



DIMECO, INC. ANNOUNCES FIRST QUARTER 2016 EARNINGS

Honesdale, Pennsylvania/ April 25, 2016/ Dimeco, Inc. (DIMC), the holding company for The Dime Bank, reported unaudited results for the first quarter of 2016. Total assets were \$623 million at March 31, 2016, an increase of \$20 million over balances for the same quarter of 2015. Fueling this growth was an increase in total loans of \$17 million primarily due to originations of commercial and commercial real estate loans granted to customers in various industries. Total deposits were \$493 million at March 31, 2016, \$4 million greater than balances a year earlier. The bank continued to promote checking and savings accounts, including the Kasasa product line and recognized an increase of \$9 million dollars in noninterest-bearing deposits over balances a year earlier.

Net income of \$1.5 million for the first quarter of 2016 was 30.2% greater than the same period in 2015 and resulted in a return on average assets of .97% and a return on average equity of 8.70%; both ratios 26% greater than the first quarter of 2015. Net interest income increased \$189 thousand, or 3.5% from the same quarter of 2015. A decrease of \$400 thousand, or 53%, in the provision for loan losses expense had the most significant affect to net income. Nonperforming assets as a percentage of total assets was reduced by 28% and now stands at 2.66%. Management feels the measures the Company took to address classified assets at the end of 2015 are shown in these results and represent the beginning of a turnaround in performance for the year 2016.

Maintaining a strong capital position, stockholders' equity was \$69 million at March 31, 2016, representing growth of 3% over balances a year earlier. The ratio of stockholders' equity to assets was 11.12% at March 31, 2016. Dividends remained solid, amounting to \$.38 per share for each of the periods ended March 31, producing a dividend yield of 3.83% in 2016 and 3.72% in 2015.

Gary C. Beilman, president and chief executive officer, stated "It is my pleasure to make this report of Dimeco, Inc. for the first quarter of 2016. From the positive operating results noted above, it certainly appears that we are headed in the right direction as we complete our 110th anniversary. Our institution was chartered on December 16, 1905, and began banking operations on January 2, 1906. We are proud of the prosperity, growth, and contributions to our marketplace over this impressive timeframe. This first quarter is reflective of a return to performance levels to which we were accustomed. Our quest is to continue the trend with which we began this milestone year."

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

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

INVESTOR INFORMATION

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
800-800-4693
Stifel
866-780-7926

Directors

John S. Kiesendahl, Chairman
Thomas A. Peifer, Vice Chairman
Gary C. Beilman, President
John F. Spall, Secretary

Barbara J. Genzlinger
Amy Litzenberger
David D. Reynolds, M.D.
Henry M. Skier
Todd J. Stephens

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



FIRST QUARTER 2016

CONSOLIDATED FINANCIAL HIGHLIGHTS (unaudited)

(dollars in thousands, except per share)

	2016	2015	% Increase (decrease)
Performance for the three months ended March 31,			
Interest income	\$ 6,340	\$ 6,154	3.0%
Interest expense	\$ 678	\$ 681	(.4%)
Net interest income	\$ 5,662	\$ 5,473	3.5%
Net income	\$ 1,504	\$ 1,155	30.2%
Shareholders' Value (per share)			
Net income – basic	\$.92	\$.71	29.6%
Net income – diluted	\$.91	\$.71	28.2%
Dividends	\$.38	\$.38	–
Book value	\$ 42.14	\$ 41.28	2.1%
Market value	\$ 39.70	\$ 40.90	(2.9%)
Market value/book value ratio	94.2%	99.1%	(4.9%)
*Price/earnings multiple	10.8X	14.4X	(25.0%)
*Dividend yield	3.83%	3.72%	3.0%
Financial Ratios			
*Return on average assets	.97%	.77%	26.0%
*Return on average equity	8.70%	6.91%	25.9%
Efficiency ratio	64.50%	65.46%	(1.5%)
Net interest margin	4.16%	4.19%	(.7%)
Shareholders' equity/asset ratio	11.12%	11.15%	(.3%)
Dividend payout ratio	41.30%	53.52%	(22.8%)
Nonperforming assets/total assets	2.66%	3.70%	(28.1%)
Allowance for loan losses as a % of loans	1.83%	1.79%	2.2%
Net charge-offs/average loans	(.01%)	.08%	(112.5%)
Allowance for loan losses/nonaccrual loans	93.87%	54.76%	71.4%
Allowance for loan losses/non-performing loans	87.70%	51.18%	71.4%
Financial Position at March 31,			
Assets	\$ 623,166	\$ 602,590	3.4%
Loans	\$ 476,051	\$ 458,892	3.7%
Deposits	\$ 492,509	\$ 489,007	.7%
Stockholders' equity	\$ 69,311	\$ 67,207	3.1%

*annualized

Dear Shareholders:

It is my pleasure to make this report of Dimeco, Inc. for the first quarter of 2016. It seems fitting that a report such as this comes about as we complete our 110th anniversary. Our institution was chartered on December 16, 1905, and began banking operations on January 2, 1906. Now, 110 years later, we enthusiastically state that we are proud of the prosperity, growth, and contributions to our marketplace over this impressive timeframe.

As you will recall, in year-end 2015 reporting, we communicated that your Company took measures to aggressively address classified assets. These measures included charging off certain loans and making appropriate write-downs on other real estate owned, all while maintaining a strong capital position. At that time, we also stated that while taking those steps, we saw an opportunity to begin a return to performance levels to which you are accustomed. I am happy to say that the performance return has begun.

From a balance sheet perspective, the first quarter of 2016 is showing nice growth when compared to the same period of 2015. Of particular note, total loans outstanding are now at \$476 million, up almost 4%. This loan growth has come about as a result of originations, mostly commercial in nature, to assisted living facilities, nursing homes, municipalities, construction firms, commercial rental properties, children's summer camps, and others. It is hoped that these borrowings are an indication of an expanding economy in our marketplace. This loan growth helped to increase our total asset position to \$623 million.

Comparing our performance for the first quarter of 2016 to that of 2015, all categories are up handsomely. Interest income increased by 3% while interest expense was basically on par with that of the previous year, creating growth of 3.5% in net interest income. The greatest impact was the reduction of expense for the provision for loan losses, which decreased \$400,000 or 53%. The totals for both noninterest income and noninterest expense were very similar for 2016 and 2015. As a result, our net income for the first quarter of 2016

was \$1.5 million, an increase of 30%. We believe that these results are the beginning of a turnaround in performance for the year 2016.

There is also great news from the shareholders' value perspective. Net income per share of \$.91 for the first quarter of 2016 reflects an increase of 28% over the first quarter of 2015. Dividends declared of \$.38 per share produced an annualized yield of 3.8%. Maintaining a strong capital position, stockholders' equity is now \$69 million, an increase of over 3% from a year earlier.

The operating results of this first quarter produced some very positive financial ratios. Return on average assets was .97% and return on average equity was 8.70%, both having increases of 26% from a year earlier. The most notable improvement can be seen in loan ratios. Nonperforming assets as a percentage of total assets was reduced by 28% and now stands at 2.66%. The allowance for loan losses as a percentage of total loans grew to 1.83%. Moreover, the allowance compared to both non-accrual loans and nonperforming loans improved a dramatic 71% each. All of these are meaningful enhancements compared to ratios posted for the first quarter of 2015.

From the information noted above, it certainly appears that we are headed in the right direction. Granted, this is just the first quarter of 2016, and there remains much more to do. Be assured, our quest is to continue the trend with which we began this year.

You have our thanks and gratitude for your investment 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. As always, your comments are welcome.

Sincerely,



Gary C. Beilman
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(unaudited)

(in thousands)

	3/31/2016	3/31/2015
Assets		
Cash and cash equivalents	\$ 8,672	\$ 11,313
Investment securities available for sale	100,764	95,943
Loans, net of allowance for loan losses	467,358	450,682
Premises and equipment	9,338	9,587
Accrued interest receivable	1,801	1,857
Other real estate owned	6,625	6,237
Other assets	28,608	26,971
TOTAL ASSETS	\$ 623,166	\$ 602,590
Liabilities		
Deposits:		
Noninterest-bearing	\$ 77,754	\$ 68,549
Interest-bearing	414,755	420,458
Total deposits	492,509	489,007
Short-term borrowings	28,429	26,300
Other borrowed funds	26,977	15,531
Accrued interest payable	310	318
Other liabilities	5,630	4,227
TOTAL LIABILITIES	553,855	535,383
TOTAL STOCKHOLDERS' EQUITY	69,311	67,207
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 623,166	\$ 602,590

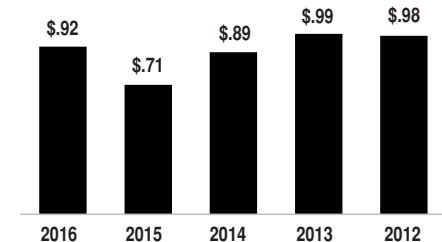
CONSOLIDATED STATEMENT OF INCOME

(unaudited)

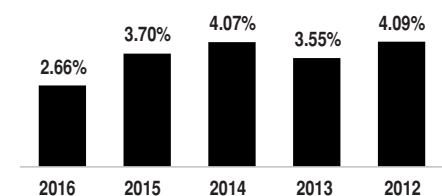
(in thousands, except per share data)

	Three months ended	
	3/31/2016	3/31/2015
Interest Income		
Loans, including fees	\$ 5,797	\$ 5,536
Investment securities	524	550
Other	19	68
Total interest income	6,340	6,154
Interest Expense		
Deposits	511	548
Short-term borrowings	14	13
Other borrowed funds	153	120
Total interest expense	678	681
Net Interest Income	5,662	5,473
Provision for loan losses	350	750
Net Interest Income, After Provision for Loan Losses	5,312	4,723
Noninterest income	1,030	1,029
Noninterest expense	4,444	4,376
Income before income taxes	1,898	1,376
Income taxes	394	221
NET INCOME	\$ 1,504	\$ 1,155
Earnings per share-basic	\$.92	\$.71
Earnings per share-diluted	\$.91	\$.71
Average shares outstanding-basic	1,643,179	1,621,099
Average shares outstanding-diluted	1,648,204	1,630,272

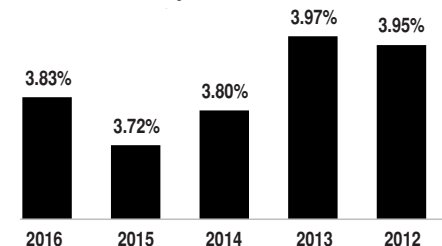
Earnings per share as of March 31,



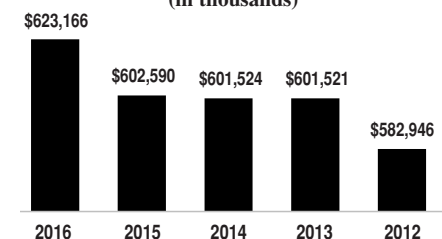
Nonperforming assets/total assets as of March 31,



Dividend yield as of March 31,



Total assets as of March 31, (in thousands)



Dimeco, Inc.
ALLOWANCE FOR LOAN LOSSES
By Portfolio Segment

March 31, 2016

	<u>Commercial</u>	<u>Construction & Development</u>	<u>Commercial Real Estate</u>	<u>Consumer</u>	<u>Residential Real Estate</u>	<u>Total</u>
Allowance for loan losses:						
Beginning balance	\$ 3,243	\$ 64	\$ 3,599	\$ 117	\$ 1,254	\$ 8,277
Charge-offs	(28)	-	-	(12)	-	(40)
Recoveries	29	-	4	7	66	106
Provision	177	-	175	-	(2)	350
Ending balance	<u>\$ 3,421</u>	<u>\$ 64</u>	<u>\$ 3,778</u>	<u>\$ 112</u>	<u>\$ 1,318</u>	<u>\$ 8,693</u>
Ending allowance balance:						
Loans individually evaluated for impairment	\$ 1,425	\$ -	\$ 1,122	\$ -	\$ 321	\$ 2,868
Loans collectively evaluated for impairment	1,996	64	2,656	112	997	5,825
Total	<u>\$ 3,421</u>	<u>\$ 64</u>	<u>\$ 3,778</u>	<u>\$ 112</u>	<u>\$ 1,318</u>	<u>\$ 8,693</u>
Ending loan balance:						
Loans individually evaluated for impairment	\$ 2,917	\$ 13	\$ 11,539	\$ -	\$ 1,562	\$ 16,031
Loans collectively evaluated for impairment	86,625	12,029	259,862	7,561	93,943	460,020
Total	<u>\$ 89,542</u>	<u>\$ 12,042</u>	<u>\$ 271,401</u>	<u>\$ 7,561</u>	<u>\$ 95,505</u>	<u>\$ 476,051</u>

December 31, 2015

	<u>Commercial</u>	<u>Construction & Development</u>	<u>Commercial Real Estate</u>	<u>Consumer</u>	<u>Residential Real Estate</u>	<u>Total</u>
Allowance for loan losses:						
Beginning balance	\$ 1,054	\$ 129	\$ 5,437	\$ 78	\$ 1,138	\$ 7,836
Charge-offs	(1,563)	-	(442)	(99)	(531)	(2,635)
Recoveries	5	1	14	49	7	76
Provision	3,747	(66)	(1,410)	89	640	3,000
Ending balance	<u>\$ 3,243</u>	<u>\$ 64</u>	<u>\$ 3,599</u>	<u>\$ 117</u>	<u>\$ 1,254</u>	<u>\$ 8,277</u>
Ending allowance balance:						
Loans individually evaluated for impairment	\$ 1,390	\$ -	\$ 1,164	\$ -	\$ 433	\$ 2,987
Loans collectively evaluated for impairment	1,853	64	2,435	117	821	5,290
Total	<u>\$ 3,243</u>	<u>\$ 64</u>	<u>\$ 3,599</u>	<u>\$ 117</u>	<u>\$ 1,254</u>	<u>\$ 8,277</u>
Ending loan balance:						
Loans individually evaluated for impairment	\$ 2,983	\$ -	\$ 11,818	\$ -	\$ 1,579	\$ 16,380
Loans collectively evaluated for impairment	83,941	13,439	256,666	7,640	93,298	454,984
Total	<u>\$ 86,924</u>	<u>\$ 13,439</u>	<u>\$ 268,484</u>	<u>\$ 7,640</u>	<u>\$ 94,877</u>	<u>\$ 471,364</u>

Dimeco, Inc.
ALLOWANCE FOR LOAN LOSSES
Credit Quality Information

March 31, 2016

	<u>Commercial</u>	<u>Construction & Development</u>	<u>Commercial Real Estate</u>	<u>Consumer</u>	<u>Residential Real Estate</u>	<u>Total</u>
Pass	\$ 85,384	\$ 11,591	\$ 228,309	\$ 7,555	\$ 91,436	\$ 424,275
Special Mention	528	252	15,355	6	1,213	17,354
Substandard	3,630	199	27,737	-	2,856	34,422
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	<u>\$ 89,542</u>	<u>\$ 12,042</u>	<u>\$ 271,401</u>	<u>\$ 7,561</u>	<u>\$ 95,505</u>	<u>\$ 476,051</u>

December 31, 2015

	<u>Commercial</u>	<u>Construction & Development</u>	<u>Commercial Real Estate</u>	<u>Consumer</u>	<u>Residential Real Estate</u>	<u>Total</u>
Pass	\$ 81,730	\$ 12,986	\$ 222,082	\$ 7,634	\$ 90,890	\$ 415,322
Special Mention	563	259	14,117	6	1,221	16,166
Substandard	4,631	194	32,285	-	2,766	39,876
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	<u>\$ 86,924</u>	<u>\$ 13,439</u>	<u>\$ 268,484</u>	<u>\$ 7,640</u>	<u>\$ 94,877</u>	<u>\$ 471,364</u>

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

March 31, 2016

	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	\$ 176	\$ 5	\$ 236	\$ 417	\$ 89,125	\$ 89,542	\$ -
Construction and development	-	-	-	-	12,042	12,042	-
Commercial real estate	933	1,076	2,989	4,998	266,403	271,401	175
Consumer	6	1	-	7	7,554	7,561	-
Residential real estate	1,009	20	1,265	2,294	93,211	95,505	-
Total	\$ 2,124	\$ 1,102	\$ 4,490	\$ 7,716	\$ 468,335	\$ 476,051	\$ 175

December 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	\$ 73	\$ 160	\$ 99	\$ 332	\$ 86,592	\$ 86,924	\$ -
Construction and development	-	-	-	-	13,439	13,439	-
Commercial real estate	594	816	3,501	4,911	263,573	268,484	-
Consumer	37	8	2	47	7,593	7,640	2
Residential real estate	268	115	942	1,325	93,552	94,877	-
Total	\$ 972	\$ 1,099	\$ 4,544	\$ 6,615	\$ 464,749	\$ 471,364	\$ 2