basic earnings per common share	$ 0.04	$
Diluted earnings per common share	$ 0.04	$
MARKET DATA		
Book value per common share	$ 1.91	$
Tangible book value per common share	$ 1.89	$
Market value per common share	$ 1.48	$
Average basic common shares	17,677,284	17,
Average diluted common shares	17,677,284	17,
Period end common shares	17,680,211	17,
PERFORMANCE RATIOS		
Return on average assets	0.17%	
Return on average equity	4.21%	
Net interest margin (fully taxable equivalent)	3.22%	
Efficiency ratio	92.25%	
Full-time equivalent employees (period end)	387	
ASSET QUALITY		
Gross charge-offs	$ 5,114	$
Net charge-offs	$ 4,644	$
Net charge-offs to average loans (annualized)	1.41%	
Nonperforming loans	$ 84,448	$ 9
Other real estate and repossessed assets	$ 54,112	$ 4
Nonperforming loans to total loans	6.61%	
Nonperforming assets to total assets	8.49%	
Allowance for loan loss	$ 52,192	$ 5
Allowance for loan loss to total loans	4.08%	
Allowance for loan loss to nonperforming loans	61.80%	
CAPITAL & LIQUIDITY		
Average equity to average assets (Consolidated)	4.09%	

Tier 1 capital to average assets (Consolidated)	5.42%	
Total capital to risk-weighted assets (Consolidated)	9.30%	
Tier 1 capital to average assets (Bank)	6.55%	
Total capital to risk-weighted assets (Bank)	9.23%	
END OF PERIOD BALANCES		
Total portfolio loans	$ 1,278,298	$ 1,3
Interest earning assets	1,480,046	1,
Total assets	1,611,395	1,
Deposits	1,279,710	1,
Total shareholders' equity	66,992	
AVERAGE BALANCES		
Total portfolio loans	$ 1,319,029	$ 1,4
Interest earning assets	1,515,501	1,
Total assets	1,634,249	1,
Deposits	1,297,498	1,
Total shareholders' equity	66,860	

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