Dimeco, Inc. Announces Earnings at September 30, 2018

Honesdale, PA, October 25, 2018/ Dimeco, Inc. (OTC Pink: DIMC), parent company of The Dime Bank, reported net income of $5.8 million for the first nine months of 2018, an increase of 17.4% over net income reported for the first nine months of 2017. This resulted in a return on average assets of 1.19% and a return on average shareholders' equity of 10.25% on September 30, 2018, an increase of 16.7% and 14.1%, respectively, from September 30, 2017.

Earnings per share for the nine months ended 2018 were $2.35, up 16.9% from the nine months ended 2017. Dimeco's Board of Directors declared dividends totaling $.84 per share during the past nine months which produced a dividend yield of 2.68% at September 30, 2018. At this level, dividends are up 9.5% over the level paid in 2017.

Total assets were $673 million at September 30, 2018, an increase of $10 million, or 1.6% compared to September 30, 2017. Asset quality continues to be a high priority of management, and in this competitive market for quality credits, management believes that loan growth needs to come from quality loans with appropriate returns. During the period from September 30, 2017 to September 30, 2018, nonperforming assets to total assets decreased 17.9% to 1.70%, showing this positive trend. Total deposits at $515 million increased marginally from balances a year earlier.

President and Chief Executive Officer Gary C. Beilman stated, "I am happy to report that, as anticipated earlier this year, our performance is gaining momentum with each quarter. This is exhibited by an increased level of net income and the associated return on assets and equity ratios. We continue to improve the overall quality of our loan portfolio with the past due ratio and costs related to other real estate owned decreasing as the year unwinds. In addition, we will continue our efforts to maintain or improve both noninterest income and noninterest expense. The market has reacted favorably with a surge in the per share market value of Dimeco stock to $41.75 at the end of this quarter, an appreciation of almost 23% over that of 2017. We will continue our efforts to positively influence the value of investment in Dimeco by growing a solid institution that is devoted to our customers and rooted in our communities."

Dimeco, Inc. is the holding company of The Dime Bank, a full service financial institution serving Northeast Pennsylvania since 1905. 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. / October 25, 2018 / 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
Thomas A. Peifer, Vice Chairman
Gary C. Beilman, President
John F. Spall, Secretary

Gregory J. Frigoletto
Barbara J. Genzlinger
David D. Reynolds, M.D.
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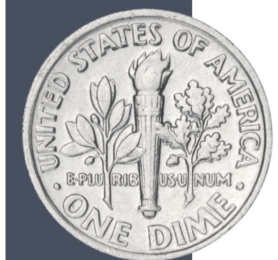
THIRD QUARTER 2018



CONSOLIDATED FINANCIAL HIGHLIGHTS

(unaudited)

(dollars in thousands, except per share)

	2018	2017	% Increase (decrease)
Performance for the nine months ended September 30,			
Interest income	**$ 21,230**	$ 20,107	5.6%
Interest expense	**$ 2,651**	$ 2,162	22.6%
Net interest income	**$ 18,579**	$ 17,945	3.5%
Net income	**$ 5,817**	$ 4,953	17.4%
Shareholders' Value (per share)			
Net income – basic	**$ 2.35**	$ 2.01	16.9%
Net income – diluted	**$ 2.32**	$ 1.99	16.6%
Dividends	**$ .840**	$ .767	9.5%
Book value	**$ 30.97**	$ 30.36	2.0%
Market value	**$ 41.75**	$ 34.00	22.8%
Market value/book value ratio	**134.8%**	112.0%	20.4%
*Price/earnings multiple	**13.3X**	12.7X	4.7%
*Dividend yield	**2.68%**	3.01%	(11.0%)
Financial Ratios			
*Return on average assets	**1.19%**	1.02%	16.7%
*Return on average equity	**10.25%**	8.98%	14.1%
Efficiency ratio	**68.03%**	64.82%	5.0%
Net interest margin	**4.17%**	4.16%	.2%
Shareholders' equity/asset ratio	**11.41%**	11.31%	.9%
Dividend payout ratio	**35.74%**	38.16%	(6.3%)
Nonperforming assets/total assets	**1.70%**	2.07%	(17.9%)
Allowance for loan losses as a % of loans	**1.58%**	1.72%	(8.1%)
Net charge-offs/average loans	**–**	.07%	(100.0%)
Allowance for loan losses/nonaccrual loans	**178.48%**	119.35%	49.5%
Allowance for loan losses/non-performing loans	**144.39%**	102.06%	41.5%
Financial Position at September 30,			
Assets	**$ 673,488**	$ 663,108	1.6%
Loans	**$ 513,154**	$ 514,824	(.3%)
Deposits	**$ 514,841**	$ 514,471	.1%
Stockholders' equity	**$ 76,839**	$ 75,003	2.4%

*annualized

Dear Shareholders:

I am excited to present the report of Dimeco, Inc. for the quarter ended September 30, 2018. Earlier this year, I noted reasons for our slow start. However, I did forecast more robust times in our future as we historically experience increased growth with the passing of each quarter. I am happy to report that this is indeed the case.

Our performance is gaining momentum. Year to date net income at September 30, 2018 stands at $5.8 million, an increase of more than 17% over the income posted for the same period in 2017. More than 75% of our loan portfolio is variable rate loans, therefore increases in short-term rates positively affect our interest income. Although interest rate changes also affect the cost of funds, changes to the liability side of the balance sheet are slower to reprice. At this level, our return on average assets is 1.19% and our return on average equity is 10.25%, gains of over 16% and 14%, respectively, when compared to last year.

We are continually working to improve the overall quality of our loan portfolio and are making progress. As the year progresses, our past due ratio and costs related to other real estate owned are decreasing. Additionally, after thorough analysis, we lowered our provision for loan losses expense over that of last year. Net interest income after provision for loan losses is over $800 thousand higher than last year. Going forward, we will continue our efforts to maintain or improve both noninterest income and noninterest expense.

Dimeco ended the third quarter with total assets of $673 million, an increase of $10 million over the same period last year. Continuing to operate in a competitive market for choice credits, our loan pipeline is growing. Loan growth year to date is slower than expected, partly due to $13 million in unanticipated loan payoffs. We maintain our prudent underwriting process and understand that we may lose credits to competition but believe that loan growth needs to come from quality loans at an appropriate return. At this time of year, deposits typically grow. Our relationships with local public entities along with the interest rates we offer provide a positive outlook for increased deposits moving forward. For all of these reasons, we eagerly anticipate the remainder of 2018.

All of this translates into good news for our shareholders. Stockholders' equity is at $76.8 million, per share book value is almost $31.00, and the dividends declared by the Board of Directors has expanded by 9.5% over last year. Perhaps most noteworthy, is the surge in the per share market value of your Dimeco stock, to $41.75 at the end of this quarter, an appreciation of almost 23% over that of 2017.

As the balance of this year unfolds, we will continue our efforts to positively influence the value of your investment in the Company. We thank you for your loyalty and continued support. As opportunities arise, I encourage you to recommend us to others for investment in our stock and for use of our banking and wealth management services. Your comments and questions are always welcome.

Sincerely,

Gary C. Beilman
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(unaudited)

(in thousands)

Assets	**9/30/2018**	6/30/2018	3/31/2018	9/30/2017
Cash and cash equivalents	**$ 11,106**	$ 12,685	$ 11,377	$ 12,853
Mortgage loans held for sale	**204**	–	–	–
Investment securities available for sale	**107,282**	99,319	92,251	95,717
Loans, net of allowance for loan losses	**505,067**	496,706	501,699	505,968
Premises and equipment	**9,767**	9,861	9,979	9,720
Accrued interest receivable	**1,995**	1,998	1,957	1,840
Other real estate owned	**5,846**	6,483	6,925	4,992
Other assets	**32,221**	31,760	31,859	32,018
TOTAL ASSETS	**$ 673,488**	$ 658,812	$ 656,047	$ 663,108
Liabilities				
Deposits:				
Noninterest-bearing	**$ 98,909**	$ 97,691	$ 90,283	$ 99,758
Interest-bearing	**415,932**	394,686	400,555	414,713
Total deposits	**514,841**	492,377	490,838	514,471
Short-term borrowings	**26,147**	37,998	36,457	32,409
Other borrowed funds	**45,932**	45,568	46,199	33,420
Accrued interest payable	**259**	186	319	200
Other liabilities	**9,470**	7,005	7,415	7,605
TOTAL LIABILITIES	**596,649**	583,134	581,228	588,105
TOTAL STOCKHOLDERS' EQUITY	**76,839**	75,678	74,819	75,003
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 673,488**	$ 658,812	$ 656,047	$ 663,108

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands, except per share data)

	Three months ended			Nine months ended	
	9/30/2018	6/30/2018	3/31/2018	**9/30/2018**	9/30/2017
Interest Income					
Loans, including fees	**$ 6,647**	$ 6,405	$ 6,250	**$ 19,302**	$ 18,495
Investment securities	**636**	612	514	**1,762**	1,530
Other	**54**	71	41	**166**	82
Total interest income	**7,337**	7,088	6,805	**21,230**	20,107
Interest Expense					
Deposits	**623**	553	555	**1,731**	1,462
Short-term borrowings	**39**	31	26	**96**	101
Other borrowed funds	**291**	281	252	**824**	599
Total interest expense	**953**	865	833	**2,651**	2,162
Net Interest Income	**6,384**	6,223	5,972	**18,579**	17,945
Provision for loan losses	**252**	–	248	**500**	700
Net Interest Income, After Provision for Loan Losses	**6,132**	6,223	5,724	**18,079**	17,245
Noninterest income	**1,163**	1,077	1,224	**3,464**	3,397
Noninterest expense	**4,838**	5,453	4,894	**15,185**	14,195
Income before income taxes	**2,457**	1,847	2,054	**6,358**	6,447
Income taxes	**225**	142	174	**541**	1,494
NET INCOME	**$ 2,232**	$ 1,705	$ 1,880	**$ 5,817**	$ 4,953
Earnings per share-basic	**$ .90**	$ .69	$ .76	**$ 2.35**	$ 2.01
Earnings per share-diluted	**$ .89**	$ .68	$ .75	**$ 2.32**	$ 1.99
Average shares outstanding-basic	2,478,860	2,475,503	2,475,065	2,476,490	2,470,020
Average shares outstanding-diluted	2,511,951	2,502,530	2,500,925	2,505,443	2,494,482

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 September 30, 2018 and the year ended December 31, 2017 (in thousands):

	September 30, 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)	-	(31)	(89)	(104)	-	(259)
Recoveries	71	-	165	23	5	-	264
Provision	241	(30)	(146)	72	61	302	500
Ending balance	$ 2,802	$ 196	$ 2,826	$ 97	$ 1,324	$ 842	$ 8,087
Ending allowance balance:							
Loans individually evaluated for impairment	$ 350	$ -	$ 181	$ 5	$ 305	$ -	$ 841
Loans collectively evaluated for impairment	2,452	196	2,645	92	1,019	842	7,246
Total	$ 2,802	$ 196	$ 2,826	$ 97	$ 1,324	$ 842	$ 8,087
Ending loan balance:							
Loans individually evaluated for impairment	$ 1,345	$ -	$ 8,452	$ 5	$ 1,506	$ -	$ 11,308
Loans collectively evaluated for impairment	96,421	26,309	261,629	8,502	108,985	-	501,846
Total	$ 97,766	$ 26,309	$ 270,081	$ 8,507	$ 110,491	$ -	$ 513,154

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

	December 31, 2017						
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 3,284	$ 137	$ 3,080	$ 73	$ 1,249	$ 710	$ 8,533
Charge-offs	(1,013)	-	(457)	(150)	(319)	-	(1,939)
Recoveries	5	5	152	26	100	-	288
Provision	249	84	63	142	332	(170)	700
Ending balance	$ 2,525	$ 226	$ 2,838	$ 91	$ 1,362	$ 540	$ 7,582
Ending allowance balance:							
Loans individually evaluated for impairment	$ 462	$ -	$ 183	$ 5	$ 318	$ -	$ 968
Loans collectively evaluated for impairment	2,063	226	2,655	86	1,044	540	6,614
Total	$ 2,525	$ 226	$ 2,838	$ 91	$ 1,362	$ 540	$ 7,582
Ending loan balance:							
Loans individually evaluated for impairment	$ 1,696	$ -	$ 10,176	$ 5	$ 1,575	$ -	$ 13,452
Loans collectively evaluated for impairment	92,206	30,139	261,913	7,658	104,966	-	496,882
Total	$ 93,902	$ 30,139	$ 272,089	$ 7,663	$ 106,541	$ -	$ 510,334

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Information

The following tables represent credit exposures by assigned grades for the nine months ended September 30, 2018 and the year ended December 31, 2017. 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 September 30, 2018 and December 31, 2017 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)

	September 30, 2018					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Pass	$ 90,242	$ 22,326	$ 241,985	$ 8,492	$ 107,170	$ 470,215
Special Mention	6,224	-	13,998	15	1,640	21,877
Substandard	1,300	3,983	14,098	-	1,681	21,062
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 97,766	$ 26,309	$ 270,081	$ 8,507	$ 110,491	$ 513,154

	December 31, 2017					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Pass	$ 87,100	$ 26,059	$ 246,180	$ 7,660	$ 102,796	$ 469,795
Special Mention	5,267	-	9,751	3	1,152	16,173
Substandard	1,535	4,080	16,158	-	2,593	24,366
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 93,902	$ 30,139	$ 272,089	$ 7,663	$ 106,541	$ 510,334

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 September 30, 2018 and December 31, 2017 including loans which are in nonaccrual status (in thousands):

	September 30, 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	$ 150	$ 4	$ 410	$ 564	$ 97,202	$ 97,766	$ -
Construction and development	-	11	181	192	26,117	26,309	180
Commercial real estate	246	43	1,811	2,100	267,981	270,081	571
Consumer	8	23	0	31	8,476	8,507	0
Residential real estate	118	2	832	952	109,539	110,491	34
Total	$ 522	$ 83	$ 3,234	$ 3,839	$ 509,315	$ 513,154	$ 785

	December 31, 2017						
	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	$ 90	$ -	$ 621	711	$ 93,191	$ 93,902	$ -
Construction and development	-	-	-	-	30,139	30,139	-
Commercial real estate	647	118	1,975	2,740	269,349	272,089	-
Consumer	29	11	-	40	7,623	7,663	-
Residential real estate	257	157	862	1,276	105,265	106,541	-
Total	$ 1,023	$ 286	$ 3,458	$ 4,767	$ 505,567	$ 510,334	$ -