



DIMECO, INC. ANNOUNCES FIRST QUARTER 2019 EARNINGS

Honesdale, Pennsylvania / April 24, 2019 / Dimeco, Inc. (DIMC), the holding company for The Dime Bank, reported unaudited results for the first quarter of 2019.

Dimeco, Inc. showed numerous positive increases for the first quarter of 2019. From a performance perspective, net interest income grew by 8.8% over the first quarter of last year. This resulted in net income of \$2.2 million which is 14.7% greater than the same period in 2018. Market interest rate increases contributed to a greater net interest income of \$525 thousand. Additionally, as Dimeco continued to improve asset quality, the institution realized decreased expenses of \$250 thousand in the other expense category compared to the first quarter of 2018. The rise in net income resulted in a 1.26% return on average assets, representing an increase of 8.6% over this ratio from a year earlier. The return on average equity was 10.70% at March 31, 2019, 6.6% greater than the same period last year.

Positive balance sheet growth is noted throughout Dimeco's first quarter 2019 report including expansion of total assets, deposits, and loans. As of March 31, 2019, total assets were \$686 million, deposits were \$542 million, and total loans were \$514 million.

Stockholders' equity increased 8.9% over balances a year earlier to \$81 million at March 31, 2019, reinforcing a strong capital position. Equally important to investors, earnings per share of \$.87 is an increase of 14.5% and dividends declared of \$.30 per share is an increase of 7.1% over that of the first quarter 2018. The market value of Dimeco stock was \$40.55 on March 31, 2019, up 16.5% from one year earlier.

President and Chief Executive Officer Gary C. Beilman stated, "It is with great pleasure that I present the first quarter of 2019 report of Dimeco, Inc. The year has begun on a strong note and is a great indication of our commitment to continually improve our performance. We look forward to the balance of the year as we continue to develop a stronger institution to serve our investors, our customers, and our communities."

Dimeco, Inc. is the holding company of The Dime Bank, a full service financial institution serving Northeast Pennsylvania. The Bank trades on the OTC Pink Marketplace under symbol DIMC, operated by OTC Markets Group. For more information on Dimeco, Inc. and The Dime Bank, visit www.thedimebank.com.

Source: Dimeco, Inc. / April 24, 2019 / 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: help@astfinancial.com
Internet address: www.astfinancial.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
FIG Partners, LLC
404-601-7225
Raymond James & Associates
800-800-4693
Stifel, Nicolaus & Company, Inc.
800-233-8602

Directors

John S. Kiesendahl, Chairman
Todd J. Stephens, Vice Chairman
Gary C. Beilman, President
John F. Spall, Secretary

Gregory J. Frigoletto
Barbara J. Genzlinger
Brian T. Kelly
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FIRST QUARTER 2019

CONSOLIDATED FINANCIAL HIGHLIGHTS (unaudited)

(dollars in thousands, except per share)

	2019	2018	% Increase (decrease)
Performance for the three months ended March 31,			
Interest income	\$ 7,849	\$ 6,805	15.3%
Interest expense	\$ 1,352	\$ 833	62.3%
Net interest income	\$ 6,497	\$ 5,972	8.8%
Net income	\$ 2,157	\$ 1,880	14.7%
Shareholders' Value (per share)			
Net income – basic	\$.87	\$.76	14.5%
Net income – diluted	\$.86	\$.75	14.7%
Dividends	\$.30	\$.28	7.1%
Book value	\$ 32.73	\$ 30.23	8.3%
Market value	\$ 40.55	\$ 34.80	16.5%
Market value/book value ratio	123.9%	115.1%	7.6%
*Price/earnings multiple	11.7X	11.4X	2.6%
*Dividend yield	2.96%	3.22%	(8.1%)
Financial Ratios			
*Return on average assets	1.26%	1.16%	8.6%
*Return on average equity	10.70%	10.04%	6.6%
Efficiency ratio	63.99%	67.14%	(4.7%)
Net interest margin	4.19%	4.11%	1.9%
Shareholders' equity/asset ratio	11.87%	11.40%	4.1%
Dividend payout ratio	34.48%	36.84%	(6.4%)
Nonperforming assets/total assets	1.91%	1.87%	2.1%
Allowance for loan losses as a % of loans	1.66%	1.53%	8.5%
Net charge-offs/average loans	(.03%)	.01%	(400.0%)
Allowance for loan losses/nonaccrual loans	110.72%	159.91%	(30.8%)
Allowance for loan losses/non-performing loans	101.63%	145.45%	(30.1%)
Financial Position at March 31,			
Assets	\$ 686,417	\$ 656,047	4.6%
Loans	\$ 513,653	\$ 509,496	.8%
Deposits	\$ 541,606	\$ 490,838	10.3%
Stockholders' equity	\$ 81,450	\$ 74,819	8.9%

*annualized

Dear Shareholders:

It is with great pleasure that I present this report of Dimeco, Inc. for the first quarter of 2019. As you read through this report, you'll see that your Company is off to a good start this year.

The first quarter of each year is historically our slowest period; however, you will see that the first quarter of 2019 shows positive balance sheet growth from March 31, 2018. As of March 31, 2019, total deposits are at \$542 million, total loans stand at \$514 million, and total assets are \$686 million. Deposits growth of \$51 million since March 31, 2018 was enhanced by repositioning commercial sweep accounts, utilizing re-purchase agreements, to reciprocal deposit accounts that offer the benefit of FDIC insurance coverage. The results of this action are twofold. First, the transfer of most of these accounts into deposits is included in the first quarter of 2019, representing about half of the reported deposit growth. Secondly, this enabled us to improve our liquidity position as we no longer pledge securities for these funds. We see this change as a new opportunity to grow the institution.

This year is beginning on a strong note from a performance perspective. Our net interest income grew by 8.8% over the first quarter of last year, resulting in net income of \$2.2 million, an expansion of 14.7%. Market interest rate increases contributed to a greater net interest income of \$525 thousand. Income at that level resulted in return on average assets of 1.26% and return on

average equity of 10.7%, increases of 8.6% and 6.6%, respectively, over the first quarter of 2018. As we continue to improve asset quality, a favorable outcome of our efforts resulted in decreased costs of more than \$250 thousand in other expense than the first quarter of 2018. We are proud to have achieved this higher income level.

From the shareholders' perspective, net income was \$.87 per share, an increase of 14.5% over that of the first quarter of 2018. Book value per share at \$32.73 expanded by 8.3%, and the market value per share was \$40.55 at the end of the quarter, an uptick of 16.5% over 2018. Finally, dividends declared of \$.30 per share are 7.1% above this quarter last year.

I hope that you agree that the first quarter of 2019 is a great indication of our commitment to continually improve our performance. We look forward to the balance of the year.

Our sincere thanks go out to you for your investment and support. I encourage you to recommend us to others for investment in our stock and for use of the full array of banking and wealth management services. As always, your comments and questions are welcome.

Sincerely,



Gary C. Beilman
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(unaudited)

(in thousands)

	3/31/2019	3/31/2018
Assets		
Cash and cash equivalents	\$ 15,172	\$ 11,377
Mortgage loans held for sale	458	—
Investment securities available for sale	114,883	92,251
Loans, net of allowance for loan losses	505,125	501,699
Premises and equipment	9,417	9,979
Accrued interest receivable	2,158	1,957
Other real estate owned	4,749	6,925
Other assets	34,455	31,859
TOTAL ASSETS	\$ 686,417	\$ 656,047
Liabilities		
Deposits:		
Noninterest-bearing	\$ 91,801	\$ 90,283
Interest-bearing	449,805	400,555
Total deposits	541,606	490,838
Short-term borrowings	2,318	36,457
Other borrowed funds	50,820	46,199
Accrued interest payable	553	319
Other liabilities	9,670	7,415
TOTAL LIABILITIES	604,967	581,228
TOTAL STOCKHOLDERS' EQUITY	81,450	74,819
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 686,417	\$ 656,047

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands, except per share data)

	Three months ended	
	3/31/2019	3/31/2018
Interest Income		
Loans, including fees	\$ 6,887	\$ 6,250
Investment securities	881	514
Other	81	41
Total interest income	7,849	6,805
Interest Expense		
Deposits	999	555
Short-term borrowings	10	26
Other borrowed funds	343	252
Total interest expense	1,352	833
Net Interest Income	6,497	5,972
Provision for loan losses	248	248
Net Interest Income, After Provision for Loan Losses	6,249	5,724
Noninterest income	1,038	1,224
Noninterest expense	4,887	4,894
Income before income taxes	2,400	2,054
Income taxes	243	174
NET INCOME	\$ 2,157	\$ 1,880
Earnings per share-basic	\$.87	\$.76
Earnings per share-diluted	\$.86	\$.75
Average shares outstanding-basic	2,488,467	2,475,065
Average shares outstanding-diluted	2,517,538	2,500,925

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, 2019 and the year ended December 31, 2018 (in thousands):

	March 31, 2019						
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan losses:							
Beginning balance	\$ 2,938	\$ 215	\$ 2,711	\$ 108	\$ 1,322	\$ 831	\$ 8,125
Charge-offs	(105)	-	-	(47)	(1)	-	(153)
Recoveries	258	-	19	11	20	-	308
Provision	122	5	382	33	226	(520)	248
Ending balance	<u>\$ 3,213</u>	<u>\$ 220</u>	<u>\$ 3,112</u>	<u>\$ 105</u>	<u>\$ 1,567</u>	<u>\$ 311</u>	<u>\$ 8,528</u>
Ending allowance balance:							
Loans individually evaluated for impairment	\$ 751	\$ -	\$ 684	\$ 5	\$ 577	\$ -	\$ 2,017
Loans collectively evaluated for impairment	<u>2,462</u>	<u>220</u>	<u>2,428</u>	<u>100</u>	<u>990</u>	<u>311</u>	<u>6,511</u>
Total	<u>\$ 3,213</u>	<u>\$ 220</u>	<u>\$ 3,112</u>	<u>\$ 105</u>	<u>\$ 1,567</u>	<u>\$ 311</u>	<u>\$ 8,528</u>
Ending loan balance:							
Loans individually evaluated for impairment	\$ 5,043	\$ -	\$ 13,824	\$ 5	\$ 2,180	\$ -	\$ 21,052
Loans collectively evaluated for impairment	<u>93,351</u>	<u>27,201</u>	<u>254,912</u>	<u>9,291</u>	<u>107,846</u>	<u>-</u>	<u>492,601</u>
Total	<u>\$ 98,394</u>	<u>\$ 27,201</u>	<u>\$ 268,736</u>	<u>\$ 9,296</u>	<u>\$ 110,026</u>	<u>\$ -</u>	<u>\$ 513,653</u>

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

December 31, 2018

	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan losses:							
Beginning balance	\$ 2,525	\$ 226	\$ 2,838	\$ 91	\$ 1,362	\$ 540	\$ 7,582
Charge-offs	(35)	(90)	(67)	(145)	(228)	-	(565)
Recoveries	99	-	425	36	48	-	608
Provision	349	79	(485)	126	140	291	500
Ending balance	<u>\$ 2,938</u>	<u>\$ 215</u>	<u>\$ 2,711</u>	<u>\$ 108</u>	<u>\$ 1,322</u>	<u>\$ 831</u>	<u>\$ 8,125</u>
Ending allowance balance:							
Loans individually evaluated for impairment	\$ 336	\$ -	\$ 180	\$ 5	\$ 301	\$ -	\$ 822
Loans collectively evaluated for impairment	<u>2,602</u>	<u>215</u>	<u>2,531</u>	<u>103</u>	<u>1,021</u>	<u>831</u>	<u>7,303</u>
Total	<u>\$ 2,938</u>	<u>\$ 215</u>	<u>\$ 2,711</u>	<u>\$ 108</u>	<u>\$ 1,322</u>	<u>\$ 831</u>	<u>\$ 8,125</u>
Ending loan balance:							
Loans individually evaluated for impairment	\$ 1,316	\$ -	\$ 7,516	\$ 5	\$ 1,813	\$ -	\$ 10,650
Loans collectively evaluated for impairment	<u>99,871</u>	<u>27,378</u>	<u>266,094</u>	<u>8,899</u>	<u>110,397</u>	<u>-</u>	<u>512,639</u>
Total	<u>\$ 101,187</u>	<u>\$ 27,378</u>	<u>\$ 273,610</u>	<u>\$ 8,904</u>	<u>\$ 112,210</u>	<u>\$ -</u>	<u>\$ 523,289</u>

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Information

The following tables represent credit exposures by assigned grades for the nine months ended March 31, 2019 and the year ended December 31, 2018. 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.

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. Balances as of March 31, 2019 and December 31, 2018 are net of unearned income and include overdrafts, loan settlement and loan unposted (in thousands):

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Information (continued)

	March 31, 2019					
	<u>Commercial</u>	<u>Construction & Development</u>	<u>Commercial Real Estate</u>	<u>Consumer</u>	<u>Residential Real Estate</u>	<u>Total</u>
Pass	\$ 88,004	\$ 23,460	\$ 245,921	\$ 9,294	\$ 105,616	\$ 472,295
Special Mention	4,963	123	3,552	2	2,235	10,875
Substandard	5,427	3,618	19,263	-	2,175	30,483
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	<u>\$ 98,394</u>	<u>\$ 27,201</u>	<u>\$ 268,736</u>	<u>\$ 9,296</u>	<u>\$ 110,026</u>	<u>\$ 513,653</u>

	December 31, 2018					
	<u>Commercial</u>	<u>Construction & Development</u>	<u>Commercial Real Estate</u>	<u>Consumer</u>	<u>Residential Real Estate</u>	<u>Total</u>
Pass	\$ 94,518	\$ 23,605	\$ 248,774	\$ 8,901	\$ 107,859	\$ 483,657
Special Mention	5,381	126	11,824	3	2,406	19,740
Substandard	1,288	3,647	13,012	-	1,945	19,892
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	<u>\$ 101,187</u>	<u>\$ 27,378</u>	<u>\$ 273,610</u>	<u>\$ 8,904</u>	<u>\$ 112,210</u>	<u>\$ 523,289</u>

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

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, 2019 and December 31, 2018 including loans which are in nonaccrual status (in thousands):

March 31, 2019							
	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	\$ 120	\$ 1,050	\$ 2,673	\$ 3,843	\$ 94,551	\$ 98,394	\$ -
Construction and development	-	-	-	-	27,201	27,201	-
Commercial real estate	208	100	1,095	1,403	267,333	268,736	-
Consumer	59	3	-	62	9,234	9,296	-
Residential real estate	552	776	431	1,759	108,267	110,026	-
Total	\$ 939	\$ 1,929	\$ 4,199	\$ 7,067	\$ 506,586	\$ 513,653	\$ -
December 31, 2018							
	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	\$ 131	\$ 72	\$ 425	628	\$ 100,559	\$ 101,187	\$ -
Construction and development	-	-	-	-	27,378	27,378	-
Commercial real estate	169	114	1,276	1,559	272,051	273,610	-
Consumer	33	-	-	33	8,871	8,904	-
Residential real estate	257	756	522	1,535	110,675	112,210	-
Total	\$ 590	\$ 942	\$ 2,223	\$ 3,755	\$ 519,534	\$ 523,289	\$ -