ADMINISTAFF INC \DE\
Form SC 13G/A
November 07, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
(Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(b)
(Amendment No. 1)*

ADMINISTAFF INC
(Name of Issuer)

COMMON STOCK
(Title of Class of Securities)

007094105
(CUSIP Number)

October 31, 2007
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the Rule pursuant to which this Schedule is filed:

[X] Rule 13d - 1(b)
[ ] Rule 13d - 1(c)
[ ] Rule 13d - 1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes.)

CUSIP No 007094105	13G	Page 2 of 6 Pages

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY): Columbia Wanger Asset Management, L.P. 04-3519872	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) [ ] (b) [ ]	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION	Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		
	5 SOLE VOTING POWER	2,564,000
	6 SHARED VOTING POWER	200,000
	7 SOLE DISPOSITIVE POWER	2,764,000
	8 SHARED DISPOSITIVE POWER	

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH

REPORTING PERSON	2,764,000
10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*	[ ]
11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)	10.24%
12 TYPE OF REPORTING PERSON*	IA

*SEE INSTRUCTIONS BEFORE FILLING OUT!

Item 1(a). Name of Issuer:

ADMINISTAFF INC.

Item 1(b). Address of Issuer's Principal Executive Offices:

19001 Crescent Springs Drive
Kingwood, TX 77339

Item 2(a). Name of Person Filing:

Columbia Wanger Asset Management, L.P.

Item 2(b). Address of Principal Business Office or, if None, Residence:

227 West Monroe Street, Suite 3000, Chicago, IL 60606.

Item 2(c). Citizenship:

Delaware

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

007094105

Item 3. If This Statement is Filed Pursuant to Rule 13d-1(b), or 13d-2(b) or (c), Check Whether the Person Filing is a:

(a) [ ] Broker or dealer registered under Section 15 of the Exchange Act.
(b) [ ] Bank as defined in Section 3(a)(6) of the Exchange Act.
(c) [ ] Insurance company as defined in Section 3(a)(19) of the Exchange Act.
(d) [ ] Investment company registered under Section 8 of the Investment Company Act.
(e) [X] An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E).
(f) [ ] An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F).
(g) [ ] A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G).
(h) [ ] A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act.
(i) [ ] A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act.
(j) [ ] Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

If this statement is filed pursuant to Rule 13d-1(c), check this box. [ ]

Item 4. Ownership:

With respect to the beneficial ownership of the reporting person, see Items 5 through 11 of the cover pages to this Schedule 13G, which are incorporated herein by reference.

Item 5. Ownership of Five Percent or Less of a Class:

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [ ].

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

The shares reported herein include the shares held by Columbia Acorn Trust (CAT), a Massachusetts business trust that is advised by the reporting person. CAT holds 8.15% of the shares of the Issuer.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below each of the undersigned certifies that, to the best of such undersigned's knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: November 7, 2007

Columbia Wanger Asset Management, L.P.

By: /s/ Bruce H. Lauer

Bruce H. Lauer,
Senior Vice President and Secretary,
WAM Acquisition GP, Inc., General Partner

Exhibit 99.1

EXHIBIT 99.1 - JOINT FILING AGREEMENT

The undersigned hereby agree that they are filing this statement jointly pursuant to Rule 13d-1(k)(1). Each of them is responsible for the timely filing of such Schedule 13G and any amendments thereto, and for the completeness and accuracy of the information concerning such person contained therein; but none of them is responsible for the completeness or accuracy of the information concerning the other persons making the filing, unless such person knows or has reason to believe that such information is inaccurate.

In accordance with Rule 13d-1(k)(1) promulgated under the Securities and Exchange Act of 1934, as amended, the undersigned hereby agree to the joint filing with each other on behalf of each of them of to such a statement on Schedule 13G with respect to the common stock of beneficially owned by each of them. This Joint Filing Agreement shall be included as an exhibit to such Schedule 13G.

Dated: November 7, 2007

Columbia Wanger Asset Management, L.P.

By: /s/ Bruce H. Lauer

Bruce H. Lauer,
Senior Vice President and Secretary,
WAM Acquisition GP, Inc., General
Partner

Columbia Acorn Trust

By: /s/ Bruce H. Lauer

Bruce H. Lauer,
Vice President, Treasurer and Secretary

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Net interest income and interest rate spread

$

19,377

3.77

%

$

18,254

3.92

%

Net interest margin

3.92

%

4.01

%

(1) Rates are calculated on an annualized basis.
(2) Equity securities include restricted stock, which is included in other assets on the consolidated balance sheets.
(3) Non-accrual loans and overdraft deposits are included in other assets.
(4) Includes unamortized discounts and premiums. Average balance and yield are computed using the average historical amortized cost.
(5) Interest on loans includes fee income of $935 thousand and $925 thousand for 2018 and 2017, respectively, and is reduced by amortization of $666 thousand and $646 thousand for 2018 and 2017, respectively.
(6) For 2018, adjustments of $82 thousand and $349 thousand, respectively, are made to tax equate income on tax exempt loans and tax exempt securities. For 2017, adjustments of $155 thousand and $568 thousand, respectively, are made to tax equate income on tax exempt loans and tax exempt securities. These adjustments are based on a marginal federal income tax rate of 21% in 2018 and 35% in 2017, less disallowances.

Net Interest Income. Tax equivalent net interest income was $19.4 million for the first quarter of 2018 compared to $18.3 million for the same period in 2017. The net interest margin to average earning assets on a fully taxable equivalent basis decreased 9 basis points to 3.92% for the three months ended March 31, 2018, compared to 4.01% for the same three month period in the prior year. In comparing the quarters ended March 31, 2018 and 2017, yields on earning assets increased 10 basis points, while the cost of interest bearing liabilities increased 25 basis points. The decreased margin is mainly due to the pressure on increasing deposit rates as the

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Federal Reserve Bank continues to raise the federal funds interest rate. Excluding the amortization of premium on time deposits and with the accretion of the loan portfolio discount, the net interest margin would have been 4 basis points lower for the quarter ended March 31, 2018.

Noninterest Income. Noninterest income increased 2.1% to $6.0 million for the quarter ended March 31, 2018 compared to $5.9 million in 2017. Debit card interchange fees increased $153 thousand or 23.4% and trust fees increased $129 thousand or 7.7% in comparing the first quarter of 2018 to the same quarter in 2017. These increases were offset by a drop in retirement plan consulting fees of $134 thousand or 26.1% and gains on the sale of mortgage loans of $120 thousand or 19.8%.

Noninterest Expense. Noninterest expense totaled $15.1 million for the three month period ended March 31, 2018, which was $483 thousand or 3.3% more than the $14.6 million during the same quarter in 2017. The increase is primarily the result of salaries and employee benefits which increased 5.4%, or $451 thousand and occupancy and equipment expense which increased 7.4%, or $117 thousand during the current quarter compared to the same quarter in 2017. More specifically, most of the increase in salaries and benefits was a $425 thousand increase in wages and incentive stock awards expense when comparing the same three month periods in 2018 and 2017. Annualized noninterest expenses measured as a percentage of quarterly average assets decreased from 2.92% in the first quarter of 2017 to 2.83% in the first quarter of 2018.

The Company's tax equivalent efficiency ratio for the three month period ended March 31, 2018 was 58.0% compared to 58.8% for the same period in 2017. The positive change in the efficiency ratio was the result of increased net interest income and the stabilization of non-interest expenses relative to average assets as explained in the prior paragraphs.

Income Taxes. Income tax expense totaled $1.4 million for the quarter ended March 31, 2018 and $2.0 million for the quarter ended March 31, 2017. The effective tax rate for the three month period ended March 31, 2018 was 15.0% compared to the effective tax rate of 25.4% for the same period in 2017. This can be attributed to the new corporate tax rate reduction that was part of the "Tax Cuts and Jobs Act." Management continues to seek out additional tax exempt earning assets, mainly in the form of municipal bond securities, to help reduce the level of income tax liability.

Other Comprehensive Income. For the quarter ended March 31, 2018, the change in net unrealized gains or losses on securities, net of reclassifications, resulted in an unrealized loss, net of tax, of $7.0 million, compared to an unrealized gain of $234 thousand for the same period in 2017. The negative change in the fair value of securities for the three month period ended March 31, 2018 was the main factor in the other comprehensive income increase.

Financial Condition

Cash and Cash Equivalents. Cash and cash equivalents decreased $5.5 million during the first three months of 2018 from $57.7 million to $52.2 million. The decrease in the cash balance is part of normal fluctuations on the Company's $2.168 billion balance sheet. The Company expects the levels to remain constant over the next few months as new cash deposits are used for loan growth and security portfolio purchases.

Securities. Securities available-for-sale decreased by $8.5 million since December 31, 2017. The Company intends to maintain the securities portfolio's current level, as a percentage of total assets, during the remaining months of 2018.

Loans. Gross loans increased $22 million since December 31, 2017. The increase in loans has occurred across each of the major loan categories but especially the commercial real estate, residential real estate and agricultural loan portfolios. The Bank utilized a talented lending and credit team while adhering to sound underwriting discipline to increase the loan portfolio. The increase in loan balances along with a steady rate of return on the portfolio help the current quarter's tax equated loan income to improve by $1.9 million compared to the same quarter in 2017. The average tax equivalent interest rate on the loan portfolio was 4.80% for the three month period ended March 31, 2018 compared to 4.70% for the same period in 2017. The current quarter's tax equivalent interest rate is calculated using the new corporate tax rate of 21% compared to the prior year tax rate of 35%. For the three months ended March 31, 2018 the average tax equivalent rate would have been 2 basis points higher or 4.82%, using the prior year rate of 35%. On a fully tax equivalent basis, loans contributed $18.5 million of total interest income during the three month period ended March 31, 2018 compared to $16.6 million for the same period in 2017.

Allowance for Loan Losses. The following table indicates key asset quality ratios that management evaluates on an ongoing basis. The unpaid principal balance of non-performing loans and non-performing assets was used in the calculation of amounts and ratios on the table below for quarters prior to the current quarter ended March 31, 2018. Recorded investment amounts were used in the calculations.

Asset Quality History

(In Thousands of Dollars)

	3/31/2018		12/31/2017		9/30/2017		6/30/2017		3/31/2017	
Nonperforming loans	$ 7,893		$ 7,695		$ 6,900		$ 6,355		$ 6,553	
Nonperforming loans as a % of total loans	0.49	%	0.49	%	0.44	%	0.42	%	0.45	%
Loans delinquent 30-89 days	$ 6,973		$ 10,191		$ 8,680		$ 7,052		$ 8,258	
Loans delinquent 30-89 days as a % of total loans	0.44	%	0.65	%	0.56	%	0.47	%	0.56	%
Allowance for loan losses	$ 12,550		$ 12,315		$ 12,104		$ 11,746		$ 11,319	
Allowance for loan losses as a % of loans	0.78	%	0.78	%	0.78	%	0.78	%	0.77	%
Allowance for loan losses as a % of non-acquired loans	0.97	%	0.97	%	0.99	%	1.00	%	1.02	%
Allowance for loan losses as a % of nonperforming loans	159.00	%	160.04	%	175.42	%	184.83	%	172.73	%
Annualized net charge-offs to average net loans outstanding	0.14	%	0.05	%	0.16	%	0.14	%	0.16	%
Non-performing assets	$ 7,952		$ 7,866		$ 7,119		$ 6,591		$ 6,871	
Non-performing assets as a % of total assets	0.37	%	0.36	%	0.33	%	0.32	%	0.34	%
Net charge-offs for the quarter	$ 540		$ 189		$ 592		$ 523		$ 583	

For the three months ended March 31, 2018, management recorded a $775 thousand provision for loan losses, compared to providing $1.1 million over the same three month period in the prior year. The smaller provision for the current quarter was mainly a result of reduced charge-offs compared to the prior year same quarter and no significant changes in economic or environmental factors during the quarter. Loan growth over the first three months of 2018 was 5.6% on an annualized basis. The allowance for loan losses as a percentage of the total loan portfolio was 0.78% at March 31, 2018 compared to 0.77% at March 31, 2017. The loan portfolios acquired at fair market value from previous acquisitions were recorded at fair market value and without an associated allowance for loan loss. When the acquired loans are excluded, the ratio of allowance for loan losses to total non-acquired loans is 0.97% at March 31, 2018 compared to 1.02% at March 31, 2017. Early stage delinquencies, which are loans 30 – 89 days delinquent, as a percentage of total loans decreased from 0.56% at March 31, 2017 to 0.44% at March 31, 2018 and non-performing loans as a percentage of total loans increased from 0.45% at March 31, 2017 to 0.49% at March 31, 2018. The allowance for loan losses to non-performing loans decreased from 172.73% at March 31, 2017 to 159.00% at March 31, 2018.

Based on the evaluation of the adequacy of the allowance for loan losses, management believes that the allowance for loan losses at March 31, 2018 is adequate and reflects probable incurred losses in the portfolio. The provision for loan losses is based on management's judgment after taking into consideration all factors connected with the collectability of the existing loan portfolio. Management evaluates the loan portfolio in light of economic conditions, changes in the nature and volume of the loan portfolio, industry standards and other relevant factors. Specific factors considered by management in determining the amounts charged to operating expenses include previous credit loss experience, the status of past due interest and principal payments, the quality of financial information supplied by loan customers and the general condition of the industries in the community to which loans have been made.

Deposits. Total deposits increased $32.4 million from December 31, 2017 to March 31, 2018, for a balance of $1.6 billion. The increase in deposits is the result of the Company's efforts to increase deposits without causing a significant negative impact to the net interest margin during the first three months of 2018. Non-interest bearing demand deposits decreased while interest bearing deposits increased between December 31, 2017 and March 31, 2018. Non-interest bearing deposits decreased by $9.9 million or 2.4% and interest bearing accounts increased $42.3 million or 3.6% during the first three months of 2018. Money Market index accounts decreased. At December 31, 2017 the balance was $250.2 million and at March 31, 2018 it was $241.7 million, a decrease of 3.4%. The Company's strategy is to grow deposit balances. While there is growing pressure in the deposit market for increasing deposit rates, management understands the need to protect the net interest margin but also remain competitive within the market to help supply the needs of the growing loan portfolio. At March 31, 2018, core deposits, which include, savings and money market accounts, time deposits less than $250 thousand, demand deposits and interest bearing demand deposits represented approximately 95.9% of total deposits.

Borrowings. Total borrowing balances decreased 7.3% from $296.6 million at December 31, 2017 to $274.8 million at March 31, 2018. During the three month period ended March 31, 2018 the Company paid back $30 million in short-term FHLB advances.

Capital Resources. Total stockholders' equity decreased $834 thousand, or 0.3%, during the three month period ended March 31, 2018. The decrease is primarily due to the market adjustment on securities available for sale portfolio. Shareholders received $0.07

per share in cash dividends in the first quarter of 2018. The increased dividend to $0.07 is a 16.7% increase over the $0.06 paid in the last quarter of 2017. Book value per share decreased from $8.79 per share at December 31, 2017 to $8.73 per share at March 31, 2018. The Company's tangible book value per share also decreased, from $7.14 per share at December 31, 2017 to $7.10 per share at March 31, 2018. The decreases in book value and tangible book value per share were the result of the market adjustment on securities held.

The capital management function is a regular process that consists of providing capital for both the current financial position and the anticipated future growth of the Company. New minimum capital requirements associated with the Basel Committee on capital and liquidity regulation (Basel III) are being phased in from January 1, 2015 through January 1, 2019. The Company must hold a capital conservation buffer of 1.875% above adequately capitalized risk-based capital ratios during 2018. At March 31, 2018 the Company is required to maintain 4.5% common equity tier 1 to risk weighted assets excluding the conservation buffer to be adequately capitalized. The Company's common equity tier 1 to risk weighted assets was 12.2%, total risk-based capital ratio stood at 12.9%, and the Tier I risk-based capital ratio and Tier I leverage ratio were at 12.1% and 9.7%, respectively, at March 31, 2018. Management believes that the Company and the Bank meet all capital adequacy requirements to which they are subject, as of March 31, 2018.

Critical Accounting Policies

The Company follows financial accounting and reporting policies that are in accordance with U.S. GAAP. These policies are presented in Note 1 of the consolidated audited financial statements in the Company's Annual Report to Shareholders included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. Critical accounting policies are those policies that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company has identified three accounting policies that are critical accounting policies and an understanding of these policies is necessary to understand the Company's financial statements. These policies relate to determining the adequacy of the allowance for loan losses, if there is any impairment of goodwill or other intangible, and estimating the fair value of assets acquired and liabilities assumed in connection with the merger activity. Additional information regarding these policies is included in the notes to the aforementioned 2017 consolidated financial statements, Note 1 (Summary of Significant Accounting Policies), Note 2 (Business Combination), Note 4 (Loans), and the sections captioned "Loan Portfolio."

U.S. GAAP establishes standards for the amortization of acquired intangible assets and the impairment assessment of goodwill. Goodwill arising from business combinations represents the value attributable to unidentifiable intangible assets in the business acquired. The Company's goodwill relates to the value inherent in the banking industry and that value is dependent upon the ability of the Company's subsidiaries to provide quality, cost-effective services in a competitive marketplace. The goodwill value is supported by revenue that is in part driven by the volume of business transacted. A decrease in earnings resulting from a decline in the customer base or the inability to deliver cost-effective services over sustained periods can lead to impairment of goodwill that could adversely impact earnings in future periods. U.S. GAAP requires an annual evaluation of goodwill for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The fair value of the goodwill is estimated by reviewing the past and projected operating results for the subsidiaries and comparable industry information.

Liquidity

The Company maintains, in the opinion of management, liquidity sufficient to satisfy depositors' requirements and meet the credit needs of customers. The Company depends on its ability to maintain its market share of deposits as well as acquiring new funds. The Company's ability to attract deposits and borrow funds depends in large measure on its profitability, capitalization and overall financial condition. The Company's objective in liquidity management is to maintain the ability to meet loan commitments, purchase securities or to repay deposits and other liabilities in accordance with their terms without an adverse impact on current or future earnings. Principal sources of liquidity for the Company include assets considered relatively liquid, such as federal funds sold, cash and due from banks, as well as cash flows from maturities and repayments of loans, and securities.

Along with its liquid assets, the Bank has additional sources of liquidity available which help to ensure that adequate funds are available as needed. These other sources include, but are not limited to, loan repayments, the ability to obtain deposits through the adjustment of interest rates and the purchasing of federal funds and borrowings on approved lines of credit at major domestic banks. At March 31, 2018, this line of credit totaled $35 million of which the Bank had not borrowed against. In addition, the Company has two revolving lines of credit with correspondent banks totaling $6.2 million. The outstanding balance at March 31, 2018 was $350 thousand. Management feels that its liquidity position is adequate and continues to monitor the position on a monthly basis. As of March 31, 2018, the Bank had outstanding balances with the FHLB of $190 million with additional borrowing capacity of approximately $336.3 million with the FHLB, as well as access to the Federal Reserve Discount Window, which provides an additional source of funds. The Bank views its membership in the FHLB as a solid source of liquidity.

The primary investing activities of the Company are originating loans and purchasing securities. During the first three months of 2018, net cash used by investing activities amounted to $24.2 million, compared to $32.4 million used in the same period in 2017.

Loan originations were robust and used $22.5 million during the first three months of 2018 compared to the $34.4 million used during the same period in 2017. The cash used in investing activities during this period can be attributed to the strong lending activity in most of the loan types. Proceeds from the sale of securities available for sale were $262 thousand for the quarter ended March 31, 2018 compared to $43.3 million during the first three months of 2017. Conversely, purchases of securities available for sale amounted to $14.3 million used during the first three months of 2018 compared to $54.9 million used during the same period in 2017.

The primary financing activities of the Company are obtaining deposits, repurchase agreements and other borrowings. Net cash provided by financing activities amounted to $8.8 million for the period ended March 31, 2018, compared to $45.7 million provided in financing activities for the same period in 2017. There were large swings in two line items during the three month period ended March 31, 2018 compared to the same period last year: changes in short term borrowings used $21.6 million in the three month period ended March 31, 2018, compared to $36.8 million provided during the three month period ended March 31, 2017, and there was also $15.5 million received from deposits during the three month period ended March 31, 2017 compared to providing $32.4 million during the three month period ended March 31, 2018.

Off-Balance Sheet Arrangements

In the normal course of business, to meet the financial needs of our customers, we are a party to financial instruments with off-balance sheet risk. These financial instruments generally include commitments to originate mortgage, commercial and consumer loans, and involve to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the Consolidated Balance Sheets. The Bank’s maximum exposure to credit loss in the event of nonperformance by the borrower is represented by the contractual amount of those instruments. Because some commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The same credit policies are used in making commitments as are used for on-balance sheet instruments. Collateral is required in instances where deemed necessary. Undisbursed balances of loans closed include funds not disbursed but committed for construction projects. Unused lines of credit include funds not disbursed, but committed for, home equity, commercial and consumer lines of credit. Financial standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Those guarantees are primarily used to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Total unused commitments were $343.3 million at March 31, 2018 and $339.4 at December 31, 2017. Additionally, the Company has committed up to $8 million in subscriptions in Small Business Investment Company investment funds. At March 31, 2018 the Company had invested $5.6 million in these funds.

Recent Market and Regulatory Developments

Various legislation affecting financial institutions and the financial industry will likely continue to be introduced in Congress, and such legislation may further change banking statutes and the operating environment of the Company in substantial and unpredictable ways, and could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance depending upon whether any of this potential legislation will be enacted, and if enacted, the effect that it or any implementing regulations, would have on the financial condition or results of operations of the Company or any of its subsidiaries. With the enactment of the Dodd-Frank Act, the nature and extent of future legislative and regulatory changes affecting financial institutions remains very unpredictable at this time.

Also, such statutes, regulations and policies are continually under review by Congress, state legislatures and federal and state regulatory agencies and are subject to change at any time, particularly in the current economic and regulatory environment. Any such change in statutes, regulations or regulatory policies applicable to the Company could have a material effect on the business of the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company’s ability to maximize net income is dependent, in part, on management’s ability to plan and control net interest income through management of the pricing and mix of assets and liabilities. Because a large portion of assets and liabilities of the Company are monetary in nature, changes in interest rates and monetary or fiscal policy affect its financial condition and can have significant impact on the net income of the Company. Additionally, the Company’s balance sheet is slightly asset sensitive and in the rising interest rate environment that exists today, the Company’s net interest margin should maintain relatively stable levels throughout the near future.

The Company considers the primary market exposure to be interest rate risk. Simulation analysis is used to monitor the Company's exposure to changes in interest rates, and the effect of the change to net interest income. The following table shows the effect on net interest income and the net present value of equity in the event of a sudden and sustained 300 basis point increase or 100 basis point decrease in market interest rates:

Changes In Interest Rate (basis points)	March 31, 2018 Result		December 31, 2017 Result		ALCO Guidelines	
Net Interest Income Change						
+300	-3.2	%	-1.9	%	15	%
+200	-1.9	%	-1.0	%	10	%
+100	-0.8	%	-0.5	%	5	%
-100	-2.1	%	-3.3	%	5	%
Net Present Value Of Equity Change						
+300	-10.1	%	-7.5	%	20	%
+200	-6.0	%	-3.7	%	15	%
+100	-1.9	%	0.3	%	10	%
-100	-5.1	%	-7.2	%	10	%

The results of the simulations indicate that all interest rate change results fall within internal limits established by the Company at March 31, 2018. A report on interest rate risk is presented to the Board of Directors and the Asset/Liability Committee on a quarterly basis. The Company has no market risk sensitive instruments held for trading purposes, nor does it hold derivative financial instruments, and does not plan to purchase these instruments in the near future.

Item 4. Controls and Procedures

Based on their evaluation, as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective. There were no changes in the Company's internal controls over financial reporting (as defined in Rule 13a–15(f) under the Exchange Act) that occurred during the fiscal quarter ended March 31, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the opinion of management there are no outstanding legal actions that will have a material adverse effect on the Company's financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes to the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of equity securities by the issuer.

On September 28, 2012, the Company announced that its Board of Directors approved a stock repurchase program that authorizes the repurchase of up to 920,000 shares of its outstanding common stock in the open market or in privately negotiated transactions. There were no shares purchased during the three month period ended March 31, 2018. There are 245,866 shares that may still be repurchased under this program.

During the acquisition of Monitor Bank there were 465,787 shares issued as part of the transaction that was completed on August 15, 2017.

Item 3. Defaults Upon Senior Securities
Not applicable.

Item 4. Mine Safety Disclosures
Not applicable.

Item 5. Other Information
Not applicable.

Item 6. Exhibits

The following exhibits are filed or incorporated by reference as part of this report:

3.1	Articles of Incorporation of Farmers National Banc Corp., as amended (incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-3 filed with the Commission on October 3, 2001 (File No. 333-70806)).
3.2	Amendment to Articles of Incorporation of Farmers National Banc Corp., as amended (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2013).
3.3	Amended Code of Regulations of Farmers National Banc Corp. (incorporated by reference from Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011 filed with the Commission on August 9, 2011).
10.1	Farmers National Banc Corp. 2018 Form of Notice of Grant of Long-term Incentive Plan Awards under 2017 Equity Incentive Plan (filed herewith).
10.2	Farmers National Banc Corp. 2018 Form of Performance-Based Equity Award Agreement under 2017 Equity Incentive Plan (filed herewith).
10.3	Farmers National Banc Corp. 2018 Form of Service-Based Restricted Stock Award Agreement under 2017 Equity Incentive Plan (filed herewith).
10.4	Farmers National Banc Corp. 2018 Form of Performance-Based Cash Award Agreement under Long-Term Incentive Plan (filed herewith).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Kevin J. Helmick, President and Chief Executive Officer of the Company (filed herewith).
31.2	Rule 13a-14(a)/15d-14(a) Certification of Carl D. Culp, Executive Vice President, Chief Financial Officer and Treasurer of the Company (filed herewith).
32.1	Certification pursuant to 18 U.S.C. Section 1350 of Kevin J. Helmick, President and Chief Executive Officer of the Company (filed herewith).
32.2	Certification pursuant to 18 U.S.C. Section 1350 of Carl D. Culp, Executive Vice President, Chief Financial Officer and Treasurer of the Company (filed herewith).
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; and (v) Notes to Unaudited Consolidated Financial Statements, tagged as blocks of text.

*Constitutes a management contract or compensatory plan or arrangement.

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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.

FARMERS NATIONAL BANC CORP.

Dated: May 9, 2018

/s/ Kevin J. Helmick
Kevin J. Helmick
President and Chief Executive Officer
Dated: May 9, 2018

/s/ Carl D. Culp
Carl D. Culp
Executive Vice President and Treasurer

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