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NEWS RELEASE
TO BUSINESS EDITOR

DIMECO, INC. ANNOUNCES 2013 EARNINGS

Honesdale, Pennsylvania/ January 24, 2014/ Dimeco, Inc. (DIMC), the holding company for The Dime Bank, released unaudited financial results for the year 2013.

Dimeco, Inc., the "Company", reported results for 2013. Total assets were \$608,888,000 at December 31, 2013, an increase of \$5,283,000 from one year earlier. During that period loans and deposits each declined slightly. Loans were at \$471,248,000 or .7% less and deposits were at \$495,650,000 or 1.0% less than balances on December 31, 2012. Stockholders' equity of \$62,039,000 at December 31, 2013 represented growth of 3.5% over balances a year earlier with the ratio of stockholders' equity to assets at 10.19%.

At this level of income, the Company reported a return on average assets of 1.02% and a return on average equity of 10.02% for 2013. Net income for 2013 was \$6,139,000, a decrease of \$475,000 over income reported for the year 2012. The Company experienced a slight decline in the average interest rate earned on loans and investments; however, we also experienced a reduction of 16.9% in the cost of funds, resulting in an increase of 1.8% in net interest income. Noninterest expense increased 10.8% with the greatest area of increased costs in relation to asset quality issues. Management believes that we are proceeding with the best course of action for each circumstance and that we have made progress in addressing these issues. Dividends remained strong, amounting to \$1.52 per share in 2013, an increase of 4.1% over 2012, producing a dividend yield of 3.55%. Earnings per share for the year ended 2013 were \$3.80.

Gary C. Beilman, president and chief executive officer, stated "It is my pleasure to make this report. Our fourth quarter financial results were very much in line with our projections for 2013. The overall economy continued to be stubbornly stagnant, and as a financial intermediary, our numbers reflect what is happening in our marketplace. Deposit and loan declines were modest in percentages and were viewed to be the results of clients' careful actions during challenging times. At every possible opportunity, we counseled customers on all of our products including loans, deposits, and wealth management."

Beilman continued, "From a shareholder perspective, news is positive. Dimeco, Inc. book value grew by 3.5%, and stands at \$38.12 as of year-end. Dimeco, Inc. stock experienced

a handsome 18% increase in market value with a per share market price of \$42.85 on December 31, 2013. We welcome comments or questions from the community and our shareholders.”

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.

Stock Listing – DIMC**Transfer Agent**

Registrar and Transfer Company
10 Commerce Drive 800-368-5948
Cranford, New Jersey 07016-3572
E-mail: info@rtco.com
Internet address: www.rtco.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

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

Directors

John S. Kiesendahl, Chairman
Gary C. Beilman, President
John F. Spall, Secretary
Robert E. Genirs
Barbara J. Genzlinger
Thomas A. Peifer
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Dear Shareholders:

It is my pleasure to make this report of Dimeco, Inc., as of December 31, 2013. As was noted in the previous quarterly reports, our financial results were very much in line with our projections for 2013. In contrast to the significant gains in the securities' markets during the past twelve months, the overall economy continued to be stubbornly stagnant.

Deposits and loans were both down slightly from the balances posted at December 31, 2012, with declines of \$4.9 million and \$3.5 million, respectively. As a financial intermediary, these numbers reflect what is transpiring in our marketplace. For consumers and businesses alike, the year appeared to have been directed by a sentiment of cautious optimism. While waiting for a meaningful sign of economic growth, many in our locale put expansion plans on hold and chose instead to concentrate efforts on paying down debt. These declines were modest in percentages and were viewed to be the results of clients' careful actions during challenging times. At every possible opportunity, we counseled customers on all of our products including loans, deposits and wealth management.

Net income for 2013 was \$6.1 million, a decrease of 7.2% from income reported for the year 2012. As we have been reporting during the year, we continued to see a slight decline in the average interest rate earned on loans and investments. However, we have also experienced a reduction in the cost of funds for the institution in 2013. For the year 2013, interest income was down only 1%, while interest expense decreased almost 17%, resulting in an increase of \$398 thousand in net interest income. The greatest area of increased costs was in relation to asset quality issues. We believe that we are proceeding with the

best course of action for each circumstance and that we have made progress in addressing these issues.

From your perspective as shareholders, thankfully, there is a great deal of positive news to report. Shareholders' equity to asset ratio was above 10% at December 31, 2013. On a per share basis, book value of your investment grew by 3.5%, and stands at \$38.12 as of year-end. Dimeco, Inc. stock has experienced a handsome 18% increase in market value, as evidenced by the per share market price of \$42.85 on December 31, 2013. Equally significant was the decision of your Board of Directors to increase the dividend in 2013 by over 4%. This created a dividend yield of 3.55%, a very respectable return when compared to other investment choices. We believe these are all positive enhancements to shareholder value.

It is with great sorrow that we note the passing of our long-time Chairman, William E. Schwarz. His many years of dedicated leadership are gratefully remembered, and his caring nature will always serve as an example by which we will navigate our future. Our sincerest thoughts go out to Bill's entire family.

We thank you for your investment and continued patronage. We ask that you recommend our Company to others for banking and wealth management services and for investment in our stock. As always, your comments and suggestions are welcome.

Sincerely,

Gary C. Beilman
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(unaudited)

(in thousands)

	December 31,	
	2013	2012
Assets		
Cash and cash equivalents	\$ 5,952	\$ 8,720
Mortgage loans held for sale	—	1,132
Investment securities available for sale	97,772	90,747
Loans, net of allowance for loan losses	462,617	465,610
Premises and equipment	10,236	9,675
Accrued interest receivable	1,952	1,841
Other real estate owned	5,945	2,554
Other assets	24,414	23,326
TOTAL ASSETS	\$ 608,888	\$ 603,605
Liabilities		
Deposits:		
Noninterest-bearing	\$ 56,981	\$ 51,503
Interest-bearing	438,669	449,082
Total deposits	495,650	500,585
Short-term borrowings	28,240	17,813
Other borrowed funds	18,526	20,597
Accrued interest payable	407	500
Other liabilities	4,026	4,173
TOTAL LIABILITIES	546,849	543,668
TOTAL STOCKHOLDERS' EQUITY	62,039	59,937
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 608,888	\$ 603,605

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands)

	Three months ended December 31,		Year ended December 31,	
	2013	2012	2013	2012
Interest Income				
Loans, including fees	\$ 5,844	\$ 5,951	\$ 23,495	\$ 23,616
Investment securities	604	562	2,198	2,429
Other	12	5	31	12
Total interest income	6,460	6,518	25,724	26,057
Interest Expense				
Deposits	694	838	2,922	3,536
Short-term borrowings	16	16	73	87
Other borrowed funds	142	167	606	709
Total interest expense	852	1,021	3,601	4,332
Net Interest Income	5,608	5,497	22,123	21,725
Provision for loan losses	550	1,250	3,250	3,250
Net Interest Income, After Provision for Loan Losses	5,058	4,247	18,873	18,475
Noninterest income	1,002	1,279	4,688	4,474
Noninterest expense	4,136	3,489	15,903	14,357
Income before income taxes	1,924	2,037	7,658	8,592
Income taxes	371	420	1,519	1,978
NET INCOME	\$ 1,553	\$ 1,617	\$ 6,139	\$ 6,614

CONSOLIDATED FINANCIAL HIGHLIGHTS

(unaudited)

(dollars in thousands, except per share)

	2013	2012	% Increase (decrease)
Performance for the year ended December 31,			
Interest income	\$ 25,724	\$ 26,057	(1.3%)
Interest expense	\$ 3,601	\$ 4,332	(16.9%)
Net interest income	\$ 22,123	\$ 21,725	1.8%
Net income	\$ 6,139	\$ 6,614	(7.2%)
Shareholders' Value (per share)			
Net income – basic	\$ 3.80	\$ 4.12	(7.8%)
Net income – diluted	\$ 3.77	\$ 4.12	(8.5%)
Dividends	\$ 1.52	\$ 1.46	4.1%
Book value	\$ 38.12	\$ 36.85	3.5%
Market value	\$ 42.85	\$ 36.25	18.2%
Market value/book value ratio	112.4%	98.4%	14.2%
Price/earnings multiple	11.3X	8.8X	28.4%
Dividend yield	3.55%	4.03%	(11.9%)
Financial Ratios			
Return on average assets	1.02%	1.10%	(7.3%)
Return on average equity	10.02%	11.42%	(12.3%)
Shareholders' equity/asset ratio	10.19%	9.93%	2.6%
Dividend payout ratio	40.00%	35.44%	12.9%
Nonperforming assets/total assets	3.54%	3.29%	7.6%
Allowance for loan loss as a % of loans	1.83%	1.93%	(5.2%)
Net charge-offs/average loans	.81%	.52%	55.8%
Allowance for loan loss/nonaccrual loans	59.50%	58.10%	2.4%
Allowance for loan loss/non-performing loans	55.24%	52.90%	4.4%
Financial Position at December 31,			
Assets	\$ 608,888	\$ 603,605	.9%
Loans	\$ 471,248	\$ 474,762	(.7%)
Deposits	\$ 495,650	\$ 500,585	(1.0%)
Stockholders' equity	\$ 62,039	\$ 59,937	3.5%