

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For Quarter Ended June 30, 2000

Commission file number 0-13580

SUFFOLK BANCORP

(exact name of registrant as specified in its charter)

New York State
(State or other jurisdiction of incorporation or organization)

11-2708279
(I.R.S. Employer Identification No.)

6 West Second Street, Riverhead, New York
(Address of Principal Executive Offices)

11901
(Zip Code)

(Registrant's telephone number, including area code) (631) 727-5667

NOT APPLICABLE

(former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

5,995,064 SHARES OF COMMON STOCK OUTSTANDING AS OF JUNE 30, 2000

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SUFFOLK BANCORP AND SUBSIDIARIES

Part I - Financial Information (unaudited)	page
Consolidated Statements of Condition	4
Consolidated Statements of Income, For the Three Months Ended June 30, 2000 and 1999	5
Consolidated Statements of Income, For the Six Months Ended June 30, 2000 and 1999	6
Statements of Cash Flows, For the Six Months Ended June 30, 2000 and 1999	7
Notes to the Unaudited Consolidated Financial Statements	8
Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Part II - Other Information	11
Signatures	11

SUFFOLK BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION
(unaudited, in thousands of dollars, except share and per share data)

	June 30, 2000	December 31, 1999
ASSETS		
Cash & Due From Banks	\$ 84,361	\$ 53,452
Federal Funds Sold	2,000	-
Investment Securities:		
Available for Sale, at Fair Value	138,520	132,484
Held to Maturity:		
U.S. Government Agency Obligations	1,291	1,583
Obligations of States & Political Subdivisions	13,759	27,835
Corporate Bonds & Other Securities	3,468	3,468
Total Investment Securities	157,038	165,370
Total Loans	750,732	727,525
Less: Allowance for Possible Loan Losses	7,527	7,270
Net Loans	743,205	720,255
Premises & Equipment, Net	13,949	14,345
Other Real Estate Owned, Net	175	203
Accrued Interest Receivable, Net	6,058	5,871
Excess of Cost Over Fair Value of Net Assets Acquired	1,357	1,538
Other Assets	21,216	19,765
TOTAL ASSETS	1,029,359	980,799
LIABILITIES & STOCKHOLDERS' EQUITY		
Demand Deposits	265,442	242,397
Savings, N.O.W.'s & Money Market Deposits	383,842	369,921
Time Certificates of \$100,000 or more	31,406	23,458
Other Time Deposits	240,131	241,527
Total Deposits	920,821	877,303
Federal Home Loan Bank Borrowings	15,200	13,500
Dividend Payable on Common Stock	1,381	1,273
Accrued Interest Payable	2,327	2,463
Other Liabilities	8,918	8,926
TOTAL LIABILITIES	948,647	903,465
STOCKHOLDERS' EQUITY		
Common Stock (par value \$2.50; 15,000,000 shares authorized; 5,995,064 & 6,055,580 shares issued at June 30, 2000 & December 31, 1999, respectively)	19,026	19,026
Surplus	18,456	18,456
Treasury Stock at Par (1,615,356 shares & 1,554,840 shares, respectively)	(4,038)	(3,887)
Undivided Profits	49,031	45,576
	82,475	79,171
Accumulated Other Comprehensive Income, Net of Tax	(1,763)	(1,837)
TOTAL STOCKHOLDERS' EQUITY	80,712	77,334
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 1,029,359	\$ 980,799

See accompanying notes to consolidated financial statements.

SUFFOLK BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(unaudited, in thousands of dollars, except share and per share data)

	For the Three Months Ended	
	June 30, 2000	June 30, 1999
INTEREST INCOME		
Federal Funds Sold	\$ 24	\$ 217
United States Treasury Securities	431	543
Obligations of States & Political Subdivisions (tax exempt)	324	152
U.S. Government Agency Obligations	1,788	849
Corporate Bonds & Other Securities	71	38
Loans	16,379	14,774
Total Interest Income	19,017	16,573
INTEREST EXPENSE		
Savings, N.O.W.'s & Money Market Deposits	2,209	1,927
Time Certificates of \$100,000 or more	315	273
Other Time Deposits	3,134	2,903
Federal Funds Purchased	116	2
Interest on Other Borrowings	395	5
Total Interest Expense	6,169	5,110
Net-interest Income	12,848	11,463
Provision for Possible Loan Losses	300	225
Net-interest Income After Provision for Possible Loan Losses	12,548	11,238
OTHER INCOME		
Service Charges on Deposit Accounts	1,170	1,086
Other Service Charges, Commissions & Fees	370	320
Fiduciary Fees	190	169
Other Operating Income	111	104
Total Other Income	1,841	1,679
OTHER EXPENSE		
Salaries & Employee Benefits	4,326	4,159
Net Occupancy Expense	620	559
Equipment Expense	614	587
Other Real Estate Expense	3	12
Other Operating Expense	2,058	2,278
Total Other Expense	7,621	7,595
Income Before Provision for Income Taxes	6,768	5,322
Provision for Income Taxes	2,693	2,115
NET INCOME	\$ 4,075	\$ 3,207
Average: Common Shares Outstanding	6,010,506	6,070,080
Dilutive Stock Options	6,924	6,735
Average Total Common Shares and Dilutive Options	6,017,430	6,076,815
EARNINGS PER COMMON SHARE		
Basic	\$ 0.68	\$ 0.53
Diluted	\$ 0.68	\$ 0.53

See accompanying notes to consolidated financial statements.

SUFFOLK BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(unaudited, in thousands of dollars, except share and per share data)

	For the Six Months Ended	
	<u>June 30, 2000</u>	<u>June 30, 1999</u>
INTEREST INCOME		
Federal Funds Sold	\$ 148	\$ 315
United States Treasury Securities	850	1,557
Obligations of States & Political Subdivisions	637	305
U.S. Government Agency Obligations	3,459	1,801
Corporate Bonds & Other Securities	127	112
Loans	32,143	28,845
Total Interest Income	<u>37,364</u>	<u>32,935</u>
INTEREST EXPENSE		
Savings, N.O.W.'s & Money Market Deposits	4,409	3,683
Time Certificates of \$100,000 or more	667	579
Other Time Deposits	6,152	5,865
Federal Funds Purchased	191	169
Interest on Other Borrowings	640	15
Total Interest Expense	<u>12,059</u>	<u>10,311</u>
Net-interest Income	25,305	22,624
Provision for Possible Loan Losses	600	495
Net-interest Income After Provision	<u>24,705</u>	<u>22,129</u>
OTHER INCOME		
Service Charges on Deposit Accounts	2,352	2,045
Other Service Charges, Commissions & Fees	652	521
Fiduciary Fees	423	336
Other Operating Income	343	242
Total Other Income	<u>3,770</u>	<u>3,144</u>
OTHER EXPENSE		
Salaries & Employee Benefits	8,817	8,434
Net Occupancy Expense	1,246	1,173
Equipment Expense	1,251	1,151
Other Real Estate Expense	6	13
Other Operating Expense	4,266	4,276
Total Other Expense	<u>15,586</u>	<u>15,047</u>
Income Before Provision for Income Taxes	12,889	10,226
Provision for Income Taxes	5,185	3,996
NET INCOME	<u>\$ 7,704</u>	<u>\$ 6,230</u>
Average:		
Common Shares Outstanding	6,029,856	6,073,662
Dilutive Stock Options	7,042	6,693
Average Total	<u>6,036,898</u>	<u>6,080,355</u>
EARNINGS PER COMMON SHARE		
Basic	\$ 1.28	\$ 1.03
Diluted	\$ 1.28	\$ 1.02

See accompanying notes to consolidated financial statements.

SUFFOLK BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands of dollars, except share and per share data)

	For the Six Months Ended	
	June 30, 2000	June 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME	\$ 7,704	\$ 6,230
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH		
Provision for Possible Loan Losses	600	495
Depreciation & Amortization	1,018	1,007
Amortization of Excess Cost Over Fair Value of Net Assets Acquired	181	181
Accretion of Discounts	(122)	(634)
Amortization of Premiums	363	315
(Increase) Decrease in Accrued Interest Receivable	(187)	74
Increase in Other Assets	(1,424)	(84)
Decrease in Accrued Interest Payable	(136)	(701)
Increase in Other Liabilities	99	2,865
Net Cash Provided by Operating Activities	8,096	9,748
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal Payments on Investment Securities	482	500
Maturities of Investment Securities; Available for Sale	21,566	11,648
Purchases of Investment Securities; Available for Sale	(7,485)	(5,299)
Maturities of Investment Securities; Held to Maturity	6,000	78,000
Purchases of Investment Securities; Held to Maturity	(12,342)	(59,617)
Loan Disbursements & Repayments, Net	(23,712)	(51,545)
Purchases of Premises & Equipment, Net	(622)	(764)
Disposition of Other Real Estate Owned	-	95
Net Cash Used in Investing Activities	(16,113)	(26,982)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposit Accounts	43,519	39,938
Net Proceeds from Other Borrowings	1,700	-
Dividends Paid to Shareholders	(2,662)	(2,373)
Treasury Shares Acquired	(1,631)	(288)
Net Cash Provided by Financing Activities	40,926	37,277
Net Increase in Cash & Cash Equivalents	32,909	20,043
Cash & Cash Equivalents Beginning of Period	53,452	76,098
Cash & Cash Equivalents End of Period	\$ 86,361	\$ 96,141

See accompanying notes to consolidated financial statements.

SUFFOLK BANCORP AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) General

In the opinion of management, the accompanying unaudited consolidated financial statements of Suffolk Bancorp (Suffolk) and its consolidated subsidiaries have been prepared to reflect all adjustments (consisting solely of normally recurring accruals) necessary for a fair presentation of the financial condition and results of operations for the periods presented. Certain information and footnotes normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Notwithstanding, management believes that the disclosures are adequate to prevent the information from misleading the reader, particularly when the accompanying consolidated financial statements are read in conjunction with the audited consolidated financial statements and notes thereto included in the Registrant's annual report and on Form 10-K, for the year ended December 31, 1999.

The results of operations for the three months ended June 30, 2000 are not necessarily indicative of the results of operations to be expected for the remainder of the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

for the Three-Month Periods ended June 30, 2000 and 1999

Net Income

Net income was \$4,075,000 for the quarter, ahead 27.1 percent from \$3,207,000 posted during the same period last year. Earnings per share for the quarter were \$0.68 versus \$0.53, a gain of 28.3 percent.

Interest Income

Interest income was \$19,017,000 for the second quarter of 2000, up 14.7 percent from \$16,573,000 posted for the same quarter in 1999. Average loans during the second quarter of 2000 totaled \$734,945,000, compared to \$676,969,000 for the same period of 1999. During the second quarter of 2000, the yield was 8.44 percent (taxable-equivalent) on average earning assets of \$909,215,000 up from 8.19 percent on average earning assets of \$813,753,000 during the second quarter of 1999. Increases in interest income were attributable primarily to increases in the volume of both loans and investments, but also to a change in the composition of the investment portfolio emphasizing high-quality higher-yielding collateralized mortgage obligations.

Interest Expense

Interest expense for the second quarter of 2000 was \$6,169,000, up 20.7 percent from \$5,110,000 for the same period of 1999. Average deposits for the second quarter 2000 were \$876,703,000 up from \$828,972,000 for the comparable period in 1999. Interest expense remained moderate as demand deposits comprised 28.8 percent of total deposits.

Net Interest Income

Net interest income, net of the provision for possible loan losses, is the largest component of Suffolk's earnings. Net interest income for the second quarter of 2000 was \$12,548,000, up 11.7 percent from \$11,238,000 during the same period of 1999. The net interest margin for the quarter, on a fully taxable-equivalent basis, was 5.73 percent compared to 5.68 percent for the same period of 1999.

The following table details the components of Suffolk's net interest income:

Quarter ended	June 30, 2000			June 30, 1999		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
INTEREST-EARNING ASSETS						
U.S. treasury securities	\$ 31,320	\$ 440	5.62 %	\$ 39,633	\$ 555	5.59 %
Obligations of states and political subdivisions	30,829	493	6.40	14,886	231	6.20
U.S. govt. agency obligations	107,150	1,788	6.67	60,828	849	5.59
Corporate bonds and other securities	3,468	71	8.17	3,368	37	4.44
Federal funds sold and securities purchased under agreements to resell	1,503	24	6.44	18,069	217	4.80
Loans, including non-accrual loans						
Commercial, financial agricultural loans	138,547	3,669	10.59	125,902	2,707	8.60
Commercial real estate mortgages	151,355	3,356	8.87	144,155	3,188	8.85
Real estate construction loans	30,042	753	10.03	13,624	367	10.78
Residential mortgages (1st and 2nd liens)	84,565	1,897	8.97	75,400	1,845	9.79
Home equity loans	20,033	504	10.06	21,000	480	9.14
Consumer loans	309,723	6,200	8.01	293,224	6,187	8.44
Other loans (overdrafts)	680	-	-	3,664		
Total interest-earning assets	\$ 909,215	\$ 19,195	8.44 %	\$ 813,753	\$ 16,663	8.19 %
Cash and due from banks	\$ 62,371			\$ 62,440		
Other non-interest-earning assets	39,482			39,174		
Total assets	\$ 1,011,068			\$ 915,367		
INTEREST-BEARING LIABILITIES						
Savings, N.O.W.'s and money market deposits	\$ 369,950	\$ 2,208	2.39 %	\$ 344,637	\$ 1,927	2.24 %
Time deposits	259,095	3,450	5.33	254,077	3,176	5.00
Total savings and time deposits	629,045	5,658	3.60	598,714	5,103	3.41
Federal funds purchased and securities sold under agreement to repurchase	7,335	116	6.35	194	2	5.14
Other borrowings	24,397	395	6.47	419	5	4.73
Total interest-bearing liabilities	\$ 660,777	\$ 6,169	3.73 %	\$ 599,327	\$ 5,110	3.41 %
Rate spread			4.71 %			4.78 %
Non-interest-bearing deposits	\$ 247,658			\$ 219,711		
Other non-interest-bearing liabilities	25,319			23,924		
Total liabilities	\$ 933,754			\$ 842,962		
Stockholders' equity	77,314			72,405		
Total liabilities and stockholders' equity	\$ 1,011,068			\$ 915,367		
Net-interest income (taxable-equivalent basis) and effective interest rate differential		\$ 13,026	5.73 %		\$ 11,553	5.68 %
Less: taxable-equivalent basis adjustment		(178)			(90)	
Net-interest income		\$ 12,848			\$ 11,463	

Other Income

Other income increased to \$1,841,000 for the three months compared to \$1,679,000 the previous year. Service charges on deposits were up 7.7 percent. Service charges, including commissions and fees other than for deposits, increased by 15.6 percent. Trust revenue was up 12.4 percent. Other operating income was up 6.7 percent.

Other Expense

Other expense for the second quarter of 2000 was \$7,621,000, up 0.3 percent from \$7,595,000 for the comparable period in 1999. Employee compensation increased by 4.0 percent, net occupancy by 10.9 percent, equipment expense by 4.6 percent while other operating expense decreased by 9.7.

Capital Resources

Stockholders' equity totaled \$80,712,000 on June 30, 2000, an increase of 4.4 percent from \$77,334,000 on December 31, 1999. The ratio of equity to assets was 7.8 percent at June 30, 2000 and 7.9 percent at December 31, 1999. The following table details amounts and ratios of Suffolk's regulatory capital: (in thousands of dollars except ratios)

	Actual		For capital adequacy		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2000						
Total capital (to risk-weighted assets)	\$ 88,498	10.75%	\$ 65,873	8.00%	\$ 82,342	10.00%
Tier 1 capital (to risk-weighted assets)	80,971	9.83%	32,937	4.00%	49,405	6.00%
Tier 1 capital (to average assets)	80,971	8.05%	32,937	4.00%	41,171	5.00%
As of December 31, 1999						
Total capital (to risk-weighted assets)	\$ 88,615	11.05%	\$ 61,905	8.00%	\$ 77,381	10.00%
Tier 1 capital (to risk-weighted assets)	81,345	10.15%	30,952	4.00%	46,429	6.00%
Tier 1 capital (to average assets)	81,345	8.74%	30,952	4.00%	47,010	5.00%

Credit Risk

Suffolk makes loans based on the best evaluation possible of the creditworthiness of the borrower. Even with careful underwriting, some loans may not be repaid as originally agreed. To provide for this possibility, Suffolk maintains an allowance for possible loan losses, based on an analysis of the performance of the loans in its portfolio. The analysis includes subjective factors based on management's judgment as well as quantitative evaluation. Prudent, conservative estimates should produce an allowance that will provide for a range of losses. According to generally accepted accounting principles ("GAAP") a financial institution should record its best estimate. Appropriate factors contributing to the estimate may include changes in the composition of the institution's assets, or potential economic slowdowns or downturns. Also important is the geographical or political environment in which the institution operates. Suffolk's management considers all of these factors when determining the provision for possible loan losses.

The following table presents information about the allowance for possible loan losses: (in thousands of dollars except ratios)

	For the last 12 months	For the three months ended			
		June 30 2000	Mar. 31 2000	Dec. 31 1999	Sept. 30 1999
Allowance for possible loan losses					
Beginning balance	7,173	7,382	7,270	7,106	7,173
Total charge-offs	979	198	214	172	395
Total recoveries	158	43	26	36	53
Provision for possible loan losses	1,175	300	300	300	275
Ending balance	7,527	7,527	7,382	7,270	7,106
Coverage ratios					
Loans, net of discounts: average	711,526	734,945	718,721	702,838	689,600
at end of period	729,852	750,732	739,389	727,525	701,763
Non-performing assets	1,703	2,273	1,646	1,407	1,485
Non-performing assets/total loans (net of discount)	0.23%	0.30%	0.22%	0.19%	0.21%
Net charge-offs/average net loans (annualized)	0.12%	0.08%	0.10%	0.08%	0.20%
Allowance/non-accrual, restructured, & OREO	427.43%	331.15%	448.48%	451.55%	478.52%
Allowance for loan losses/net loans	1.00%	1.00%	1.00%	1.00%	1.01%

Market Risk

Suffolk originates and invests in interest-earning assets and solicits interest-bearing deposit accounts. Suffolk's operations are subject to market risk resulting from fluctuations in interest rates to the extent that there is a difference between the amounts of interest-earning assets and interest-bearing liabilities that are prepaid, withdrawn, mature, or reprice in any given period of time. Suffolk's earnings or the net value of its portfolio (the present value of expected cash flows from liabilities) will change when interest rates change. The principal objective of Suffolk's asset/liability management program is to maximize net interest income while keeping risks acceptable. These risks include both the effect of changes in interest rates, and risks to liquidity. The program also provides guidance to management in funding Suffolk's investment in loans and securities. Suffolk's exposure to interest-rate risk has not changed substantially since December 31, 1999.

PART II

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

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUFFOLK BANCORP

Date: August 14, 2000

/s/ Thomas S. Kohlmann

Thomas S. Kohlmann
President & Chief Executive Officer

Date: August 14, 2000

/s/ J. Gordon Huszagh

J. Gordon Huszagh
Executive Vice President &
Chief Financial Officer