



## BOARD OF DIRECTORS

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BRUCE COLLINS  
JAMES E. DANOWSKI  
JOSEPH A. DEERKOSKI  
HOWARD M. FINKELSTEIN  
EDGAR F. GOODALE  
THOMAS S. KOHLMANN  
TERENCE X. MEYER  
SUSAN V. B. O'SHEA  
J. DOUGLAS STARK  
PETER VAN DE WETERING

## EXECUTIVE OFFICERS

THOMAS S. KOHLMANN  
President & Chief Executive Officer  
J. GORDON HUSZAGH  
Executive Vice President & Chief Financial Officer  
VICTOR F. BOZUHOSKI, JR.  
Executive Vice President - Retail Banking  
ROBERT C. DICK  
Executive Vice President & Chief Lending Officer  
AUGUSTUS C. WEAVER  
Executive Vice President & Chief Information Officer

## SUFFOLK BANCORP

(631) 727-5667  
invest@suffolkbancorp.com

## THE SUFFOLK COUNTY NATIONAL BANK

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Riverhead, New York 11901  
info@scnb.com

Executive Offices  
(631) 727-3800

Banking Services  
(631) 727-2700

Trust, Investment, & Private Banking  
(631) 285-6600

Visit us on the web at

[www.suffolkbancorp.com](http://www.suffolkbancorp.com)

## CONSOLIDATED STATEMENTS OF CONDITION

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

	6/30/2002	6/30/2001
<b>ASSETS</b>		
Cash & Due From Banks	\$ 67,970	\$ 52,280
Federal Funds Sold	39,900	44,300
Investment Securities:		
Available for Sale, at Fair Value	285,283	135,438
Obligations of States & Political Subdivisions	11,657	5,927
Corporate Bonds & Other Securities	2,099	3,468
Total Investment Securities	299,039	144,833
Total Loans	806,694	796,974
Allowance for Possible Loan Losses	8,957	8,446
Net Loans	797,737	788,528
Premises & Equipment, Net	17,849	13,366
Accrued Interest Receivable, Net	5,514	5,621
Excess of Cost Over Fair Value of Net Assets Acquired	814	995
Other Assets	25,810	\$ 23,602
<b>TOTAL ASSETS</b>	<b>\$ 1,254,633</b>	<b>1,073,525</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
Demand Deposits	\$ 322,393	276,831
Savings, N.O.W.'s & Money Market Deposits	529,229	392,935
Time Certificates of \$100,000 or more	29,042	26,284
Other Time Deposits	252,764	270,197
Total Deposits	1,133,428	966,247
Dividend Payable on Common Stock	1,993	1,654
Accrued Interest Payable	1,510	2,609
Other Liabilities	14,043	11,572
<b>TOTAL LIABILITIES</b>	<b>1,150,974</b>	<b>982,082</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock (par value \$2.50; 15,000,000 shares authorized; 11,684,500 and 11,811,628 shares outstanding at June 30, 2002 and 2001, respectively)	33,826	38,224
Surplus	19,165	19,165
Treasury Stock at Par (1,845,718 and 1,739,106 shares, respectively)	(4,614)	(4,348)
Undivided Profits	51,344	37,482
	99,721	90,523
Accumulated Other Comprehensive Income, Net of Tax	3,938	920
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>103,659</b>	<b>91,443</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$ 1,254,633</b>	<b>1,073,525</b>

## CONSOLIDATED STATEMENTS OF INCOME

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

	For the 3 Months Ended		For the 6 Months Ended	
	6/30/02	6/30/01	6/30/02	6/30/01
<b>INTEREST INCOME</b>				
Federal Funds Sold	\$ 137	\$ 166	\$ 268	\$ 178
United States Treasury Securities	125	328	264	726
Obligations of States & Political Subdivisions (tax exempt)	146	164	287	321
Mortgage-Backed Securities	2,997	1,436	5,753	2,881
U.S. Government Agency Obligations	653	445	1,307	990
Corporate Bonds & Other Securities	31	56	46	128
Loans	15,633	17,378	31,257	34,642
<b>Total Interest Income</b>	<b>19,722</b>	<b>19,973</b>	<b>39,182</b>	<b>39,866</b>
<b>INTEREST EXPENSE</b>				
Savings, N.O.W.'s & Money Market Deposits	1,824	2,146	3,437	4,267
Time Certificates of \$100,000 or more	202	380	457	725
Other Time Deposits	2,208	3,669	4,805	7,301
Federal Funds Purchased	1	28	1	98
Interest on Other Borrowings	-	173	-	548
<b>Total Interest Expense</b>	<b>4,235</b>	<b>6,396</b>	<b>8,700</b>	<b>12,939</b>
<b>Net-interest Income</b>	<b>15,487</b>	<b>13,577</b>	<b>30,482</b>	<b>26,927</b>
Provision for Possible Loan Losses	360	405	660	810
<b>Net-interest Income After Provision for Possible Loan</b>	<b>15,127</b>	<b>13,172</b>	<b>29,822</b>	<b>26,117</b>
<b>OTHER INCOME</b>				
Service Charges on Deposit Accounts	1,422	1,342	2,751	2,623
Other Service Charges, Commissions & Fees	474	381	796	692
Fiduciary Fees	293	238	578	478
Other Operating Income	126	248	410	441
Net Gain on Sale of Securities	-	247	-	395
<b>Total Other Income</b>	<b>2,315</b>	<b>2,456</b>	<b>4,535</b>	<b>4,629</b>
<b>OTHER EXPENSE</b>				
Salaries & Employee Benefits	5,027	4,320	10,072	8,974
Net Occupancy Expense	674	711	1,349	1,430
Equipment Expense	625	586	1,221	1,148
Other Real Estate Expense	-	-	-	10
Other Operating Expense	2,321	2,062	4,519	4,045
<b>Total Other Expense</b>	<b>8,647</b>	<b>7,679</b>	<b>17,161</b>	<b>15,607</b>
Income Before Provision for Income Taxes	8,795	7,949	17,196	15,139
Provision for Income Taxes	3,501	3,121	6,841	5,908
<b>NET INCOME</b>	<b>\$ 5,294</b>	<b>\$ 4,828</b>	<b>10,355</b>	<b>9,231</b>
Average: Common Shares Outstanding	11,713,901	11,820,294	11,740,791	11,860,394
Dilutive Stock Options	45,790	16,922	43,410	13,902
Average Total Common Shares and Dilutive Options	11,759,691	11,837,216	11,784,201	11,874,296
<b>EARNINGS PER COMMON SHARE: Basic</b>	<b>\$ 0.45</b>	<b>\$ 0.41</b>	<b>\$ 0.88</b>	<b>\$ 0.78</b>
<b>Diluted</b>	<b>0.45</b>	<b>0.41</b>	<b>0.88</b>	<b>0.78</b>

## FINANCIAL SUMMARY OF THE LAST 12 MONTHS

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

	Last 12 Months	QUARTERS ENDED			
		6/30/2002	3/31/2002	12/31/2001	9/30/2001
<b>EARNINGS</b>					
Net Income	19,809	5,294	5,061	4,694	4,760
Net Interest Income	58,778	15,487	14,995	14,286	14,010
Earnings Per Share	1.68	0.45	0.43	0.40	0.40
Cash Dividends Per Share	0.60	0.17	0.15	0.14	0.14
<b>AVERAGE BALANCES</b>					
Assets	1,159,961	1,240,933	1,172,357	1,137,935	1,088,619
Net Loans	782,112	793,906	781,643	775,634	777,266
Investment Securities	349,835	789,253	258,998	200,673	150,414
Deposits	1,036,148	1,095,877	1,050,030	1,024,793	973,892
Equity	95,616	98,581	96,615	95,850	91,418
Shares Outstanding	11,746,687	11,713,901	11,702,587	11,770,640	11,799,620
Book Value Per Common Share	8.41	8.87	8.31	8.23	8.23
<b>RATIOS</b>					
Return on Average Equity	20.71%	21.48%	20.95%	19.58%	20.83%
Return on Average Assets	1.71%	1.71%	1.73%	1.65%	1.75%
Average Equity/Assets	8.25%	7.94%	8.24%	8.42%	8.40%
Total Risk-based Capital Ratio	11.87%	11.89%	11.99%	11.71%	11.90%
Net Interest Margin (Tax Equivalent)	5.57%	5.59%	5.63%	5.45%	5.60%
Efficiency Ratio	49.64%	48.57%	49.46%	51.24%	49.29%
<b>ASSET QUALITY</b>					
Net Charge-offs	883	237	291	254	101
Net Charge-offs to Average Net Loans	0.11%	0.12%	0.15%	0.13%	0.05%
Allowance/Non-accrual, Restructured, and Other Real Estate Owned	377.83%	299.87%	380.94%	448.42%	382.10%
Allowance for Loan Losses/Net Loans	1.11%	1.11%	1.11%	1.11%	1.11%

## FINANCIAL SUMMARY OF THE LAST 5 YEARS

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

	December 31, 2001	2000	1999	1998	1997
<b>EARNINGS</b>					
Net Income	18,685	16,232	13,129	11,903	11,302
Net Interest Income	55,223	52,505	46,787	44,410	43,159
Earnings Per Share	1.58	1.35	1.08	0.98	0.90
Cash Dividends Per Share	0.56	0.46	0.42	0.36	0.35
<b>BALANCES AT DECEMBER 31st</b>					
Assets	1,164,947	1,049,580	980,799	909,432	864,913
Net Loans	787,285	768,248	720,255	640,565	604,864
Investment Securities	254,620	165,971	165,370	151,201	146,926
Deposits	1,051,712	942,436	877,303	826,564	777,595
Equity	96,837	88,053	77,334	71,846	65,140
Shares Outstanding	11,770,596	11,919,928	12,111,160	12,161,712	12,190,712
Book Value Per Common Share	8.23	7.39	6.39	5.91	5.35
<b>RATIOS</b>					
Return on Average Equity	20.55%	20.42%	17.91%	17.66%	16.96%
Return on Average Assets	1.73%	1.60%	1.41%	1.37%	1.37%
Average Capital Ratio	8.41%	7.86%	7.87%	7.77%	8.05%
Net Interest Margin (Tax Equivalent)	5.62%	5.84%	5.66%	5.77%	5.84%
Net Charge-offs to Average Net Loans	0.06%	0.10%	0.11%	0.08%	0.11%
Efficiency Ratio	49.88%	53.04%	57.49%	59.36%	59.65%

## DEAR SHAREHOLDER:

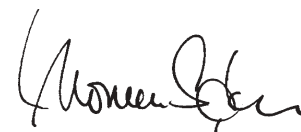
Once again, we at Suffolk have been able to steer a comparatively steady course through a turbulent economy. Return on average equity was 21.48 percent compared to 21.74 percent last year. Return on average assets was 1.71 percent, versus 1.84 percent a year ago. Our net interest margin narrowed slightly to 5.54 percent from 5.65 percent. Net interest income increased by 14.1 percent over the same period last year. Average assets grew by 18.0 percent. Non-interest expense grew by a lesser 12.6 percent, even allowing for costs associated with developing new offices in Manorville and Hauppauge. Our efficiency ratio was 48.57 percent compared to 47.89 percent for the same period of 2001, better than industry averages in the mid- and high 50's.

As the economy has slowed, we responded by adjusting the balance sheet to preserve net interest income throughout the economic cycle. In anticipation of lessened demand for loans we increased our position in high-quality securities. Investment securities totaled \$299,039,000 at June 30th, up 106.5 percent from the same time last year, while total loans have increased by only 1.2 percent. Consumer loans, which comprise the largest single portion of the loan portfolio, declined by 5.6 percent, but this is offset by our considerable success in generating new commercial real-estate loans and home equity lines of credit, underwritten to our traditional, conservative standards of credit-quality. This reflects ongoing strength in our core business, and builds banking relationships that will develop when the economy rebounds.

At 12 basis points (annualized), net charge-offs remain only slightly above the five-year average of 9.2 basis points. While increased from one basis point during the same period last year, they remain quite low by industry standards, and low in absolute dollars at \$237,000 for the quarter from an average loan portfolio of \$793,906,000. They are primarily automobile loans, generally charged-off late in the economic cycle even while the economy shows signs of recovery.

In light of the corporate scandals that have dominated the media recently, I want to reassure our investors, current and prospective, that Suffolk Bancorp continues to pursue a business plan that is simple, but well-executed. Executive compensation and the use of options are modest by any standard. Our financial reports are straightforward, and have been right along. We are in this for the long haul, and my colleagues and I believe that our greatest asset with you is our credibility. That is something we must earn year in and year out, not just this quarter and the next. That is our commitment to you.

Sincerely,



Thomas S. Kohlmann  
President & Chief Executive Officer



## SECOND QUARTERLY REPORT TO THE SHAREHOLDERS

June 30, 2002