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NEWS RELEASE
TO BUSINESS EDITOR

DIMECO, INC. ANNOUNCES 2015 EARNINGS

Honesdale, Pennsylvania/ January 25, 2016/ Dimeco, Inc. (DIMC), the holding company for The Dime Bank, released unaudited financial results for the quarter and year ended December 31, 2015.

Total assets of \$613,352,000 at December 31, 2015 represented a slight increase of \$1,919,000 from the balance at the end of 2014. Total loans also increased slightly, ending the year at \$471,364,000, an increase of 1.0% over balances at the end of 2014. Total deposits decreased slightly to end the year at \$489,076,000, which was \$3,058,000, or .6% lower than a year earlier. Stockholders' equity of \$68,155,000 at December 31, 2015 represented growth of 2.7% over balances a year earlier; the ratio of stockholders' equity to assets was 11.1%.

Net income for the year ended December 31, 2015 was \$3,635,000 which resulted in a return on average assets of .60% and a return on average equity of 5.35%. While interest income of \$24,701,000 was 2.2% lower than earned in 2014, the cost of funds also declined 14.9% to \$2,607,000, resulting in net interest income of \$22,094,000, a decrease of .4% from 2014 income.

Noninterest expense increased 13.3% for the year ended December 31, 2015. The greatest area of increased costs were in relation to asset quality issues. In the fourth quarter of 2015, management reviewed the values of assets held as other real estate owned and adjusted balances based on recent market pricing, resulting in \$1,101,000 greater expense in the fourth quarter of 2015 than in the same period in 2014. The expense of owning these properties was \$328,000 greater in this quarter than the same quarter of 2014 due mainly to payment of delinquent real estate taxes on properties that were obtained during the quarter.

Dividends remained strong, amounting to \$1.52 per share for both 2015 and 2014. At this rate, the dividend yield for 2015 was 3.95%. Fully diluted earnings per share for the year ended 2015 were \$2.22.

Gary C. Beilman, president and chief executive officer, commented "As a bank, one of our duties is to manage risk. As a community bank, one of our primary responsibilities is to take calculated risks lending to individuals and businesses in our marketplace. Long time holders of Dimeco stock know that these kinds of actions have served us well and have been a huge part of our success for many years. As with all economic cycles, there are peaks and valleys, and we persevere through both. For some time now, we have reported on the effects that this languishing economy has had on our asset quality. Further, in recent quarters, we have discussed our efforts to improve asset quality including

enhanced collection processes, foreclosure actions in some cases, and the resultant sale of parcels of other real estate owned. The trend has been encouraging, but the process takes time. While we took these aggressive actions concerning asset values, the Company maintained a strong capital position. We see these actions as the prudent thing to do, and while net income for this year was negatively impacted, this is an opportunity to begin a return to the performance to which our shareholders are accustomed.”

Dimeco, Inc. is the holding company of The Dime Bank, a full service financial institution serving Northeastern Pennsylvania. For more information on Dimeco, Inc. and The Dime Bank, visit www.thedimebank.com.

Source: Dimeco, Inc. / January 25, 2016 / Deborah Unflat

Stock Listing – DIMC**Transfer Agent**

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
800-937-5449
e-mail: info@amstock.com
Internet address: www.amstock.com

Dividend Reinvestment Plan

The Company offers a plan for stockholders to automatically reinvest their dividends in shares of common stock along with the opportunity to purchase additional stock. There are no brokerage commissions or fees imposed. For more information, contact the Transfer Agent listed above.

Dimeco, Inc. Stock Market Makers

Boening & Scattergood, Inc.
800-842-8928
Raymond James & Associates, Inc.
800-647-7378
Stifel Nicolaus
800-793-7226

Directors

John S. Kiesendahl, Chairman
Thomas A. Peifer, Vice Chairman
Gary C. Beilman, President
John F. Spall, Secretary
Barbara J. Genzlinger
Amy Litzenberger
Dr. David D. Reynolds
Henry M. Skier
Todd J. Stephens

e-mail: dimeco@thedimebank.com
www.thedimebank.com
888-4MY-DIME



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Dear Shareholders:

It is my honor to present this report of Dimeco, Inc. for the quarter and year ended December 31, 2015. This letter will give you a summary of our goal for future improvement, with more detailed information to be presented in our annual report.

As a bank, one of our duties is to manage risk. As a community bank, one of our primary responsibilities is to take calculated risks lending to individuals and businesses in our marketplace. If you are a long time holder of Dimeco stock, you know that these kinds of actions have served us well and have been a huge part of our success for many years. As with all economic cycles, there are peaks and valleys, and we persevere through both. For some time now, we have reported on the effects that this languishing economy has had on our asset quality. Further, in recent quarters, we have discussed our efforts to improve asset quality including enhanced collection processes, foreclosure actions in some cases, and the resultant sale of parcels of other real estate owned. The trend has been encouraging, but the process takes time. With all of this in mind, and to clear a path for our future, management decided to aggressively address classified assets. The result was that we charged off certain loans and made appropriate write-downs on other real estate owned, while still maintaining our strong capital position. We see these actions as the

prudent thing to do, and while net income for this year was negatively impacted, this is an opportunity to begin a return to the performance to which you are accustomed.

Certain performance measurements improved from that of a year earlier. As of the end of 2015, the book value of your stock is up to \$41.42 and stockholders' equity has increased to \$68.2 million. Additionally, the shareholders' equity to asset ratio is strong at 11.11%, a 2.3% increase over the prior year. Finally, our continuing dividend of \$1.52 per share produced a yield of 3.95% at year end. All of these represent enhancements to your investment.

Our commitment is always to strive to assist those within our communities. Thankfully, that strategy has been successful throughout most of our 110 year history. I thank you for your confidence and loyalty. I invite you to recommend Dimeco, Inc. to others for investment in our stock and to use our banking and wealth management services. Of course, your comments are always welcome.

Sincerely,

Gary C. Beilman
President and Chief Executive Officer

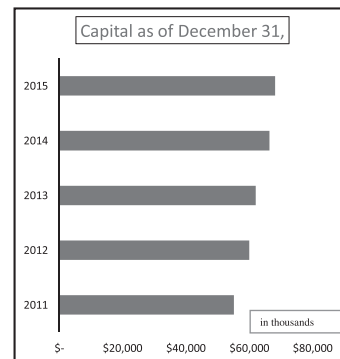
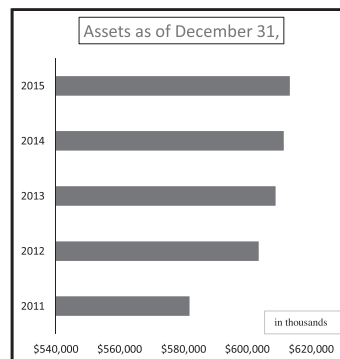
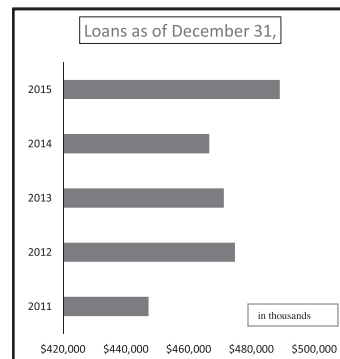
CONSOLIDATED FINANCIAL HIGHLIGHTS (unaudited)

(dollars in thousands, except per share)

	2015	2014	% Increase (decrease)
Performance for the year ended December 31,			
Interest income	\$ 24,701	\$ 25,251	(2.2%)
Interest expense	\$ 2,607	\$ 3,064	(14.9%)
Net interest income	\$ 22,094	\$ 22,187	(.4%)
Net income	\$ 3,635	\$ 5,531	(34.3%)
Shareholders' Value (per share)			
Net income – basic	\$ 2.23	\$ 3.42	(34.8%)
Net income – diluted	\$ 2.22	\$ 3.40	(34.7%)
Dividends	\$ 1.52	\$ 1.52	–
Book value	\$ 41.42	\$ 40.82	1.5%
Market value	\$ 38.50	\$ 39.25	(1.9%)
Market value/book value ratio	93.0%	96.2%	(3.3%)
Price/earnings multiple	17.3X	11.5X	50.4%
Dividend yield	3.95%	3.87%	2.1%
Financial Ratios			
Return on average assets	.60%	.91%	(34.1%)
Return on average equity	5.35%	8.56%	(37.5%)
Shareholders' equity/asset ratio	11.11%	10.86%	2.3%
Dividend payout ratio	68.16%	44.44%	53.4%
Nonperforming assets/total assets	2.87%	3.43%	(16.3%)
Allowance for loan losses as a % of loans	1.76%	1.68%	4.8%
Net charge-offs/average loans	.55%	.79%	(30.4%)
Allowance for loan losses/nonaccrual loans	82.37%	54.40%	51.4%
Allowance for loan losses/non-performing loans	78.36%	52.19%	50.1%

Financial Position at December 31,

	2015	2014	%
Assets	\$ 613,352	\$ 611,433	.3%
Loans	\$ 471,364	\$ 466,612	1.0%
Deposits	\$ 489,076	\$ 492,134	(.6%)
Stockholders' equity	\$ 68,155	\$ 66,388	2.7%



CONSOLIDATED STATEMENT OF INCOME (unaudited)

(in thousands)

	Three months ended				Year ended	
	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2015	Dec. 31, 2014
Interest Income						
Loans, including fees	\$ 5,652	\$ 5,698	\$ 5,550	\$ 5,536	\$ 22,436	\$ 22,858
Investment securities	563	520	512	550	2,145	2,306
Other	20	13	19	68	120	87
Total interest income	6,235	6,231	6,081	6,154	24,701	25,251
Interest Expense						
Deposits	501	500	514	548	2,063	2,474
Short-term borrowings	13	23	16	13	65	72
Other borrowed funds	121	120	118	120	479	518
Total interest expense	635	643	648	681	2,607	3,064
Net Interest Income	5,600	5,588	5,433	5,473	22,094	22,187
Provision for loan losses	750	750	750	750	3,000	2,900
Net Interest Income, After Provision for Loan Losses	4,850	4,838	4,683	4,723	19,094	19,287
Noninterest income	1,101	1,075	1,123	1,029	4,328	4,551
Noninterest expense	5,803	4,799	4,364	4,376	19,342	17,070
Income before income taxes	148	1,114	1,442	1,376	4,080	6,768
Income taxes	(181)	173	232	221	445	1,237
NET INCOME	\$ 329	\$ 941	\$ 1,210	\$ 1,155	\$ 3,635	\$ 5,531
Earnings per share basic	\$.20	\$.58	\$.74	\$.71	\$ 2.23	\$ 3.42
Earnings per share-diluted	\$.20	\$.57	\$.74	\$.71	\$ 2.22	\$ 3.40
Dividends per share	\$.38	\$.38	\$.38	\$.38	\$ 1.52	\$ 1.52
Average shares outstanding-basic	1,639,041	1,631,333	1,624,714	1,621,099	1,630,223	1,618,183
Average shares outstanding-diluted	1,643,059	1,636,301	1,633,859	1,630,272	1,635,820	1,628,134

CONSOLIDATED BALANCE SHEET (unaudited)

(in thousands)

	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014
Assets					
Cash and cash equivalents	\$ 8,134	\$ 6,916	\$ 10,718	\$ 11,313	\$ 9,220
Investment securities available for sale	95,058	99,709	104,223	95,943	99,313
Mortgage loans held for sale	–	–	–	–	167
Loans, net of allowance for loan losses	463,087	461,793	452,282	450,682	458,776
Premises and equipment	9,451	9,368	9,486	9,587	9,763
Accrued interest receivable	1,805	1,780	1,783	1,857	1,909
Other real estate owned	7,024	4,492	4,633	6,237	5,978
Other assets	28,793	28,066	27,685	26,971	26,307
TOTAL ASSETS	\$ 613,352	\$ 612,124	\$ 610,810	\$ 602,590	\$ 611,433
Liabilities					
Deposits:					
Noninterest-bearing	\$ 75,351	\$ 75,993	\$ 75,465	\$ 68,549	\$ 67,673
Interest-bearing	413,725	411,370	412,403	420,458	424,461
Total deposits	489,076	487,363	487,868	489,007	492,134
Short-term borrowings	30,025	33,121	35,573	26,300	31,847
Other borrowed funds	20,318	16,592	15,263	15,531	15,796
Accrued interest payable	274	257	287	318	337
Other liabilities	5,504	6,323	4,316	4,227	4,931
TOTAL LIABILITIES	545,197	543,656	543,307	535,383	545,045
TOTAL STOCKHOLDERS' EQUITY	68,155	68,468	67,503	67,207	66,388
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 613,352	\$ 612,124	\$ 610,810	\$ 602,590	\$ 611,433