NEWS RELEASE

TO BUSINESS EDITOR

DIMECO, INC. ANNOUNCES EARNINGS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

Honesdale, PA, October 24, 2014/ Dimeco, Inc. (DIMC), parent company of The Dime Bank, reported net income of $4.2 million for the first nine months of 2014. This resulted in a return on average assets of .92%, a return on average shareholders' equity of 8.70%, and earnings per share of $2.58. Dimeco's Board of Directors declared dividends totaling $1.14 per share for the first three quarters of 2014 which produced a dividend yield of 3.75% at the market price of $40.50 at September 30, 2014.

Total assets were $621 million at September 30, 2014, up $15 million from one year earlier. Loans increased $12 million or 2.5%, mainly from commercial loan originations. Customer deposits gathered in our branches increased by nearly 2% although total deposits declined $6 million or 1.3% from balances a year earlier. This decline came as a result of management's decision to borrow from the Federal Home Loan Bank of Pittsburgh rather than using brokered deposits to fund asset growth. Shareholders' equity expanded $4.1 million, or 6.7%, from one year ago, mainly the result of earnings.

With the extended low interest rate environment, interest income and interest expense both showed a marginal decrease for the first nine months of 2014 compared to one year earlier. These two factors combined to produce an increase in net income of $116 thousand, or .7% in the nine months of 2014 compared to the same period in 2013.

Noninterest income declined $355 thousand in the first nine months of 2014 compared to the same period in 2013, primarily due to a decline in the level of residential mortgage originations and the accompanying gains on sales of those loans in the secondary market. Simultaneously, The Dime Bank's wealth management division recorded increased income of $265 thousand in 2014 compared to the same period of 2013. Noninterest expense was $975 thousand greater for the nine months ended September 30, 2014 than the same period in 2013. Expenses associated with the Carbondale office, which opened in August 2013, as well as the cost of collection and carrying costs of other real estate owned properties were the largest contributors to this higher expense for 2014.

Gary C. Beilman, president and chief executive officer stated, "I am pleased to present this report of Dimeco, Inc. as of September 30, 2014. As a financial intermediary, our growth tends to track in sync with our local economy. While this year has demonstrated improvement, the pace is less that what is desired. Our current economy, together with our current loan portfolio, are factors that continue to prompt much of our decision making. We are diligently working to address asset issues. When compared to the same period last year, total assets increased 2.5%. All in all, we are happy to see this growth and we continue to build customer relationships with qualified borrowers and depositors in our region."

The Dime Bank, a wholly owned subsidiary of Dimeco, Inc., has been helping customers meet their financial needs since 1905. Serving its primary market of Northeast Pennsylvania, the bank offers a full array of financial services including traditional banking products, innovative electronic banking services, and a wealth management division. For more information on Dimeco, Inc. and The Dime Bank, visit www.thedimebank.com.

Source: Dimeco, Inc. / October 24, 2014/ Deborah Unflat

INVESTOR INFORMATION

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
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

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

DIMECO INC.

THIRD QUARTER 2014

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Dear Shareholders:

I am pleased to present this report of Dimeco, Inc. as of September 30, 2014. As a financial intermediary, our growth tends to track in sync with our local economy. While this year has demonstrated improvement, the pace is less than what is desired. When compared to the same period last year, total assets increased 2.5%. Although total deposits are off from last year by a little over 1%, this decline is not the result of customer deposits. Management is able to fund asset growth in a number of ways, including the ability to accept brokered deposits from one of our trusted partners at Promontory Interfinancial Network LLC, specifically the CDARS product. Over the past year, after reviewing all of our options for funding the balance sheet, management chose to borrow from the Federal Home Loan Bank of Pittsburgh rather than using CDARS, resulting in a decline of $14 million in these one-way deposits. When looking at deposits net of this decrease, the level of customer deposits actually increased by nearly 2%.

We experienced loan expansion of almost $12 million over the past year. The majority of growth was from commercial loan originations, servicing the borrowing needs of our customers, including those in the summer camping industry. Residential loan originations continued to be made, but on a much smaller scale than in past years. All in all, we are happy to see this loan growth and we continue to seek qualified borrowers.

Our current economy, together with our current loan portfolio, are factors that continue to prompt much of our decision making. Interest income is down almost $300 thousand with various factors contributing to the decline. With the interest rate environment stagnant, our competition offered loans at lower interest rates than previously. Therefore, in order to stay competitive, we offered lower interest rates to high quality borrowers. In addition, we have a high level of non-accrual loans and OREO properties which are not interest earning assets, therefore reducing potential interest income.

Interest expense, on the other hand decreased almost 15%. Given that the country is experiencing this low interest rate environment, we continued to access funds at very low interest rates. The main component of the decrease in interest expense came from interest rates paid on IRA certificates of deposit. These deposits typically are opened for the longest term and therefore are the last to reprice to lower interest rates. Slightly lower rates on our other products also contributed to this decline. In addition, in the fourth quarter of 2013, we exchanged several of our other borrowed funds to lower the interest rate. As a result of this decrease in both interest earnings and interest expense, net interest income is up just under 1%.

Noninterest income declined $355 thousand or 9.6% in the first nine months of 2014 compared to the same period in 2013. The level of new home construction and purchases languished in line with the economy. As a result, our gains on the sale of mortgages in the secondary market declined $352 thousand or 72% for the period. In addition, we sold several more bonds at a gain in this period of 2013 than the current year, resulting in $102 thousand less in income. Our wealth management division experienced a very positive increase in their business during 2014, with $265 thousand greater income than the same period of 2013. We saw smaller differences on several other types of noninterest income in comparing the first nine months of 2014 to 2013.

Noninterest expense was nearly $1 million greater for the nine months ended September 30, 2014 than the same period in 2013. The bank opened its seventh branch in August 2013, resulting in increased costs of $253 thousand. As we discussed in the first two quarterly reports of this year, we continue to address asset quality issues. Part of that process ultimately culminates in our taking back real estate properties. The cost of collection, as well as the carrying costs of OREO properties, was $550 thousand greater in 2014 than a year earlier. Management is diligently working to address these asset issues and believes that we will experience lower costs as our efforts wind down.

The ultimate result is that our net income for the first nine months of this year is $405 thousand less than that of last year, resulting in a return on average assets of .92% for the period. Although this ratio is lower than we are accustomed to reporting, it is still greater than many other institutions of similar size. Thankfully, we are receiving more qualified inquiries regarding our OREO assets, and as the year continues, I expect to report improved progress.

As these challenges are being addressed, we are, of course, focused on you, our shareholders. From your perspective there are many positives. Stockholders' equity to asset ratio has grown from 10.11% to 10.53%. The dividend yield for the quarter is 3.75%, and stockholders' equity has expanded from $61 million to $65 million. We believe that no matter what the economy, our true focus is centered in the enhancement of your investment. These numbers should show our commitment.

We thank you for your continued support. As always, your comments and questions are welcome.

Sincerely,

Gary C. Beilman

Gary C. Beilman
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET (unaudited)

(in thousands)

	September 30, 2014	September 30, 2013
Assets		
Cash and cash equivalents	$ 8,673	$ 11,425
Mortgage loans held for sale	–	176
Investment securities available for sale	101,310	97,231
Loans, net of allowance for loan losses	465,682	454,338
Premises and equipment	9,899	10,164
Accrued interest receivable	1,906	1,983
Other real estate owned	5,683	6,550
Other assets	27,691	24,072
TOTAL ASSETS	**$ 620,844**	**$ 605,939**
Liabilities		
Deposits:		
Noninterest-bearing	$ 66,643	$ 60,546
Interest-bearing	424,909	437,259
Total deposits	491,552	497,805
Short-term borrowings	43,137	23,311
Other borrowed funds	16,058	19,021
Accrued interest payable	312	388
Other liabilities	4,418	4,153
TOTAL LIABILITIES	555,477	544,678
TOTAL STOCKHOLDERS' EQUITY	65,367	61,261
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 620,844**	**$ 605,939**

CONSOLIDATED STATEMENT OF INCOME (unaudited)

(in thousands)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Interest Income				
Loans, including fees	$ 5,818	$ 5,900	$ 17,167	$ 17,651
Investment securities	570	542	1,740	1,594
Other	21	7	63	19
Total interest income	6,409	6,449	18,970	19,264
Interest Expense				
Deposits	600	707	1,886	2,228
Short-term borrowings	23	19	59	57
Other borrowed funds	128	149	394	464
Total interest expense	751	875	2,339	2,749
Net Interest Income	**5,658**	**5,574**	**16,631**	**16,515**
Provision for loan losses	775	750	2,100	2,700
Net Interest Income, After Provision for Loan Losses	**4,883**	**4,824**	**14,531**	**13,815**
Noninterest income	1,119	1,046	3,331	3,686
Noninterest expense	4,507	4,070	12,742	11,767
Income before income taxes	1,495	1,800	5,120	5,734
Income taxes	236	298	939	1,148
NET INCOME	**$ 1,259**	**$ 1,502**	**$ 4,181**	**$ 4,586**

CONSOLIDATED FINANCIAL HIGHLIGHTS (unaudited)

(dollars in thousands, except per share)

	2014	2013	% Increase (decrease)
Performance for the nine months ended September 30,			
Interest income	$ 18,970	$ 19,264	(1.5%)
Interest expense	$ 2,339	$ 2,749	(14.9%)
Net interest income	$ 16,631	$ 16,515	.7%
Net income	$ 4,181	$ 4,586	(8.8%)
Shareholders' Value (per share)			
Net income – basic	$ 2.58	$ 2.84	(9.2%)
Net income – diluted	$ 2.57	$ 2.82	(8.9%)
Dividends	$ 1.14	$ 1.14	–
Book value	$ 40.24	$ 37.65	6.9%
Market value	$ 40.50	$ 42.80	(5.4%)
Market value/book value ratio	100.6%	113.7%	(11.5%)
*Price/earnings multiple	11.8X	11.3X	4.4%
*Dividend yield	3.75%	3.55%	5.6%
Financial Ratios			
*Return on average assets	.92%	1.02%	(9.8%)
*Return on average equity	8.70%	10.02%	(13.2%)
Shareholders' equity/asset ratio	10.53%	10.11%	4.2%
Dividend payout ratio	44.19%	40.14%	10.1%
Nonperforming assets/total assets	3.85%	3.68%	4.6%
Allowance for loan losses as a % of loans	2.11%	2.06%	2.4%
Net charge-offs/average loans	.15%	.49%	(69.4%)
Allowance for loan losses/nonaccrual loans	63.20%	64.18%	(1.5%)
Allowance for loan losses/non-performing loans	55.01%	60.84%	(9.6%)
Financial Position at September 30,			
Assets	$ 620,844	$ 605,939	2.5%
Loans	$ 475,720	$ 463,908	2.5%
Deposits	$ 491,552	$ 497,805	(1.3%)
Stockholders' equity	$ 65,367	$ 61,261	6.7%

*annualized

Dimeco, Inc.
ALLOWANCE FOR LOAN LOSSES
By Porfolio Segment

	September 30, 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	(120)	(2)	(205)	(149)	(304)	(780)
Recoveries	28	1	0	48	10	87
Provision	295	0	1,314	64	427	2,100
Ending balance	$ 1,220	$ 464	$ 6,702	$ 84	$ 1,568	$ 10,038
Ending allowance balance:						
Loans individually evaluated for impairment	$ 211	$ -	$ 1,770	$ -	$ 359	$ 2,340
Loans collectively evaluated for impairment	1,009	464	4,932	84	1,209	7,698
Total	$ 1,220	$ 464	$ 6,702	$ 84	$ 1,568	$ 10,038
Ending loan balance:						
Loans individually evaluated for impairment	$ 309	$ -	$ 18,494	$ -	$ 1,847	$ 20,650
Loans collectively evaluated for impairment	70,064	18,224	263,952	6,604	96,226	455,070
Total	$ 70,373	$ 18,224	$ 282,446	$ 6,604	$ 98,073	$ 475,720

	December 31, 2013					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Allowance for loan losses:						
Beginning balance	$ 965	$ 416	$ 6,607	$ 130	$ 1,034	$ 9,152
Charge-offs	(380)	-	(3,094)	(129)	(266)	(3,869)
Recoveries	10	-	13	57	18	98
Provision	422	49	2,067	63	649	3,250
Ending balance	$ 1,017	$ 465	$ 5,593	$ 121	$ 1,435	$ 8,631
Ending allowance balance:						
Loans individually evaluated for impairment	$ 211	$ -	$ 831	$ -	$ 90	$ 1,132
Loans collectively evaluated for impairment	806	465	4,762	121	1,345	7,499
Total	$ 1,017	$ 465	$ 5,593	$ 121	$ 1,435	$ 8,631
Ending loan balance:						
Loans individually evaluated for impairment	$ 434	$ -	$ 16,390	$ -	$ 2,312	$ 19,136
Loans collectively evaluated for impairment	67,762	16,723	264,048	6,840	96,739	452,112
Total	$ 68,196	$ 16,723	$ 280,438	$ 6,840	$ 99,051	$ 471,248

Dimeco, Inc.
ALLOWANCE FOR LOAN LOSSES
Credit Quality Information

	September 30, 2014					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Loans Independently Reviewed:						
Pass	$ 40,248	$ 10,774	$ 161,462	$ 2,938	$ 24,051	$ 239,473
Special Mention	486	1,448	9,496	0	2,832	14,262
Substandard	4,178	2,265	32,659	8	3,242	42,352
Doubtful	16	-	-	-	-	16
Loss	-	-	-	-	-	-
Total	$ 44,928	$ 14,487	$ 203,617	$ 2,946	$ 30,125	$ 296,103
Loans Internally Reviewed:						
Pass	$ 25,374	$ 3,792	$ 79,702	$ 3,658	$ 68,059	$ 180,585
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 25,374	$ 3,792	$ 79,702	$ 3,658	$ 68,059	$ 180,585

	December 31, 2013					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Loans Independently Reviewed:						
Pass	$ 29,952	$ 6,778	$ 141,799	$ 873	$ 12,686	$ 192,088
Special Mention	791	1,984	13,371	5	3,407	19,558
Substandard	2,933	2,322	30,345	24	4,508	40,132
Doubtful	16	-	-	-	-	16
Loss	-	-	-	-	-	-
Total	$ 33,692	$ 11,084	$ 185,515	$ 902	$ 20,601	$ 251,794
Loans Internally Reviewed:						
Pass	$ 34,190	$ 5,681	$ 95,784	$ 5,939	$ 78,579	$ 220,173
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 34,190	$ 5,681	$ 95,784	$ 5,939	$ 78,579	$ 220,173

Note - Balances include gross loan before unearned income and excluding overdrafts as of the balance sheet date.

Dimeco, Inc.
ALLOWANCE FOR LOAN LOSSES
Age Analysis of Past Due Loans by Class

	September 30, 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	$ 204	$ 1,205	$ 1,511	$ 2,920	$ 67,453	$ 70,373	$ 1,154
Construction and development	-	91	35	126	18,098	18,224	-
Commercial real estate	724	1,375	7,822	9,921	272,525	282,446	-
Consumer	33	15	-	48	6,556	6,604	-
Residential real estate	657	641	1,146	2,444	95,629	98,073	32
Total	$ 1,618	$ 3,327	$ 10,514	$ 15,459	$ 460,261	$ 475,720	$ 1,186

	December 31, 2013						
	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	$ 2,194	$ 20	$ 238	$ 2,452	$ 65,744	$ 68,196	$ 18
Construction and development	24	-	50	74	16,649	16,723	-
Commercial real estate	2,034	1,398	3,583	7,015	273,423	280,438	35
Consumer	69	23	17	109	6,731	6,840	4
Residential real estate	808	174	1,979	2,961	96,090	99,051	-
Total	$ 5,129	$ 1,615	$ 5,867	$ 12,611	$ 458,637	$ 471,248	$ 57

DIMECO, INC.

CONDENSED STATEMENT OF INCOME (unaudited)

(in thousands)	For the three months ended September 30, 2014	June 30. 2014	March 31, 2014	For the nine months ended September 30, 2014	2013
Interest income					
Loans, including fees	$ 5,818	$ 5,647	$ 5,702	$ 17,167	$ 17,651
Investment securities	570	595	575	1,740	1,594
Other	21	27	15	63	19
Total interest income	6,409	6,269	6,292	18,970	19,264
Interest expense					
Deposits	600	629	657	1,886	2,228
Short-term borrowings	23	19	17	59	57
Other borrowed funds	128	132	134	394	464
Total interest expense	751	780	808	2,339	2,749
Net interest income	**5,658**	**5,489**	**5,484**	**16,631**	**16,515**
Provision for loan losses	775	650	675	2,100	2,700
Net interest income after provision for loan losses	**4,883**	**4,839**	**4,809**	**14,531**	**13,815**
Noninterest income	1,119	1,234	978	3,331	3,686
Noninterest expense	4,507	4,225	4,010	12,742	11,767
Income before income taxes	1,495	1,848	1,777	5,120	5,734
Income taxes	236	363	340	939	1,148
NET INCOME	**$ 1,259**	**$ 1,485**	**$ 1,437**	**$ 4,181**	**$ 4,586**
Earnings per Share - basic	**$ 0.78**	**$ 0.92**	**$ 0.89**	**$ 2.58**	**$ 2.84**
Earnings per Share - diluted	**$ 0.77**	**$ 0.91**	**$ 0.88**	**$ 2.57**	**$ 2.82**
Dividends per share	**$ 0.38**	**$ 0.38**	**$ 0.38**	**$ 1.14**	**$ 1.14**
Average shares outstanding - basic	1,616,320	1,617,102	1,618,330	1,617,810	1,613,617
Average shares outstanding - diluted	1,626,369	1,625,981	1,632,149	1,628,419	1,626,231

DIMECO, INC.

CONDENSED BALANCE SHEET (unaudited)

(in thousands)	September 30, 2014	June 30, 2014	March 31, 2014	September 30, 2013
Assets				
Cash and cash equivalents	$ 8,673	$ 11,634	$ 8,589	$ 11,425
Mortgage loans held for sale	-	-	-	176
Investment securities available for sale	101,310	99,852	93,131	97,231
Loans, net of allowance for loan loss	465,682	450,287	456,688	454,338
Premises and equipment	9,899	10,016	10,132	10,164
Accrued interest receivable	1,906	1,872	2,069	1,983
Other real estate owned	5,683	6,216	6,213	6,550
Other assets	27,691	28,582	24,702	24,072
TOTAL ASSETS	**$ 620,844**	**$ 608,459**	**$ 601,524**	**$ 605,939**
Liabilities				
Deposits :				
Noninterest-bearing	$ 66,643	$ 69,980	$ 60,160	$ 60,546
Interest-bearing	424,909	414,564	425,518	437,259
Total deposits	491,552	484,544	485,678	497,805
Short-term borrowings	43,137	35,408	29,814	23,311
Other borrowed funds	16,058	18,017	18,273	19,021
Accrued interest payable	312	358	452	388
Other liabilities	4,418	5,516	3,852	4,153
TOTAL LIABILITIES	555,477	543,843	538,069	544,678
TOTAL STOCKHOLDERS' EQUITY	65,367	64,616	63,455	61,261
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY	**$ 620,844**	**$ 608,459**	**$ 601,524**	**$ 605,939**