



DIMECO, INC. ANNOUNCES 2018 EARNINGS

Honesdale, Pennsylvania / January 24, 2019 / Dimeco, Inc. (OTC Pink: DIMC), the holding company for The Dime Bank, released unaudited financial results for the quarter and fiscal year ending December 31, 2018.

Dimeco, Inc.'s 2018 net income of \$8 million increased \$2.6 million, or 47.8%, over income reported for 2017. Net interest income of \$25.1 million showed an increase of 3.8% over the year before as interest rates increased during 2018. Also contributing to the net income increase is the favorable federal tax rate changes that began in 2018. At this income level, the return on average assets was 1.21% and the return on average equity was 10.48%, an increase of 45.8% and 43.6%, respectively, from the 2017 ratios.

Dimeco, Inc.'s balance sheet ended the year with total assets of \$694.8 million at December 31, 2018, an increase of \$39.3 million, or 6.0%, from the balance at the end of 2017. Deposit growth remained steady throughout the year with total deposits increasing \$34.2 million or 6.9%, finishing the year at \$532.4 million. The loan portfolio increased nearly \$13 million, or 2.50%, from balances the year prior, to end the year at \$523.3 million. Loan asset quality continued to improve with a decline of 29.5% in the nonperforming assets to total assets ratio, ending the year at 1.36% while net charge-offs to average loans declined 103.0%. The allowance for loan losses as a percent of loans was 4.0% greater than a year earlier, ending the year at 1.55%.

President and Chief Executive Officer Gary C. Beilman noted, "In spite of the attractiveness of the securities market, customers increased their deposits with us. Also, the loan portfolio grew handsomely in the fourth quarter of 2018. We attained the highest total assets in Dimeco's history at almost \$695 million. Our efforts to improve asset quality resulted in good news with improved ratios indicating that the Company continues to be headed in the right direction."

Stockholders' equity of \$79.6 million at December 31, 2018 represented growth of \$5.1 million or 6.9% over balances a year earlier with a ratio of stockholders' equity to assets of 11.5%.

Dividends increased 8.6% in 2018 as compared to 2017, amounting to \$1.14 per share for 2018. The market value of our shares was \$40.75 at December 31, 2018, 14.8% higher than the December 31, 2017 price.

Dimeco, Inc. is the holding company of The Dime Bank, a full service financial institution serving Northeastern 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. / January 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

Boening & 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
Thomas A. Peifer, Vice Chairman
Gary C. Beilman, President
John F. Spall, Secretary

Gregory J. Frigoletto
Barbara J. Genzlinger
Brian T. Kelly
David D. Reynolds, M.D.
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2018



FOURTH QUARTER



CONSOLIDATED FINANCIAL HIGHLIGHTS (unaudited)

(dollars in thousands, except per share)

	2018	2017	% Increase (decrease)
Performance for the year ended Dec. 31,			
Interest income	\$ 28,982	\$ 27,175	6.6%
Interest expense	\$ 3,834	\$ 2,946	30.1%
Net interest income	\$ 25,148	\$ 24,229	3.8%
Net income	\$ 7,993	\$ 5,407	47.8%
Shareholders' Value (per share)			
Net income – basic	\$ 3.22	\$ 2.19	47.0%
Net income – diluted	\$ 3.19	\$ 2.17	47.0%
Dividends	\$ 1.14	\$ 1.05	8.6%
Book value	\$ 32.01	\$ 30.16	6.1%
Market value	\$ 40.75	\$ 35.49	14.8%
Market value/book value ratio	127.3%	117.7%	8.2%
Price/earnings multiple	12.7X	16.2X	(21.6%)
Dividend yield	2.80%	2.96%	(5.4%)
Financial Ratios			
Return on average assets	1.21%	.83%	45.8%
Return on average equity	10.48%	7.30%	43.6%
Efficiency ratio	67.89%	64.95%	4.5%
Net interest margin	4.17%	4.18%	(.2%)
Shareholders' equity/asset ratio	11.46%	11.37%	.8%
Dividend payout ratio	35.40%	47.95%	(26.2%)
Nonperforming assets/total assets	1.36%	1.93%	(29.5%)
Allowance for loan losses as a % of loans	1.55%	1.49%	4.0%
Net charge-offs/average loans	(.01%)	.33%	(103.0%)
Allowance for loan losses/nonaccrual loans	198.41%	138.08%	43.7%
Allowance for loan losses/non-performing loans	185.76%	111.22%	67.0%
Financial Position at Dec. 31,			
Assets	\$ 694,779	\$ 655,473	6.0%
Loans	\$ 523,289	\$ 510,334	2.5%
Deposits	\$ 532,383	\$ 498,232	6.9%
Stockholders' equity	\$ 79,614	\$ 74,505	6.9%

Dear Shareholders:

I am proud to present the report of Dimeco, Inc. for the quarter and year ended December 31, 2018. As you read through this report, you will see that we accomplished many positive results.

Throughout 2018, we achieved significant growth in several areas. Net income for the year ended December 31, 2018 was nearly 50% greater than the previous year. Net interest income grew 3.8% over 2017 mainly due to increases in interest rates. Also, contributing to the rise in net income is the favorable federal income tax rate that was enacted in 2018. Loans ended the year 2.5% higher, deposits grew by 6.9% and total assets expanded 6%. As reported during the year, we experienced competition on the loan side, especially in terms of interest rate pricing. Following our guidelines, we made decisions for the long term by not originating those low interest rate credits. Additionally, several large borrowers paid off in 2018 further dampening loan growth. However, the fourth quarter loan production increased hand-somely. In spite of the attractiveness of the securities market during 2018, customers increased their deposits nearly 7%. At year end, we attained the highest total assets in your Company's history at \$694.8 million.

Net income for 2018 was \$8 million, a substantial increase of 47.8% over the income produced in 2017. At that level, our return on average assets was 1.21% and the return on average equity was 10.48%, increases of

45.8% and 43.6% respectively, when comparing 2018 to 2017. As a result, stockholders' equity grew by almost 7%. The escalation of the fourth quarter dividend approved by your Board of Directors, resulted in a total of \$1.14 per share for 2018, a solid 8.6% above dividends declared in 2017.

During the past year, our efforts to improve asset quality resulted in more good news. We experienced a reduction of almost 30% in the nonperforming assets to total assets ratio from December 31, 2017 to 2018. The ratio of net charge-offs to average loans was negative for 2018 indicating greater loan recoveries than charge-offs. The allowance for loan losses as a percent of loans increased by 4% as well. These are positive signs that we're headed in the right direction.

This, of course, is a summary of Dimeco's year of 2018. Much more information will be given in our Annual Report. Please look for that report in March. We thank you for your continued support and encourage you to recommend us to others for investment in our stock and for use of our 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)

	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017
Assets					
Cash and cash equivalents	\$ 12,152	\$ 11,106	\$ 12,685	\$ 11,377	\$ 8,087
Mortgage loans available for sale	—	204	—	—	356
Investment securities available for sale	117,165	107,282	99,319	92,251	92,226
Loans, net of allowance for loan losses	515,164	505,067	496,706	501,699	502,752
Premises and equipment	9,563	9,767	9,861	9,979	10,101
Accrued interest receivable	2,218	1,995	1,998	1,957	2,035
Other real estate owned	5,067	5,846	6,483	6,925	5,807
Other assets	33,450	32,221	31,760	31,859	34,109
TOTAL ASSETS	\$ 694,779	\$ 673,488	\$ 658,812	\$ 656,047	\$ 655,473
Liabilities					
Deposits:					
Noninterest-bearing	\$ 93,963	\$ 98,909	\$ 97,691	\$ 90,283	\$ 87,954
Interest-bearing	438,420	415,932	394,686	400,555	410,278
Total deposits	532,383	514,841	492,377	490,838	498,232
Short-term borrowings	20,355	26,147	37,998	36,457	32,544
Other borrowed funds	53,721	45,932	45,568	46,199	42,326
Accrued interest payable	456	259	186	319	288
Other liabilities	8,250	9,470	7,005	7,415	7,578
TOTAL LIABILITIES	615,165	596,649	583,134	581,228	580,968
TOTAL STOCKHOLDERS' EQUITY	79,614	76,839	75,678	74,819	74,505
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 694,779	\$ 673,488	\$ 658,812	\$ 656,047	\$ 655,473

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands, except per share data)

	Three months ended				Year ended	
	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2018	12/31/2017
Interest Income						
Loans, including fees	\$ 6,836	\$ 6,647	\$ 6,405	\$ 6,250	\$ 26,138	\$ 24,989
Investment securities	829	636	612	514	2,591	2,064
Other	87	54	71	41	253	122
Total interest income	7,752	7,337	7,088	6,805	28,982	27,175
Interest Expense						
Deposits	873	623	553	555	2,604	2,007
Short-term borrowings	19	39	31	26	115	129
Other borrowed funds	291	291	281	252	1,115	810
Total interest expense	1,183	953	865	833	3,834	2,946
Net Interest Income	6,569	6,384	6,223	5,972	25,148	24,229
Provision for loan losses	—	252	—	248	500	700
Net Interest Income, After Provision for Loan Losses	6,569	6,132	6,223	5,724	24,648	23,529
Noninterest income	956	1,163	1,077	1,224	4,420	4,525
Noninterest expense	5,143	4,838	5,453	4,894	20,328	19,159
Income before income taxes	2,382	2,457	1,847	2,054	8,740	8,895
Income taxes	206	225	142	174	747	3,488
NET INCOME	\$ 2,176	\$ 2,232	\$ 1,705	\$ 1,880	\$ 7,993	\$ 5,407
Earnings per share-basic	\$.87	\$.90	\$.69	\$.76	\$ 3.22	\$ 2.19
Earnings per share-diluted	\$.87	\$.89	\$.68	\$.75	\$ 3.19	\$ 2.17
Average shares outstanding-basic	2,481,102	2,478,860	2,475,503	2,475,065	2,487,787	2,470,878
Average shares outstanding-diluted	2,511,732	2,511,951	2,502,530	2,500,925	2,507,255	2,496,523