

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, 2001

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.

5,905,814 SHARES OF COMMON STOCK OUTSTANDING AS OF JUNE 30, 2001

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SUFFOLK BANCORP AND SUBSIDIARIES

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

	June 30, 2001	December 31, 2000
ASSETS		
Cash & Due From Banks	\$ 52,280	\$ 69,584
Federal Funds Sold	44,300	3,700
Investment Securities:		
Available for Sale, at Fair Value	135,438	149,186
Held to Maturity:		
Obligations of States & Political Subdivisions	5,927	13,317
Corporate Bonds & Other Securities	3,468	3,468
Total Investment Securities	144,833	165,971
Total Loans	796,974	775,997
Less: Allowance for Possible Loan Losses	8,446	7,749
Net Loans	788,528	768,248
Premises & Equipment, Net	13,366	13,445
Other Real Estate Owned, Net	-	175
Accrued Interest Receivable, Net	5,621	6,298
Excess of Cost Over Fair Value of Net Assets Acquired	995	1,176
Other Assets	23,602	20,983
TOTAL ASSETS	1,073,525	1,049,580
LIABILITIES & STOCKHOLDERS' EQUITY		
Demand Deposits	276,831	288,657
Savings, N.O.W.'s & Money Market Deposits	392,935	378,212
Time Certificates of \$100,000 or more	26,284	23,175
Other Time Deposits	270,197	252,392
Total Deposits	966,247	942,436
Dividend Payable on Common Stock	1,654	1,373
Accrued Interest Payable	2,609	3,325
Other Liabilities	11,572	14,393
TOTAL LIABILITIES	982,082	961,527
STOCKHOLDERS' EQUITY		
Common Stock (par value \$2.50; 15,000,000 shares authorized; 5,905,814 and 5,959,964 shares outstanding at June 30, 2001 and December 31, 2000, respectively)	19,112	19,026
Surplus	19,165	18,456
Treasury Stock at Par (1,739,106 and 1,650,456 shares, respectively)	(4,348)	(4,126)
Undivided Profits	56,594	53,874
	90,523	87,230
Accumulated Other Comprehensive Income, Net of Tax	920	823
TOTAL STOCKHOLDERS' EQUITY	91,443	88,053
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 1,073,525	\$ 1,049,580

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, 2001	June 30, 2000
INTEREST INCOME		
Federal Funds Sold	\$ 166	\$ 24
United States Treasury Securities	328	431
Obligations of States & Political Subdivisions (tax exempt)	164	324
Mortgage-Backed Securities	1,436	1,232
U.S. Government Agency Obligations	445	556
Corporate Bonds & Other Securities	56	71
Loans	17,378	16,379
Total Interest Income	19,973	19,017
INTEREST EXPENSE		
Savings, N.O.W.'s & Money Market Deposits	2,146	2,209
Time Certificates of \$100,000 or more	380	315
Other Time Deposits	3,669	3,134
Federal Funds Purchased	28	116
Interest on Other Borrowings	173	395
Total Interest Expense	6,396	6,169
Net-interest Income	13,577	12,848
Provision for Possible Loan Losses	405	300
Net-interest Income After Provision for Possible Loan Losses	13,172	12,548
OTHER INCOME		
Service Charges on Deposit Accounts	1,342	1,170
Other Service Charges, Commissions & Fees	381	370
Fiduciary Fees	238	190
Other Operating Income	248	111
Net Gain on Sale of Securities	247	-
Total Other Income	2,456	1,841
OTHER EXPENSE		
Salaries & Employee Benefits	4,320	4,326
Net Occupancy Expense	711	620
Equipment Expense	586	614
Other Real Estate Expense	-	3
Other Operating Expense	2,062	2,058
Total Other Expense	7,679	7,621
Income Before Provision for Income Taxes	7,949	6,768
Provision for Income Taxes	3,121	2,693
NET INCOME	\$ 4,828	\$ 4,075
Average: Common Shares Outstanding	5,910,147	6,010,506
Dilutive Stock Options	8,461	6,924
Average Total Common Shares and Dilutive Options	5,918,608	6,017,430
EARNINGS PER COMMON SHARE		
Basic	\$ 0.82	\$ 0.68
Diluted	\$ 0.82	\$ 0.68

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	
	June 30, 2001	June 30, 2000
INTEREST INCOME		
Federal Funds Sold	\$ 178	148
United States Treasury Securities	726	850
Obligations of States & Political Subdivisions (tax exempt)	321	637
Mortgage-Backed Securities	2,881	2,361
U.S. Government Agency Obligations	990	1,098
Corporate Bonds & Other Securities	128	127
Loans	34,642	32,143
Total Interest Income	39,866	37,364
INTEREST EXPENSE		
Savings, N.O.W.'s & Money Market Deposits	4,267	4,409
Time Certificates of \$100,000 or more	725	667
Other Time Deposits	7,301	6,152
Federal Funds Purchased	98	191
Interest on Other Borrowings	548	640
Total Interest Expense	12,939	12,059
Net-interest Income	26,927	25,305
Provision for Possible Loan Losses	810	600
Net-interest Income After Provision	26,117	24,705
OTHER INCOME		
Service Charges on Deposit Accounts	2,623	2,352
Other Service Charges, Commissions & Fees	692	652
Fiduciary Fees	478	423
Other Operating Income	441	343
Net Gain on Sale of Securities	395	-
Total Other Income	4,629	3,770
OTHER EXPENSE		
Salaries & Employee Benefits	8,974	8,817
Net Occupancy Expense	1,430	1,246
Equipment Expense	1,148	1,251
Other Real Estate Expense	10	6
Other Operating Expense	4,045	4,266
Total Other Expense	15,607	15,586
Income Before Provision for Income Taxes	15,139	12,889
Provision for Income Taxes	5,908	5,185
NET INCOME	\$ 9,231	\$ 7,704
Average: Common Shares Outstanding	5,930,197	6,029,856
Dilutive Stock Options	6,951	7,042
Average Total Common Shares and Dilutive Options	5,937,148	6,036,898
EARNINGS PER COMMON SHARE Basic	\$ 1.56	\$ 1.28
Diluted	\$ 1.55	\$ 1.28

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, 2001	June 30, 2000
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME	\$ 9,231	\$ 7,704
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH		
Provision for Possible Loan Losses	810	600
Depreciation & Amortization	992	1,018
Amortization of Excess Cost Over Fair Value of Net Assets Acquired	181	181
Accretion of Discounts	(453)	(122)
Amortization of Premiums	218	363
Decrease (Increase) in Accrued Interest Receivable	677	(187)
Decrease in Other Assets	(2,620)	(1,424)
Decrease in Accrued Interest Payable	(715)	(136)
(Decrease) Increase in Other Liabilities	(2,821)	99
Net Security Gains	(395)	-
Net Cash Provided by Operating Activities	5,105	8,096
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal Payments on Investment Securities	1,083	482
Proceeds from Sale of Investment Securities, Available for Sale	1,005	-
Maturities of Investment Securities; Available for Sale	9,490	21,566
Purchases of Investment Securities; Available for Sale	(2,100)	(7,485)
Maturities of Investment Securities; Held to Maturity	79,899	6,000
Purchases of Investment Securities; Held to Maturity	(67,632)	(12,342)
Loan Disbursements & Repayments, Net	(20,970)	(23,712)
Purchases of Premises & Equipment, Net	(913)	(622)
Disposition of Other Real Estate Owned	175	-
Net Cash Provided by (Used in) Investing Activities	37	(16,113)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposit Accounts	23,811	43,519
Net Proceeds from Other Borrowings	-	1,700
Dividends Paid to Shareholders	(3,037)	(2,662)
Treasury Shares Acquired	(3,415)	(1,631)
Stock Options Exercised	795	-
Net Cash Provided by Financing Activities	18,154	40,926
Net Increase in Cash & Cash Equivalents	23,296	32,909
Cash & Cash Equivalents Beginning of Period	73,284	53,452
Cash & Cash Equivalents End of Period	\$ 96,580	\$ 86,361

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, 2000.

The results of operations for the three months ended June 30, 2001 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, 2001 and 2000

Net Income

Net income was \$4,828,000 for the quarter, ahead 18.5 percent from \$4,075,000 posted during the same period last year. Earnings per share for the quarter were \$0.82 versus \$0.68, a gain of 20.6 percent.

Interest Income

Interest income was \$19,973,000 for the second quarter of 2001, up 5.0 percent from \$19,017,000 posted for the same quarter in 2000. Average net loans during the second quarter of 2001 totaled \$784,498,000, compared to \$734,945,000 for the same period of 2000. During the second quarter of 2001, the yield was 8.39 percent (taxable-equivalent) on average earning assets of \$956,401,000 down from 8.44 percent on average earning assets of \$909,215,000 during the second quarter of 2000. Increases in interest income were attributable primarily to increases in the volume of loans, and 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 2001 was \$6,396,000, up 3.7 percent from \$6,169,000 for the same period of 2000. During the second quarter of 2001, the cost of funds was 3.80 percent (taxable-equivalent) on average interest-bearing liabilities of \$672,784,000 up from 3.73 percent on average interest-bearing liabilities of \$660,777,000 during the second quarter of 2000. Interest expense remained moderate as demand deposits comprised 28.6 percent of total deposits.

Each of the Bank's demand deposit accounts has a related noninterest-bearing sweep account. The sole purpose of the sweep accounts is to reduce the noninterest-bearing reserve balances that the Bank is required to maintain with the Federal Reserve Bank, and thereby increase funds available for investment. Although the sweep accounts are classified as savings accounts for regulatory purposes, they are included in demand deposits in the accompanying consolidated statements of condition.

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 2001 was \$13,172,000, up 5.0 percent from \$12,548,000 during the same period of 2000. The net interest margin for the quarter, on a fully taxable-equivalent basis, was 5.72 percent compared to 5.73 percent for the same period of 2000.

The following table details the components of Suffolk's net interest income on a taxable-equivalent basis:
(dollars in thousands)

June 30,	2001			2000		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
INTEREST-EARNING ASSETS						
U.S. treasury securities	\$ 22,823	\$ 334	5.85 %	\$ 31,320	\$ 440	5.62 %
Collateralized mortgage obligations	82,788	1,435	6.94	66,879	1,233	7.37
Obligations of states and political subdivisions	13,157	250	7.59	30,829	493	6.40
U.S. govt. agency obligations	33,327	446	5.35	40,271	555	5.52
Corporate bonds and other securities	3,468	57	6.57	3,468	71	8.17
Federal funds sold and securities purchased under agreements to resell	16,340	166	4.06	1,503	24	6.44
Loans, including non-accrual loans						
Commercial, financial agricultural loans	146,825	3,279	8.93	138,547	3,669	10.59
Commercial real estate mortgages	157,865	3,564	9.03	151,355	3,356	8.87
Real estate construction loans	30,799	840	10.92	30,042	753	10.03
Residential mortgages (1st and 2nd liens)	90,003	1,948	8.66	84,565	1,897	8.97
Home equity loans	23,029	495	8.60	20,033	504	10.06
Consumer loans	333,623	7,251	8.69	309,723	6,200	8.01
Other loans (overdrafts)	2,354	-	-	680	-	-
Total interest-earning assets	\$ 956,401	\$ 20,065	8.39 %	\$ 909,215	\$ 19,195	8.44 %
Cash and due from banks	\$ 56,652			\$ 62,371		
Other non-interest-earning assets	38,840			39,482		
Total assets	\$ 1,051,893			\$ 1,011,068		
INTEREST-BEARING LIABILITIES						
Savings, N.O.W.'s and money market deposits	\$ 365,229	\$ 2,146	2.35 %	\$ 369,950	\$ 2,208	2.39 %
Time deposits	291,167	4,049	5.56	259,095	3,450	5.33
Total savings and time deposits	656,396	6,195	3.78	629,045	5,658	3.60
Federal funds purchased and securities sold under agreement to repurchase	2,394	24	4.03	7,335	116	6.35
Other borrowings	13,994	177	5.05	24,397	395	6.47
Total interest-bearing liabilities	\$ 672,784	\$ 6,396	3.80 %	\$ 660,777	\$ 6,169	3.73 %
Rate spread			4.59 %			4.71 %
Non-interest-bearing deposits	\$ 267,318			\$ 247,658		
Other non-interest-bearing liabilities	22,942			25,319		
Total liabilities	\$ 963,044			\$ 933,754		
Stockholders' equity	88,849			77,314		
Total liabilities and stockholders' equity	\$ 1,051,893			\$ 1,011,068		
Net-interest income (taxable-equivalent basis) and effective interest rate differential		\$ 13,669	5.72 %		\$ 13,026	5.73 %
Less: taxable-equivalent basis adjustment		(92)			(178)	
Net-interest income		\$ 13,577			\$ 12,848	

Other Income

Other income increased to \$2,456,000 for the three months compared to \$1,841,000 the previous year. Service charges on deposits were up 14.7 percent. Service charges, including commissions and fees other than for deposits, increased by 3.0 percent. Trust revenue was up 25.3 percent. Other operating income increased by 123.4 percent. Net gains on the sale of securities amounted to \$247,000.

Other Expense

Other expense for the second quarter of 2001 was \$7,679,000, up 0.8 percent from \$7,621,000 for the comparable period in 2000. Employee compensation decreased by 0.1 percent owing to a one-time recapture of employee benefits, net occupancy increased by 14.7 percent, equipment expense dropped by 4.6 percent, while other operating expense increased by 0.2 percent.

Capital Resources

Stockholders' equity totaled \$91,443,000 on June 30, 2001, an increase of 3.8 percent from \$88,053,000 on December 31, 2000. The ratio of equity to assets was 8.5 percent at June 30, 2001 and 8.4 percent at December 31, 2000. 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, 2001						
Total capital (to risk-weighted assets)	\$ 97,838	10.87%	\$ 71,994	8.00%	\$ 89,993	10.00%
Tier 1 capital (to risk-weighted assets)	89,392	9.93%	35,997	4.00%	53,996	6.00%
Tier 1 capital (to average assets)	89,392	8.50%	42,076	4.00%	52,595	5.00%
As of December 31, 2000						
Total capital (to risk-weighted assets)	\$ 93,676	10.93%	\$ 68,540	8.00%	\$ 85,675	10.00%
Tier 1 capital (to risk-weighted assets)	85,927	10.03%	34,270	4.00%	51,405	6.00%
Tier 1 capital (to average assets)	85,927	8.51%	40,407	4.00%	50,509	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 2001	March 31 2001	Dec. 31 2000	Sept. 30 2000
Allowance for possible loan losses					
Beginning balance	7,527	8,061	7,749	7,676	7,527
Total charge-offs	831	202	144	279	206
Total recoveries	340	182	51	52	55
Provision for possible loan losses	1,410	405	405	300	300
Ending balance	8,446	8,446	8,061	7,749	7,676
Coverage ratios					
Loans, net of discounts: average	760,952	784,498	770,283	750,598	738,427
at end of period	781,884	796,974	795,669	775,997	758,894
Non-performing assets	2,662	2,578	2,686	2,700	2,685
Non-performing assets/total loans (net of discount)	0.34%	0.32%	0.34%	0.35%	0.35%
Net charge-offs/average net loans (annualized)	0.07%	0.01%	0.05%	0.12%	0.08%
Allowance/non-accrual, restructured, & OREO	300.15%	327.62%	300.11%	287.00%	285.88%
Allowance for loan losses/net loans	1.02%	1.06%	1.01%	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, 2000.

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, 2001

/s/ Thomas S. Kohlmann

Thomas S. Kohlmann
President & Chief Executive Officer

Date: August 14, 2001

/s/ J. Gordon Huszagh

J. Gordon Huszagh
Executive Vice President & Chief Financial Officer