

February 3, 2011



Macatawa Bank Corporation Reports Third Consecutive Quarter of Profitability and Year-end Results

HOLLAND, Mich., Feb. 3, 2011 (GLOBE NEWSWIRE) -- Macatawa Bank Corporation (Nasdaq:MCBC) today announced its fourth quarter 2010 earnings, marking the Company's third consecutive quarter of profitability and continued improvements in several key capital and operational ratios. The Company's results for the fourth quarter (unaudited) included:

Net income of \$835,000, compared to a loss of \$9.2 million in the same quarter of 1.

Continued improvement in asset quality metrics, with nonperforming loans down 11 pe

Net charge offs of \$5.2 million, down 65.6 percent from \$15.0 million in the fourth

Year-over-year improvement in net interest margin, now at 3.38 percent

Improvement in capital ratios

Deposit accounts remain insured by the FDIC up to the maximum amount permitted by 1.

Macatawa reported net income available to common shares of \$835,000, or \$0.05 per diluted share, for the fourth quarter 2010, compared to a net loss available to common shares of \$9.2 million, or \$0.52 per diluted share, for the fourth quarter 2009 and net income of \$703,000 for the third quarter 2010. For the full year 2010, the Company's net loss available to common shares totaled \$17.9 million, down from a net loss of \$66.5 million for the same period in 2009.

"We are pleased with our fourth quarter profit and the progress we believe we have made in 2010," said Richard L. Postma, Chairman of Macatawa Bank Corporation. "Our results continued to reflect the process improvements and disciplined approach we began to implement in 2009. The fourth quarter of 2010 represented our third consecutive quarter of profitability, along with continued improvements in several key capital and performance metrics. These are important achievements in our continued efforts to build accountability, confidence and performance in Macatawa Bank. We must continue to focus on improvement of the Bank's capital ratios, further reduction of non-performing loans and increasing sales of other-real-estate-owned. Through the collective efforts of the Board of Directors, management and our employees, we intend to continue to move the Bank toward a position of sustained profitability in order to serve West Michigan as a strong community bank."

Over the last year, under the direction of the Board of Directors and Chairman Richard Postma, the Company has navigated a difficult banking environment and critical transition period. Under this leadership, the Bank improved business and banking principles, added experienced personnel, and bolstered the Bank's risk management functions by adding key individuals in its Special Assets and Loan Review groups. The Bank added a new Chief

Credit Officer and implemented new and more disciplined lending and loan risk management policies and new procedures for loan administration and loan review. The Company also added two new directors in the fourth quarter 2010. Each of these directors brings expertise in financial and accounting matters, further strengthening the Board of Directors. Macatawa continued its focus on reducing nonperforming loans during the fourth quarter 2010 by accelerating workout strategies with some of its more stressed loan customers.

Operating Results

Net interest income for the fourth quarter 2010 totaled \$12.3 million, a decrease of \$153,000 from the third quarter 2010 and a decrease of \$1.1 million from the fourth quarter 2009. Net interest margin was 3.38 percent, up 16 basis points from 3.22 percent on a consecutive quarter basis and up 34 basis points from 3.04 percent in the fourth quarter 2009. The fourth quarter 2010 net interest margin was positively impacted by the continued payoff of higher-cost wholesale funds.

Average interest earning assets for the fourth quarter 2010 declined \$92.2 million from the third quarter 2010 and declined \$346.0 million from the fourth quarter 2009, negatively impacting net interest income. The decline in assets reflected the Bank's continued focus on capital ratio maintenance, liquidity improvement, and reduction in credit exposure within certain segments of its loan portfolio. While the size of the balance sheet has decreased, the underlying profitability of the earning assets has improved as evidenced by the increase in net interest margin.

Non-interest income of \$4.5 million for the fourth quarter 2010 was up \$782,000 from the third quarter 2010, and up \$992,000 from the fourth quarter 2009. The comparative increase was primarily due to increased gains on sales of mortgage loans, a \$574,000 gain in the fourth quarter 2010 on the sale of a property that had been held for branch expansion, and income recognized on leases of other-real-estate-owned.

Non-interest expense was \$15.6 million for the fourth quarter 2010, compared to \$14.9 million for the third quarter 2010 and \$15.9 million for the fourth quarter 2009. In the most recent quarter, costs associated with the administration and disposition of problem loans and non-performing assets were \$4.2 million, compared to \$3.2 million in the third quarter 2010 and \$3.7 million in the fourth quarter 2009. This increase was primarily due to further write-downs in the carrying value of other-real-estate-owned. FDIC insurance assessments remained elevated at \$1.0 million in the most recent quarter compared to \$1.2 million in the third quarter 2010 and \$1.0 million in the fourth quarter 2009, as a result of higher assessment rates implemented by the FDIC.

When excluding nonperforming asset costs and FDIC assessments, non-interest expense was \$10.3 million for the most recent quarter, down from \$10.5 million in the third quarter 2010 and \$11.3 million in the fourth quarter 2009. Salaries and employee benefits were down \$210,000 in the fourth quarter 2010 compared to the third quarter 2010 and down \$476,000 from the prior year quarter as a result of a reduction in overall staffing levels due to the Company scaling its operations to respond to the impact of the prolonged economic weakness.

Asset Quality

The provision for loan losses of \$400,000 for the fourth quarter 2010 declined 27 percent from \$550,000 in the third quarter 2010, and declined approximately 98 percent from \$21.6 million in the fourth quarter 2009. Net charge-offs were \$5.2 million compared to \$4.6 million for the third quarter 2010 and \$15.0 million for the fourth quarter 2009.

The allowance for loan losses of \$47.4 million was 3.90 percent of total loans at December 31, 2010, compared with 4.08 percent at September 30, 2010 and 3.62 percent at December 31, 2009. The loan loss reserve coverage to nonperforming loans increased to 62.9 percent of non-performing loans at December 31, 2010, compared to 61.8 percent at September 30, 2010 and 52.6 percent at December 31, 2009.

At December 31, 2010, the Company's non-performing loans were \$75.4 million, the lowest level since the fourth quarter of 2007, representing 6.19 percent of total loans. This compares to \$84.4 million (6.61 percent of total loans) at September 30, 2010 and \$103.9 million (6.88% of total loans) at December 31, 2009. However, other-real-estate-owned is higher at \$58.0 million as of December 31, 2010 compared to \$54.0 million at September 30, 2010 and \$37.2 million at December 31, 2009. These balances have increased as our problem loans have migrated through the normal collection process. Sales of other-real-estate-owned continued to improve as compared to 2009, with the Bank disposing of \$16.8 million in real estate during 2010, compared to \$7.5 million for the same period in 2009. The total of nonperforming loans and other-real-estate-owned has decreased by \$7.8 million from December 31, 2009 to December 31, 2010.

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

Dollars in 000s

	December 31,	
2010	September 30,	
2010	June 30,	
2010	March 31,	
2010	December 31,	
2009		
	Commercial Real Estate	\$ 60,186
	Commercial and Industrial	12,170
	Total Commercial Loans	72,356
	Residential Mortgage Loans	1,830
	Consumer Loans	1,175
	Total Non-Performing Loans	\$ 75,361

Residential Developer Loans (a) \$ 22,137

(a) Represents the amount of loans to residential developers secured by single family property which is included in non-performing commercial loans secured by real estate.

Total non-performing assets were \$133.4 million, or 8.45 percent of total assets, at December 31, 2010. A break-down of non-performing assets is shown in the table below.

Dollars in 000s

	December 31,	
2010	September 30,	
2010	June 30,	
2010	March 31,	
2010	December 31,	
2009		

Non-Performing Loans	\$ 75,361	\$ 84,448
Other Repossessed Assets	50	1
Other Real Estate Owned	57,984	53,9
Total Non-Performing Assets	\$ 133,395	\$ 138,560

Balance Sheet, Liquidity and Capital

Total assets were \$1.58 billion at December 31, 2010, a decrease of \$253 million from \$1.83 billion at December 31, 2009. Total loans were \$1.2 billion at December 31, 2010, down \$294 million from \$1.51 billion at December 31, 2009.

Commercial loans decreased by \$238.7 million representing the majority of the decrease in total loans since December 31, 2009. The commercial real estate portfolio was reduced by \$127.1 million as the Company continued its efforts to reduce exposure in these segments. Commercial and industrial loans declined by \$92.8 million due, in part, to a general decline in business activity. Of the decline in commercial real estate loans, \$57.5 million of the decrease was in loans to residential developers, the portfolio that has caused the majority of stress within the Company's loan portfolio.

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

Dollars in 000s

December 31,
2010 September 30,
2010 June 30,
2010 March 31,
2010 December 31,
2009

Construction and development	\$ 133,228	\$
Other commercial real estate	535,960	
Commercial Loans Secured by Real Estate	669,188	
Commercial and Industrial	264,680	
Total Commercial Loans	\$ 933,868	\$
Residential Developer Loans (a)	\$ 95,736	\$

(a) Represents the amount of loans to residential developers secured by single family property which is included in commercial loans secured by real estate

The reduction in loans since year-end 2009 allowed the Company to reduce wholesale funding during 2010, including out-of-market deposits acquired through brokers, by \$158.4 million and other borrowed funds by \$92.7 million. Total deposits were \$1.28 billion at December 31, 2010, down \$139.7 million from \$1.42 billion at December 31, 2009, primarily from the run-off of brokered deposits. Customer deposit accounts remain fully insured to the highest levels available under the FDIC insurance programs.

At December 31, 2010, 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, but the Bank did not have capital at levels required by its Consent Order. At December 31, 2010, the Bank's total risk-based capital ratio of 9.68 percent was below the 10.0 percent minimum ordinarily required to be categorized as "well capitalized" and below the 11.0 percent minimum required by the Consent Order, but this ratio has improved since March 31, 2010 when it was 8.14

percent. Because the Bank is subject to the Consent Order, it cannot be categorized as "well capitalized" regardless of actual capital levels. The Bank needed \$17.2 million of additional qualifying capital to comply with the Consent Order at December 31, 2010, compared to \$43.2 million at March 31, 2010.

Mr. Postma concluded, "through a combination of improving earnings, effective balance sheet management and disciplined administration of non performing assets, we have improved the Bank's total risk-based capital ratio since its low-point at March 31, 2010. The amount of additional qualifying capital needed to comply with the Consent Order has been reduced from \$43.2 million at March 31, 2010 to \$17.2 million at December 31, 2010. 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 the Consent Order."

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," "believe," "continue," "ahead of us," "intend," "goal," "efforts" "proposed," "further," "toward," 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 comply with our Consent Order and return to "well capitalized" status and our ability to continue to move Macatawa Bank toward a position of 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, raise additional capital, 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

December 31 December 31	Twelve Months Ended	Three Months Ended	
	EARNINGS SUMMARY	2010	
	Total interest income	\$ 17,084	\$ 22,690
	Total interest expense	4,800	9,2
	Net interest income	12,284	13,4
	Provision for loan loss	400	21,6
	Net interest income after provision for loan loss	11,884	(8,19
	NON-INTEREST INCOME		
	Deposit service charges	1,027	1,1
	Net gains on mortgage loans	538	1
	Trust fees	697	9
	Net gains on security sales	--	--
	Other	2,246	1,33
	Total non-interest income	4,508	3,5
	NON-INTEREST EXPENSE		
	Salaries and benefits	5,336	5,8
	Occupancy	989	1,0
	Furniture and equipment	831	9
	FDIC assessment	1,025	9
	Administration and disposition of problem assets	4,196	3,6
	Trade Partners litigation settlement	--	--
	Other	3,180	3,4
	Total non-interest expense	15,557	15,9
	Income (loss) before income tax	835	(20,59
	Income tax expense (benefit)	--	(11,385
	Net income (loss)	\$ 835	\$ (9,209)
	Dividends declared on preferred shares		
	Net income (loss) available to common shares	\$ 835	\$ (9,209)
	Basic earnings per common share	\$ 0.05	\$ (0.52)
	Diluted earnings per common share	\$ 0.05	\$ (0.52)
	Return on average assets	0.20%	-1.

Return on average equity	4.93%	-38
Net interest margin	3.38%	3
Efficiency ratio	92.65%	94

BALANCE SHEET DATA

Assets

2010 December 31
2009

Cash and due from banks
Federal funds sold and other short-term investments
Securities available for sale
Securities held to maturity
Federal Home Loan Bank Stock
Loans held for sale
Total loans
Less allowance for loan loss
Net loans
Premises and equipment, net
Acquisition intangibles
Bank-owned life insurance
Other real estate owned
Other assets

Total Assets

Liabilities and Shareholders' Equity
Noninterest-bearing deposits
Interest-bearing deposits
Total deposits
Other borrowed funds
Subordinated debt
Long-term debt
Other liabilities
Total Liabilities

Shareholders' equity

Total Liabilities and Shareholders' Equity

MACATAWA BANK CORPORATION

4th Qtr

2010 3rd Qtr
2010 2nd Qtr
2010 1st Qtr
2010 4th Qtr
2009

2010

2009

EARNINGS SUMMARY

Net interest income	\$ 12,284
Provision for loan loss	400
Total non-interest income	4,508
Total non-interest expense	15,557
Federal income tax expense (benefit)	--
Net income (loss)	\$ 835
Dividends declared on preferred shares	--
Net income (loss) available to common shares	\$ 835

Basic earnings per common share	\$ 0.05
Diluted earnings per common share	\$ 0.05

MARKET DATA

Book value per common share	\$ 1.96
Tangible book value per common share	\$ 1.94
Market value per common share	\$ 4.12
Average basic common shares	17,679,884
Average diluted common shares	17,679,884
Period end common shares	17,679,621

PERFORMANCE RATIOS

Return on average assets	0.20%
Return on average equity	4.93%
Net interest margin (fully taxable equivalent)	3.38%
Efficiency ratio	92.65%
Full-time equivalent employees (period end)	382

ASSET QUALITY

Gross charge-offs	\$ 5,637
Net charge-offs	\$ 5,167
Net charge-offs to average loans (annualized)	1.66%
Nonperforming loans	\$ 75,361
Other real estate and repossessed assets	\$ 58,034
Nonperforming loans to total loans	6.19%
Nonperforming assets to total assets	8.45%
Allowance for loan loss	\$ 47,426
Allowance for loan loss to total loans	3.90%
Allowance for loan loss to nonperforming loans	62.93%

CAPITAL & LIQUIDITY

Average equity to average assets	4.14%
Tier 1 capital to average assets (Consolidated)	5.82%
Total capital to risk-weighted assets (Consolidated)	9.65%
Tier 1 capital to average assets (Bank)	7.10%
Total capital to risk-weighted assets (Bank)	9.68%

END OF PERIOD BALANCES

Total portfolio loans	\$ 1,217,196	\$
Earning assets	1,453,041	
Total assets	1,578,261	
Deposits	1,276,620	
Total shareholders' equity	67,842	

AVERAGE BALANCES

Total portfolio loans	\$ 1,244,148	\$
Earning assets	1,423,287	
Total assets	1,634,249	
Deposits	1,224,156	
Total shareholders' equity	67,735	

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Source: Macatawa Bank Corporation