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DIMECO, INC. 2014 ANNUAL MEETING OF STOCKHOLDERS



Honesdale, Pennsylvania/ May 15, 2014 – Dimeco, Inc. (the “Company”), the parent holding company of The Dime Bank (the “Bank”), held its 2014 Annual Meeting of Stockholders on April 24, 2014. The Company’s stock is traded on the over-the-counter (“OTC”) bulletin board under the symbol “DIMC.” The meeting was brought to order by Chairman of the

Board John S. Kiesendahl. At the meeting Gary C. Beilman, Robert E. Genirs, and Thomas A. Peifer were reelected as directors, each for a three-year term. Stockholders also ratified the appointment of S. R. Snodgrass, PC. as the Company’s independent auditors for the fiscal year ending December 31, 2014.

Financial highlights for the year 2013 were presented by Chief Financial Officer Maureen H. Beilman. Ms. Beilman presented financial information for the three past years and reported that the Company showed a slight increase of .9% in assets at December 31, 2013 compared to the year end 2012. Although loans comprise the majority of assets, and management expects that will continue, loan balances declined during the year allowing for an increase in the investment portfolio. In 2013, holdings of collateralized mortgage obligations and mortgage bonds increased, while commercial paper balances declined. The funding composition of liabilities has remained consistent over time with the primary source of funds being interest-bearing deposits. At December 31, 2013, interest-bearing deposits were \$439 million, a slight decline of 2.3% over balances a year earlier. Time deposits of \$100,000 or more showed the largest decline, primarily the result of management decreasing internally originated CDARS balances that the Bank purchases as an alternate source of liquidity. At the same time, balances of noninterest-bearing

deposits increased 10.6%, in both retail and commercial accounts, offering an additional source of low cost funding. Short term borrowings increased \$10 million during 2013 over 2012 and long term borrowings decreased \$2 million during the same period. The Company's capital position has continued to increase each year, showing growth of \$2.1 million at December 31, 2013 compared to a year earlier. In 2015, all financial institutions will fall into new regulatory requirements for proper capitalization, and the Company believes they will maintain their well-capitalized standing.

Ms. Beilman continued, stating that as is customary for community banks, the primary component of net income is net interest income, which increased 1.8% over a year prior. Brokerage commissions continued to increase in 2013, with gross income of nearly \$1 million. The Company also realized gains of \$533 thousand on sales of residential mortgages. The largest expenses are salaries and employee benefits, which were \$8 million for 2013. The provision for loan losses was \$3.3 million, or 12.1% of the income generated, an amount consistent with this item in 2012. Net income for 2013 was 22.9% or \$6.1 million. The Company continues to work diligently to control operating expenses, and produced an efficiency ratio of 57% for 2013, outperforming the National Peer group ratio of 68%. The National Peer Group is comprised of insured commercial banks with assets between \$300 million and \$1 billion as analyzed by the Federal Financial Institutions Examinations Council. Additionally, when comparing The Dime Bank to this group, Ms. Beilman noted that The Dime Bank's net interest income was 30 basis points better than the National Peer Group and 44 basis points better than the Pennsylvania segment of this peer group. Net income was 1.03% of average assets, exceeding the national ratio of .96% and the Pennsylvania ratio of .79%.

The program was then turned over to Senior Vice President and Senior Lending Officer Peter Bochnovich, who presented loan highlights and reviewed three characteristics of the loan portfolio - size, composition, and quality. Mr. Bochnovich stated that the loan portfolio at year end 2013 was \$471 million, representing a slight decrease of \$3.5 million from 2012. Although loan originations were up by 3.5% or \$4.2 million, at year end 2013 over 2012, the fact that \$4.6 million of loans were transferred to the category of other real estate owned, charged off loans were \$3.9 million, and loan prepayments were at \$10 million, all combined to create the slight decrease.

Mr. Bochnovich continued, stating that commercial loans, which consist of commercial mortgages, capital improvement loans, equipment loans, and lines of credit, continue to represent the largest component of the loan portfolio at 78% of loans, and remained stable in 2013 over 2012 with a slight decrease of \$360 thousand. Residential mortgages which make up 21% of the portfolio decreased \$1.6 million to total \$99 million. The vast majority of residential mortgages the Bank writes are sold in the secondary market, allowing the Bank to offer borrowers longer term fixed rate financing while avoiding the interest rate risk associated with these products. 164 residential mortgages closed in 2013 totaling \$25 million dollars. Consumer loans represented 1% of the loan portfolio.

Mr. Bochnovich then reported on loan quality, noting that total loans 30 days or more past due represent 2.7% of total loans at year end, down from 4.1% at year end 2012.

Non-accrual loans are also down slightly at year end 2013 over 2012 at 3.1% of total loans. Loans charged off stood at \$3.9 million for the year ending 2013, a slight increase over 2012. He noted that during these prolonged challenging economic times the Bank is increasing communication with borrowers to maintain and reinforce existing relationships, and is constantly managing loan portfolios to monitor delinquent loans, with a focus in 2014 on reducing the level of non-accrual loans, other real estate owned, and criticized assets.

Vice President Joseph W. Adams then presented highlights for the Wealth Management division. This division was created in 2003 to offer Bank customers a full range of financial services. The Bank's Wealth Management division is a full service broker dealer offering stocks, bonds, mutual funds, annuities, 401(k) plans, retirement plans, long term care options, life insurance, advisory services, and financial planning for both retail and institutional customers. All division employees are licensed to provide timely assistance to customers and the department has won several awards including advisor of the year and program of the year awards. The Wealth Management division ended 2013 with \$188 million in assets under management, an 873% gain since year end 2003. Gross revenue increased 1,598% over the same ten years to end 2013 at \$1.2 million. Mr. Adams stated that the Wealth Management division offers a vast array of financial planning options tailored to suit individual needs and risk tolerance, along with the benefits of personal service and attention to detail that come with partnering with The Dime Bank.

President and Chief Executive Officer Gary C. Beilman began with a brief moment of silence to pay tribute to Bill Schwarz, who sat on the Board for 42 years and who was a leading force for the Company and the Bank. To honor the contributions of Mr. Schwarz and to memorialize his ideals, the William E. Schwarz Scholarship has been set up for a Honesdale graduating senior studying any field that can be applied to the automotive industry.

Mr. Beilman then reviewed a value chain analysis for the year 2013. He commented that the Company faced the challenges posed by a stagnant economy and had a very good year. His comparison highlighted the Company's performance against a peer group of commercial institutions with assets between \$500 million and \$700 million as better than peer in the categories of yield on earning assets, cost of funds, net interest spread, noninterest income, noninterest expense, and return on assets. Mr. Beilman continued with a discussion on deposit market share numbers as reflected in the FDIC's annual report dated June 30, 2013. The Bank continues to hold the largest market share of deposits in Wayne County and has held this position since 2004. In Pike County, the Bank holds the number two position with only two offices, compared to the competitor in the top position with four offices. In the combined Wayne and Pike County marketplace the Bank holds the number one position and has held this ranking since 2007. The Bank opened a new office in August of 2013 in Carbondale. Next year's report will include this market. Mr. Beilman commented that the FDIC report speaks to the penetration and acceptance of customers regarding what the Bank brings to the community.

Mr. Beilman continued his report with a discussion of first quarter 2014 financial highlights. He noted that the first quarter of every year is typically the slowest. This combined with the tough winter in the region and stagnant real estate sales in the area, produced flat asset growth and a slight decrease in net income from March 31, 2013 to March 31, 2014. The Company's book value is strong at \$38.99 along with a dividend yield of 3.80% at March 31, 2014.

Mr. Beilman thanked all shareholders, the directors and staff, our customers, and the community at large. A question and answer period was held. At the conclusion of business, the session was adjourned and light refreshments were served.

Dimeco, Inc. (DIMC) 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.

Pictured Dimeco, Inc. Board of Directors seated left to right: Gary C. Beilman, John S. Kiesendahl; standing: Robert E. Genirs, John F. Spall, Thomas A. Peifer, Henry M. Skier B. Jeanne Genzlinger, Todd J. Stephens.