

July 28, 2011



Macatawa Bank Corporation Reports Second Quarter Results

HOLLAND, Mich., July 28, 2011 (GLOBE NEWSWIRE) -- Macatawa Bank Corporation (Nasdaq:MCBC) today announced its results for the second quarter of 2011, showing continued improvement in all key operating metrics and capital ratios.

Net income increased to \$2.4 million, compared to \$1.7 million in the same quarter .
Continued improvement in asset quality metrics, with nonperforming loans down 28 pe
Net charge offs of \$2.9 million, down 54 percent from \$4.6 million in the second qu
Completed common stock offering resulting in net proceeds of \$20.4 million
Capital ratios now above Consent Order requirements and comfortably above minimums .

Macatawa reported net income available to common shares of \$2.4 million, or \$0.13 per diluted share, in the second quarter 2011 compared to net income of \$1.7 million, or \$0.10 per diluted share, for the second quarter 2010. For the first six months of 2011, the Company reported net income of \$3.7 million in 2011 compared to a net loss of \$19.4 million for the same period in 2010.

"The second quarter of 2011 was very positive for the Company," said Richard L. Postma, Chairman of the Board of the Company. "Our earnings and every key asset quality metric continued to improve. The Company successfully completed its stock offering in June, 2011 and raised over \$20 million in common stock by offering shares directly to current shareholders and the community. We were able to achieve our capital raising goals on a local basis, without having to conduct an underwritten offering, and at a price in excess of - not at a discount to - book value per share. The Bank is now in compliance with all of the requirements of its Consent Order. We look forward to continuing to work with the Bank's regulators as we progress toward our goal of eventually having the Consent Order removed. The successful completion of the offering was an important step toward achieving that goal."

Mr. Postma continued: "We believe that our improved results reflect the disciplined approach we began to implement in late 2009. We will continue to adhere to this approach in the management of the Company and focus our efforts on addressing areas needing further improvement, especially the continued reduction of the Bank's level of non-performing assets. The Company also now has a capital base that will support future organic growth and consideration of future strategic opportunities. As we look toward the future with a renewed sense of energy and purpose, our mission continues to be to serve West Michigan as an exceptional locally-owned and locally-managed bank."

Operating Results

Net interest income for the second quarter 2011 totaled \$11.8 million, an increase of

\$184,000 from the first quarter 2011 and a decrease of \$1.0 million from the second quarter 2010. Net interest margin was 3.39 percent, up 17 basis points from 3.22 percent on a consecutive quarter basis, and up 10 basis points from 3.29% for the second quarter 2010. This margin improvement is primarily a result of our efforts to reduce the amount of our higher costing wholesale funding.

Average interest earning assets for the second quarter 2011 decreased \$62.1 million from the first quarter 2011 and were down \$179.9 million from the second quarter 2010, negatively impacting net interest income. The decreases 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.

Non-interest income was stable at \$3.6 million for the second quarter 2011 compared to the first quarter 2011, and was down \$2.7 million from the second quarter 2010. The decrease from the second quarter 2010 was primarily due to a \$2.7 million gain recognized in the second quarter 2010 on the sale of our investment securities portfolio.

Non-interest expense was \$15.0 million for the second quarter 2011, compared to \$15.4 million for the first quarter 2011 and \$14.3 million for the second quarter 2010. The largest fluctuations in non-interest expense related to costs associated with the administration and disposition of problem loans and non-performing assets, which were down \$692,000 in the second quarter 2011 compared to the first quarter 2011, but up \$1.3 million compared to the second quarter of 2010. FDIC insurance assessments remained elevated at \$841,000 as a result of higher assessment rates implemented by the FDIC, but did decrease \$137,000 compared to the first quarter 2011 and were \$352,000 lower than the second quarter 2010 primarily due to the reduction in the size of the bank.

When excluding nonperforming asset costs and FDIC assessments, non-interest expense was \$10.4 million for the most recent quarter, up \$391,000 from \$10.0 million in the first quarter 2011 and down \$218,000 from \$10.6 million for the second quarter 2011.

Asset Quality

As a result of the continued decline in net charge-offs, consistent improvements in nonperforming loans and delinquencies over the past four quarters, and continued shrinkage of the loan portfolio, the provision for loan losses for the second quarter 2011 was a negative \$2.0 million. The provision for loan losses was a negative \$1.45 million for the first quarter 2011, and \$1.8 million in the second quarter 2010. Net charge-offs for the second quarter 2011 were at the lowest quarterly level since the third quarter of 2008 at \$2.9 million, compared to \$3.6 million for the first quarter 2011, and \$6.3 million for the second quarter 2010.

The allowance for loan losses of \$37.5 million was 3.41 percent of total loans at June 30, 2011, compared to 3.67 percent of total loans at March 31, 2011, and 4.12 percent at June 30, 2010. While this overall loan coverage ratio declined, the more important ratio of loan loss reserve coverage to nonperforming loans continued to significantly improve, nearly reaching a 1 to 1 coverage at 92.66 percent at June 30, 2011, compared to 75.48 percent at March 31, 2011, and 59.21 percent at June 30, 2010. This ratio is at its highest level since June 2007.

At June 30, 2011, the Company's non-performing loans were \$40.4 million, representing 3.68% of total loans, the lowest level since the third quarter of 2007. This compares to \$56.1 million (4.86% of total loans) at March 31, 2011, and \$95.1 million (6.96% of total loans) at June 30, 2010. Other-real-estate-owned is higher at \$65.4 million at June 30, 2011 compared to \$65.0 million at March 31, 2011, and \$48.8 million at June 30, 2010. These balances have increased as our problem loans have migrated through the normal collection process. However, the total of nonperforming loans and other-real-estate-owned has decreased by \$37.9 million, over 26 percent, from June 30, 2010 to June 30, 2011.

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

Dollars in 000s

	June 30,		
2011	March 31,		
2011	December 31,		
2010	September 30,		
2010	June 30,		
2010			
	Commercial Real Estate	\$ 33,715	\$ 43
	Commercial and Industrial	4,814	
	Total Commercial Loans	38,529	
	Residential Mortgage Loans	1,091	
	Consumer Loans	825	
	Total Non-Performing Loans	\$ 40,445	\$ 56
	Residential Developer Loans (a)	\$ 16,070	\$ 20

(a) Represents the amount of loans to residential developers secured by single family non-performing commercial loans secured by real estate

Total non-performing assets were \$105.9 million, or 7.0 percent of total assets, at June 30, 2011. A break-down of non-performing assets is shown in the table below.

Dollars in 000s

	June 30,		
2011	March 31,		
2011	December 31,		
2010	September 30,		
2010	June 30,		
2010			
	Non-Performing Loans	\$ 40,445	\$ 56,097
	Other Repossessed Assets	6	22
	Other Real Estate Owned	65,432	64,992
	Total Non-Performing Assets	\$ 105,883	\$ 121,111

Balance Sheet, Liquidity and Capital

Total assets were \$1.52 billion at June 30, 2011, a decrease of \$59.6 million from \$1.58 billion at December 31, 2010. Total loans were \$1.10 billion at June 30, 2011, down \$118.0 million from \$1.22 billion at December 31, 2010.

Commercial loans decreased by \$97.3 million, representing the majority of the decrease in total loans since December 31, 2010. The commercial real estate portfolio was reduced by \$64.3 million as the Company continued its efforts to reduce exposure in these

segments. Commercial and industrial loans declined by \$33.0 million.

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

Dollars in 000s

	June 30,		
2011	March 31,		
2011	December 31,		
2010	September 30,		
2010	June 30,		
2010			
		Construction and development	\$ 115,783
		Other commercial real estate	489,138
		Commercial Loans Secured by Real Estate	604,921
		Commercial and Industrial	231,670
		Total Commercial Loans	\$ 836,591
			\$ 121,1
			5
			6
			2
			\$ 886,41
		Residential Developer Loans (a)	\$ 83,612
			\$ 91,6

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

The reduction in loans since year-end 2010 allowed the Company to continue its reduction of wholesale funding. Since December 31, 2010, wholesale funding, including out-of-market deposits acquired through brokers and other borrowed funds, decreased by \$45.9 million. Total deposits were \$1.20 billion at June 30, 2011, down \$74.1 million from \$1.28 billion at December 31, 2010, as the Bank continued to encourage run-off of brokered deposits and higher priced local certificates of deposit. Customer deposit accounts remain fully insured to the highest levels available under the FDIC insurance programs.

The Bank's capital ratios continued to improve in the second quarter 2011. At June 30, 2011, all of the regulatory capital ratios for Macatawa Bank were maintained at levels comfortably above those ordinarily required to be categorized as "well capitalized" under applicable regulatory capital guidelines, and were in excess of the levels required by its Consent Order. Because the Bank is subject to the Consent Order, it cannot be categorized as "well capitalized" regardless of actual capital levels.

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," "progress," "toward," "goal," "eventually," "step," "believe," "began," "focus," "efforts," "further," "future," "consideration," "strategic," "opportunities," "mission" 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 trends in our credit quality metrics, the removal of the Bank's Consent Order, our ability to reduce our level of non-performing assets, and future organic growth and consideration of future strategic opportunities. 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 other-real-estate owned 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 sell other-real-estate owned at its carrying value or at all, successfully implement new programs and initiatives, increase efficiencies, 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, 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

June 30	Six Months Ended	Three Months Ended	
June 30		2011	2010
	EARNINGS SUMMARY		
	Total interest income	\$ 15,490	\$ 19,490
	Total interest expense	3,708	3,708
	Net interest income	11,782	15,782
	Provision for loan loss	(2,000)	(2,000)
	Net interest income after provision for loan loss	13,782	13,782
	NON-INTEREST INCOME		
	Deposit service charges	969	969
	Net gains on mortgage loans	262	262
	Trust fees	620	620
	Other	1,765	1,765
	Total non-interest income	3,616	3,616

NON-INTEREST EXPENSE		
Salaries and benefits	5,600	
Occupancy	989	
Furniture and equipment	829	
FDIC assessment	841	
Administration and disposition of problem assets	3,741	
Other	2,997	
Total non-interest expense	14,997	
Income (loss) before income tax	2,401	
Income tax expense (benefit)	--	
Net income (loss)	\$ 2,401	\$ 1
Dividends declared on preferred shares	--	
Net income (loss) available to common shares	\$ 2,401	\$ 1
Basic earnings per common share	\$ 0.13	\$
Diluted earnings per common share	\$ 0.13	\$
Return on average assets	0.63%	
Return on average equity	13.24%	
Net interest margin	3.39%	
Efficiency ratio	97.40%	

BALANCE SHEET DATA

Assets	June 30	
2011	December 31	
2010	June 30	
2010		
	Cash and due from banks	\$ 2
	Federal funds sold and other short-term investments	2
	Securities available for sale	.
	Securities held to maturity	.
	Federal Home Loan Bank Stock	.
	Loans held for sale	.
	Total loans	1,0
	Less allowance for loan loss	.
	Net loans	1,0
	Premises and equipment, net	.
	Acquisition intangibles	.
	Bank-owned life insurance	.
	Other real estate owned	.
	Other assets	.
	Total Assets	\$ 1,51
	Liabilities and Shareholders' Equity	
	Noninterest-bearing deposits	\$ 29
	Interest-bearing deposits	9
	Total deposits	1,2
	Other borrowed funds	1
	Subordinated debt	.
	Long-term debt	.
	Other liabilities	.
	Total Liabilities	1,4
	Shareholders' equity	
	Total Liabilities and Shareholders' Equity	\$ 1,51

2nd Qtr

2011 1st Qtr
 2011 4th Qtr
 2010 3rd Qtr
 2010 2nd Qtr
 2010

2011

2010

EARNINGS SUMMARY

Net interest income	\$ 11,782
Provision for loan loss	(2,000)
Total non-interest income	3,616
Total non-interest expense	14,997
Federal income tax expense (benefit)	--
Net income (loss)	2,401
Dividends declared on preferred shares	--
Net income (loss) available to common shares	\$ 2,401
Basic earnings per common share	\$ 0.13
Diluted earnings per common share	\$ 0.13

MARKET DATA

Book value per common share	\$ 2.18
Tangible book value per common share	\$ 2.17
Market value per common share	\$ 2.77
Average basic common shares	18,964,150
Average diluted common shares	18,964,150
Period end common shares	27,083,823

PERFORMANCE RATIOS

Return on average assets	0.63%
Return on average equity	13.24%
Net interest margin (fully taxable equivalent)	3.39%
Efficiency ratio	97.40%
Full-time equivalent employees (period end)	402

ASSET QUALITY

Gross charge-offs	\$ 4,430
Net charge-offs	\$ 2,866
Net charge-offs to average loans (annualized)	1.01%
Nonperforming loans	\$ 40,445
Other real estate and repossessed assets	\$ 65,438
Nonperforming loans to total loans	3.68%
Nonperforming assets to total assets	6.97%
Allowance for loan loss	\$ 37,477
Allowance for loan loss to total loans	3.41%
Allowance for loan loss to nonperforming loans	92.66%

CAPITAL & LIQUIDITY

Average equity to average assets	4.80%
Tier 1 capital to average assets (Consolidated)	8.06%
Total capital to risk-weighted assets (Consolidated)	12.71%
Tier 1 capital to average assets (Bank)	8.22%
Total capital to risk-weighted assets (Bank)	11.94%

END OF PERIOD BALANCES

Total portfolio loans	\$ 1,099,176	\$
Earning assets	1,378,064	

Total assets	1,518,632	
Deposits	1,202,556	
Total shareholders' equity	92,153	

AVERAGE BALANCES		
Total portfolio loans	\$ 1,139,049	\$
Earning assets	1,375,513	
Total assets	1,513,507	
Deposits	1,217,254	
Total shareholders' equity	72,553	

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Source: Macatawa Bank Corporation