DIMECO INC.

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NEWS RELEASE
TO BUSINESS EDITOR

DIMECO, INC. ANNOUNCES FIRST QUARTER 2015 EARNINGS

Honesdale, Pennsylvania/ April 23, 2015/ Dimeco, Inc. (DIMC), the holding company for The Dime Bank, reported unaudited results for the first quarter of 2015.

Total assets were $603 million at March 31, 2015, a slight increase over balances for the same quarter of 2014 and $8.8 million less than at December 31, 2014. Total loans, net of the allowance for loan losses, were $6 million less than one year earlier and $8.1 million less than December 31, 2014. The Company continued to originate loans, in particular commercial and commercial real estate, in the first quarter of 2015. However several large commercial customers chose to pay off loan balances in excess of $10 million of commercial real estate loans and over $3 million in other types of loans during this period. As is typical in the first quarter of each year our seasonal camp customers pay down balances on their commercial lines of credit adding to the decline from previous periods. The Company continued to grant loans to customers in varying industries and expects to increase balances to previous levels as the year unfolds. Total deposits were $489 million at March 31, 2015, $3.3 million greater than balances a year earlier and $3.1 million lower than the 2014 year end. During the first quarter of each year, certificates of deposit typically decline as municipal depositors used their funds to support their operations. The level of demand balances increased $3 million during the first quarter of 2015 and $14.1 million from balances a year earlier with a combination of larger balances in existing customer accounts and new accounts generated in the branch network. Stockholders' equity of $67 million at March 31, 2015 represented growth of 6% over balances a year earlier. The ratio of stockholders' equity to assets was 11.15% at March 31, 2015.

Net income for the first quarter of 2015 was $1.2 million which resulted in a return on average assets of .77% and a return on average equity of 6.91%. Net interest income was consistent from the same quarter of 2014 in spite of large pay downs of commercial loans due to lower interest expense as the cost of funds declined in the current quarter compared to a year earlier. The provision for loan losses was $75 thousand, or 11.1% greater in the first quarter of 2015 than the same period in 2014 as management remains committed to address asset quality issues by charging off balances as required by policy. Noninterest expense was $366 thousand or 9.1% greater for the quarter ended March 31, 2015 than the same period in 2014 with the primary area of increased costs related to other real estate owned. As management works towards long term solutions to loan quality issues, foreclosure activity increases as do the associated expenses. We expect to reduce the level of these assets during 2015 and therefore realize a decline in costs associated with ownership of the properties.

Dividends remained strong, amounting to $.38 per share for each of the periods ended March 31, producing a dividend yield of 3.72% in 2015 and 3.80% in 2014.

Gary C. Beilman, president and chief executive officer, stated “We are working on building additional momentum to grow our business. We do have our challenges, but we are meeting them head on and look forward to reporting our successes with each ensuing quarter."

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.

INVESTOR INFORMATION

Stock Listing – DIMC

Transfer Agent

Computershare Trust Company, N.A.
P.O. Box 30170 800-368-5948
College Station, Texas 77842-3170
e-mail: web.queries@computershare.com
Internet address: www.computershare.com/investor

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
Thomas A. Peifer, Vice Chairman
Gary C. Beilman, President
John F. Spall, Secretary
Robert E. Genirs
Barbara J. Genzlinger
Henry M. Skier
Todd J. Stephens

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www.thedimebank.com
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DIMECO INC.

FIRST QUARTER 2015

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Dear Shareholders:

It is my honor to present this report of Dimeco, Inc. for the quarter ended March 31, 2015. Just as this long, hard winter finally draws to a close, and spring is beginning to show its presence, so too has our first quarter of the year ended. With extreme cold and snows of the season came a slowing of our local economy, and our business activity reflected those conditions. For much of the first three months, we saw diminished lobby traffic and only a modest amount of loan application activity. Adding to those conditions, we experienced an unexpected payoff of approximately $10 million in commercial loans. These payoffs were from a few who, with cash reserves available, saw it in their best interest to eliminate debt service expense, and from several who sought competitive interest rate pricing at levels too low for us to take on the associated interest rate risk. All of these factors led to an unanticipated decrease in our interest income.

While these conditions were prevailing, we were actively dealing with asset quality control issues that we have discussed over the past several quarters. In a number of those cases, we continue to work through the collection process and absorb the related expense. In other cases, our efforts have culminated in foreclosing on properties and taking those into other real estate owned. Our task now is to aggressively market those properties and return the funds into earning assets.

With all of that said, we, of course, continue our efforts toward enhancing your investment. Net income for the quarter was down from that of the same period last year, but was still a positive at $1.16 million. Our Board continued the dividend at $.38 per share, which equates to a dividend yield of 3.72%. Further, per share book value and stockholders' equity have both grown by just under 6%. It is our hope that as the seasons progress, our concerted efforts will also produce positive results which will be reflected in enhanced performance numbers. We will certainly continue to report the results of our efforts to you.

While we continue our efforts described above, we are working on building additional momentum to grow our business. Over the past several months, we have diligently worked toward a solution to reward our depositors and attract many new ones as we step up our quest to provide true relationship banking. Over the next few weeks, our markets will hear and see much more as we roll out our "Kasasa" product line. In essence, these new consumer deposit products will reward relationships with choices of high interest rates, cash back, refunded ATM fees, and more when depositors engage in conducting real relationship banking activity. What's best is that as each statement cycle progresses, there are no penalties or fees if qualifications are not met, but rather simply an opportunity to qualify in the next statement cycle. Be on the lookout for this exciting introduction.

We do have our challenges, but we are meeting them head on and look forward to reporting our successes with each ensuing quarter. We thank you for your investment and loyalty. As always, we welcome your questions and comments and encourage you to introduce others to Dimeco, Inc.

Sincerely,

Gary C. Beilman
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET (unaudited)

(in thousands)

	March 31, 2015	March 31, 2014
Assets		
Cash and cash equivalents	$ 11,313	$ 8,589
Investment securities available for sale	95,943	93,131
Loans, net of allowance for loan losses	450,682	456,688
Premises and equipment	9,587	10,132
Accrued interest receivable	1,857	2,069
Other real estate owned	6,237	6,213
Other assets	26,971	24,702
TOTAL ASSETS	**$ 602,590**	**$ 601,524**
Liabilities		
Deposits:		
Noninterest-bearing	$ 68,549	$ 60,160
Interest-bearing	420,458	425,518
Total deposits	489,007	485,678
Short-term borrowings	26,300	29,814
Other borrowed funds	15,531	18,273
Accrued interest payable	318	452
Other liabilities	4,227	3,852
TOTAL LIABILITIES	535,383	538,069
TOTAL STOCKHOLDERS' EQUITY	67,207	63,455
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 602,590**	**$ 601,524**

CONSOLIDATED STATEMENT OF INCOME (unaudited)

(in thousands)

	For the three months ended March 31, 2015	2014
Interest Income		
Loans, including fees	$ 5,536	$ 5,702
Investment securities	550	575
Other	68	15
Total interest income	6,154	6,292
Interest Expense		
Deposits	548	657
Short-term borrowings	13	17
Other borrowed funds	120	134
Total interest expense	681	808
Net Interest Income	**5,473**	**5,484**
Provision for loan losses	750	675
Net Interest Income, After Provision for Loan Losses	**4,723**	**4,809**
Noninterest income	1,029	978
Noninterest expense	4,376	4,010
Income before income taxes	1,376	1,777
Income taxes	221	340
NET INCOME	**$ 1,155**	**$ 1,437**

CONSOLIDATED FINANCIAL HIGHLIGHTS (unaudited)

(dollars in thousands, except per share)

	2015	2014	% Increase (decrease)
Performance for the three months ended March 31,			
Interest income	$ 6,154	$ 6,292	(2.2%)
Interest expense	$ 681	$ 808	(15.7%)
Net interest income	$ 5,473	$ 5,484	(.2%)
Net income	$ 1,155	$ 1,437	(19.6%)
Shareholders' Value (per share)			
Net income – basic	$ .71	$ .89	(20.2%)
Net income – diluted	$ .71	$ .88	(19.3%)
Dividends	$ .38	$ .38	–
Book value	$ 41.28	$ 38.99	5.9%
Market value	$ 40.90	$ 40.00	2.3%
Market value/book value ratio	99.1%	102.6%	(3.4%)
*Price/earnings multiple	14.4X	11.2X	28.6%
*Dividend yield	3.72%	3.80%	(2.1%)
Financial Ratios			
*Return on average assets	.77%	.95%	(18.9%)
*Return on average equity	6.91%	9.14%	(24.4%)
Shareholders' equity/asset ratio	11.15%	10.55%	5.7%
Dividend payout ratio	53.52%	42.70%	25.3%
Nonperforming assets/total assets	3.70%	4.07%	(9.1%)
Allowance for loan losses as a % of loans	1.79%	1.97%	(9.1%)
Net charge-offs/average loans	.08%	.03%	166.7%
Allowance for loan losses/nonaccrual loans	54.76%	61.05%	(10.3%)
Allowance for loan losses/non-performing loans	51.18%	50.24%	1.9%
Financial Position at March 31,			
Assets	$ 602,590	$ 601,524	.2%
Loans	$ 458,892	$ 465,868	(1.5%)
Deposits	$ 489,007	$ 485,678	.7%
Stockholders' equity	$ 67,207	$ 63,455	5.9%

*annualized

NOTE 1 –ALLOWANCE FOR LOAN LOSSES

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. The Company considers the allowance for loan losses adequate to cover loan losses inherent in the loan portfolio. The following tables present by portfolio segment, the allowance for loan losses for the quarter ended March 31, 2015 and the year ended December 31, 2014 (in thousands):

	March 31, 2015					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Allowance for loan losses:						
Beginning balance	$ 1,054	$ 129	$ 5,437	$ 78	$ 1,138	$ 7,836
Charge-offs	(14)	-	(226)	(47)	(106)	(393)
Recoveries	3	1	5	7	2	18
Provision	226	(72)	474	84	37	749
Ending balance	$ 1,269	$ 58	$ 5,690	$ 122	$ 1,071	$ 8,210
Ending allowance balance:						
Loans individually evaluated for impairment	$ 279	$ -	$ 1,971	$ -	$ 225	$ 2,475
Loans collectively evaluated for impairment	990	58	3,719	122	846	5,735
Total	$ 1,269	$ 58	$ 5,690	$ 122	$ 1,071	$ 8,210
Ending loan balance:						
Loans individually evaluated for impairment	$ 938	$ -	$ 15,042	$ -	$ 2,019	$ 17,999
Loans collectively evaluated for impairment	70,633	12,209	257,519	7,013	93,519	440,893
Total	$ 71,571	$ 12,209	$ 272,561	$ 7,013	$ 95,538	$ 458,892

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

	December 31, 2014					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Allowance for loan losses:						
Beginning balance	$ 1,017	$ 465	$ 5,593	$ 121	$ 1,435	$ 8,631
Charge-offs	(1,422)	(2)	(1,895)	(167)	(310)	(3,796)
Recoveries	30	1	3	56	11	101
Provision	1,429	(335)	1,736	68	2	2,900
Ending balance	$ 1,054	$ 129	$ 5,437	$ 78	$ 1,138	$ 7,836
Ending allowance balance:						
Loans individually evaluated for impairment	$ 247	$ -	$ 1,312	$ -	$ 80	$ 1,639
Loans collectively evaluated for impairment	807	129	4,125	78	1,058	6,197
Total	$ 1,054	$ 129	$ 5,437	$ 78	$ 1,138	$ 7,836
Ending loan balance:						
Loans individually evaluated for impairment	$ 920	$ -	$ 15,288	$ -	$ 1,433	$ 17,641
Loans collectively evaluated for impairment	69,918	11,788	266,545	7,120	93,600	448,971
Total	$ 70,838	$ 11,788	$ 281,833	$ 7,120	$ 95,033	$ 466,612

Credit Quality Information

The following tables represent credit exposures by assigned grades for the years ended December 31, 2014 and 2013. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans.

The Company's internally assigned grades are as follows:

Pass – loans which are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral.

Special Mention – loans where a potential weakness or risk exists, which could cause a more serious problem if not corrected.

Substandard – loans that have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – loans classified as doubtful have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.

Loss – loans classified as a loss are considered uncollectable, or of such value that continuance as an asset is not warranted.

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Information (continued)

Loans are graded by either independent loan review or internal review. Internally reviewed loans were assigned a risk weighting by the loan officer and approved by the loan committee, but have not undergone a formal loan review by an independent party. These loans are typically smaller dollar balances that have not experienced delinquency issues. Management is using new software to calculate these balances therefore balances at March 31, 2015 are shown net of unearned income and include overdrafts while those at December 31, 2014 include gross loan value before unearned income and exclude overdrafts (in thousands):

	March 31, 2015					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Loans Independently Reviewed:						
Pass	$ 66,914	$ 11,106	$ 224,383	$ 7,008	$ 90,586	$ 399,997
Special Mention	901	923	10,235	-	1,906	13,965
Substandard	3,756	180	37,943	5	3,046	44,930
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 71,571	$ 12,209	$ 272,561	$ 7,013	$ 95,538	$ 458,892

	December 31, 2014					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Loans Independently Reviewed:						
Pass	$ 66,226	$ 10,883	$ 244,056	$ 7,110	$ 89,999	$ 418,274
Special Mention	968	935	12,932	-	2,230	17,065
Substandard	3,490	11	25,716	10	3,067	32,294
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 70,684	$ 11,829	$ 282,704	$ 7,120	$ 95,296	$ 467,633

Age Analysis of Past Due Loans by Class

The following is a table which includes an aging analysis of the recorded investment of past due loans as of March 31, 2015 and December 31, 2014 including loans which are in nonaccrual status (in thousands):

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

	March 31, 2015						
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
Commercial	$ 1,409	$ 1,228	$ 2,297	$ 4,934	$ 66,637	$ 71,571	$ -
Construction and development	-	-	109	109	12,100	12,209	82
Commercial real estate	3,890	6,573	8,736	19,199	253,362	272,561	268
Consumer	28	6	4	38	6,975	7,013	4
Residential real estate	1,181	171	1,782	3,134	92,404	95,538	76
Total	$ 6,508	$ 7,978	$ 12,928	$ 27,414	$ 431,478	$ 458,892	$ 430

	December 31, 2014						
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
Commercial	$ 232	$ 1,061	$ 1,164	$ 2,457	$ 68,381	$ 70,838	$ -
Construction and development	-	-	-	-	11,788	11,788	-
Commercial real estate	210	1,052	5,850	7,112	274,721	281,833	48
Consumer	54	29	4	87	7,033	7,120	-
Residential real estate	57	634	1,328	2,019	93,014	95,033	55
Total	$ 553	$ 2,776	$ 8,346	$ 11,675	$ 454,937	$ 466,612	$ 103