



P O BOX 509 • 820 CHURCH STREET • HONESDALE, PENNSYLVANIA • 18431 • 570-253-1970

DIMECO, INC. ANNOUNCES 2016 EARNINGS

Honesdale, Pennsylvania/ January 30, 2017/ 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, 2016.

The Company's net income grew substantially in 2016 to \$6.4 million. This represented an increase of \$2.7 million, or 74.7% over the results posted for 2015. At this income level, the return on average assets of 1.00% was up 66.7% from 2015, and the return on average equity was up 68.0% from 2015 to end the year at 8.99%. Improvement in loan quality had the greatest impact on net income. Net interest income of \$23.0 million showed an increase of \$911 thousand or 4.1% over 2015. The provision for loan losses declined \$2 million, or 66.7%, and noninterest expense was \$1.2 million, or 6.2% lower than the previous year.

Dimeco, Inc. experienced balance sheet growth in all categories during the year ended December 31, 2016, with total assets of \$641.5 million, an increase of \$28.1 million, or 4.6%, from the balance at the end of 2015. With strong loan demand throughout the year, the loan portfolio increased \$24.0 million, or 5.1%, to end the year at \$495.3 million. Since introducing Kasasa deposit products in 2015, the deposit base has continued to grow, finishing the year at \$508.1 million, an increase of \$19.0 million, or 3.9% from balances a year earlier.

Gary C. Beilman, president and chief executive officer, commented "At this time last year, I reported on the drastic and prudent steps that were taken in late 2015 to address asset quality issues and pave the way for a return to historical operating results. During the past year, we decreased delinquent loans and our non-performing assets to total assets ratio improved by almost 20%. Furthermore, our allowance for loan losses to nonaccrual loans and to non-performing loans, both improved by 26%. Legal and other collection costs decreased, and the carrying costs for other real estate owned diminished as we sold several properties. These improvements contributed to ending the year with an increase of nearly 17% in the market value of Dimeco stock."

Dividends remained strong, amounting to \$1.52 per share for both 2016 and 2015, and resulted in a dividend yield of 3.38%. The fully diluted earnings per share for the year ended 2016 was \$3.84. Stockholders' equity of \$71.5 million at December 31, 2016 represented growth of 4.9% over balances a year earlier with a ratio of stockholders' equity to assets of 11.1%.

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 30, 2017 / 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
David D. Reynolds, M.D.
Henry M. Skier
Todd J. Stephens

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



FOURTH QUARTER 2016

CONSOLIDATED FINANCIAL HIGHLIGHTS (unaudited)

(dollars in thousands, except per share)

	2016	2015	% Increase (decrease)
Performance for the year ended December 31,			
Interest income	\$ 25,755	\$ 24,701	4.3%
Interest expense	\$ 2,750	\$ 2,607	5.5%
Net interest income	\$ 23,005	\$ 22,094	4.1%
Net income	\$ 6,350	\$ 3,635	74.7%
Shareholders' Value (per share)			
Net income – basic	\$ 3.86	\$ 2.23	73.1%
Net income – diluted	\$ 3.84	\$ 2.22	73.0%
Dividends	\$ 1.52	\$ 1.52	–
Book value	\$ 43.41	\$ 41.42	4.8%
Market value	\$ 45.00	\$ 38.50	16.9%
Market value/book value ratio	103.7%	93.0%	11.5%
Price/earnings multiple	11.7X	17.3X	(32.4%)
Dividend yield	3.38%	3.95%	(14.4%)
Financial Ratios			
Return on average assets	1.00%	.60%	66.7%
Return on average equity	8.99%	5.35%	68.0%
Efficiency ratio	64.69%	71.15%	(9.1%)
Net interest margin	4.03%	4.01%	.5%
Shareholders' equity/asset ratio	11.14%	11.11%	.3%
Dividend payout ratio	39.38%	68.16%	(42.2%)
Nonperforming assets/total assets	2.32%	2.87%	(19.2%)
Allowance for loan losses as a % of loans	1.72%	1.76%	(2.3%)
Net charge-offs/average loans	.16%	.55%	(70.9%)
Allowance for loan losses/nonaccrual loans	104.07%	82.37%	26.3%
Allowance for loan losses/non-performing loans	98.83%	78.36%	26.1%
Financial Position at December 31,			
Assets	\$ 641,486	\$ 613,352	4.6%
Loans	\$ 495,329	\$ 471,364	5.1%
Deposits	\$ 508,051	\$ 489,076	3.9%
Stockholders' equity	\$ 71,470	\$ 68,155	4.9%

Dear Shareholders:

It is with pleasure that I present this report of Dimeco, Inc. for the year ended December 31, 2016. Reviewing this report, you will note many positive achievements. When compared to 2015, the results of the year 2016 are greatly improved. Deposits grew almost 4%, loans increased more than 5%, and total assets expanded by 4.6%. Throughout the year, our offices were busy, electronic banking continued to be accepted by a greater number of customers and our local economy continued to improve.

At this time last year, I reported on the drastic and prudent steps that were taken in late 2015 to address asset quality issues and to pave the way for a return to historical operating results. During the past year, we decreased delinquent loans and our non-performing assets to total assets ratio improved by almost 20%. Furthermore, our allowance for loan losses to nonaccrual loans and to non-performing loans, both improved by 26%. Our legal and other collection costs decreased, and the carrying costs for OREO properties diminished as we sold several properties. In summary, many of our operating costs were significantly reduced from the previous year.

The results of these actions helped to drive our net income for 2016 to \$6.4 million, a 75% improvement over 2015. From a financial ratio perspective, return on average assets was 1.0% and return on average equity

was 8.99%, both of which were significant increases over the prior year!

The benefits of this increased performance is most evident when we look at the improvements in enhanced value to you, our shareholders. Book value increased almost 5% to end the year at \$43.41 per share. Stockholders' equity grew from \$68 million to over \$71 million, again an improvement of almost 5% when comparing 2016 to 2015. Finally, the most dramatic increase in value was witnessed in the market value of Dimeco stock which grew from \$38.50 per share at year end 2015, to \$45.00 at the close of 2016, an increase of almost 17%!

We are certainly pleased with this report, and our hope is that you are as well. When we distribute our Annual Report in March, we will report in much greater detail about the successes of 2016.

We thank you for your investment and continued loyalty. I encourage 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)

	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Assets					
Cash and cash equivalents	\$ 12,015	\$ 8,630	\$ 15,203	\$ 8,672	\$ 8,134
Investment securities available for sale	95,459	101,777	118,421	100,764	95,058
Mortgage loans held for sale	—	—	952	—	—
Loans, net of allowance for loan losses	486,796	481,090	458,156	467,358	463,087
Premises and equipment	9,237	9,168	9,326	9,338	9,451
Accrued interest receivable	1,942	1,735	1,859	1,801	1,805
Other real estate owned	6,158	6,449	6,218	6,625	7,024
Other assets	29,879	29,359	28,137	28,608	28,793
TOTAL ASSETS	\$ 641,486	\$ 638,208	\$ 638,272	\$ 623,166	\$ 613,352
Liabilities					
Deposits:					
Noninterest-bearing	\$ 81,994	\$ 85,031	\$ 85,068	\$ 77,754	\$ 75,351
Interest-bearing	426,057	422,725	415,949	414,755	413,725
Total deposits	508,051	507,756	501,017	492,509	489,076
Short-term borrowings	31,615	28,299	34,001	28,429	30,025
Other borrowed funds	23,352	23,699	26,246	26,977	20,318
Accrued interest payable	260	234	261	310	274
Other liabilities	6,738	6,710	5,878	5,630	5,504
TOTAL LIABILITIES	570,016	566,698	567,403	553,855	545,197
TOTAL STOCKHOLDERS' EQUITY	71,470	71,510	70,869	69,311	68,155
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 641,486	\$ 638,208	\$ 638,272	\$ 623,166	\$ 613,352

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands, except per share data)

	Three months ended				Year ended	
	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2016	12/31/2015
Interest Income						
Loans, including fees	\$ 5,981	\$ 5,851	\$ 5,759	\$ 5,797	\$ 23,388	\$ 22,436
Investment securities	554	624	569	524	2,271	2,145
Other	26	21	30	19	96	120
Total interest income	6,561	6,496	6,358	6,340	25,755	24,701
Interest Expense						
Deposits	510	492	505	511	2,018	2,063
Short-term borrowings	20	26	19	14	79	65
Other borrowed funds	161	167	172	153	653	479
Total interest expense	691	685	696	678	2,750	2,607
Net Interest Income	5,870	5,811	5,662	5,662	23,005	22,094
Provision for loan losses	—	325	325	350	1,000	3,000
Net Interest Income, After Provision for Loan Losses	5,870	5,486	5,337	5,312	22,005	19,094
Noninterest income	984	1,142	1,056	1,030	4,212	4,328
Noninterest expense	4,559	4,679	4,454	4,444	18,136	19,342
Income before income taxes	2,295	1,949	1,939	1,898	8,081	4,080
Income taxes	526	406	405	394	1,731	445
NET INCOME	\$ 1,769	\$ 1,543	\$ 1,534	\$ 1,504	\$ 6,350	\$ 3,635
Earnings per share-basic	\$ 1.08	\$.94	\$.93	\$.92	\$ 3.86	\$ 2.23
Earnings per share-diluted	\$ 1.07	\$.93	\$.93	\$.91	\$ 3.84	\$ 2.22
Average shares outstanding-basic	1,644,644	1,644,466	1,643,193	1,643,179	1,644,021	1,630,223
Average shares outstanding-diluted	1,655,525	1,652,853	1,650,422	1,648,204	1,651,851	1,635,820