DIMECO, INC. ANNOUNCES 2017 EARNINGS

Honesdale, Pennsylvania / January 25, 2018 / 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, 2017.

Dimeco, Inc. experienced balance sheet growth during the year ended December 31, 2017, with total assets of $655.5 million, an increase of $14.0 million, or 2.2%, from total assets at the end of 2016. With steady loan demand throughout the year, the loan portfolio increased $15.0 million, or 3.0%, from balances the year prior, to end the year at $510.3 million. Loan asset quality continued to improve with a delinquency ratio of .93%, nonperforming assets to total assets of 1.99%, and the ratio of allowance for loan losses to nonaccrual loans of 127.6% at year end. Total deposits declined $9.8 million or 1.9%, finishing the year at $498.2 million. This decline is primarily due to management's choice to decrease balances in brokered deposits while increasing long term financing from the Federal Home Loan Bank of Pittsburgh in order to maintain liquidity. Also, management believes that some depositors moved funds to financial markets to take advantage of strong returns.

Stockholders' equity of $74.5 million at December 31, 2017 represented growth of 4.2% over balances a year earlier with a ratio of stockholders' equity to assets of 11.4%.

The Company's 2017 income before taxes increased 10.1% over income reported for 2016. Net interest income of $24.2 million showed an increase of $1.2 million or 5.3% over the year before. Due to tax law changes enacted in late December 2017, the Company recorded a one-time adverse tax adjustment of $1.4 million. After taxes, net income reported was $5.41 million, representing a decrease of $940 thousand, or 14.9%, over the results posted for 2016. At this income level, the return on average assets was .83%, and the return on average equity was 7.30%. As the Company applies the new, lower federal income tax rate of 21%, management expects to recover the effect of the one-time adjustment within the next few years.

Dividends increased 4.0% in 2017 as compared to 2016, amounting to $1.05 per share in 2017, with the fourth quarter dividend increasing 7.7% to $.28 per share over the previous quarter. The market value of $35.49 at December 31, 2017 was 18.3% higher than recorded at December 31, 2016. Dividend amounts have been restated to include the effect of a three for two stock split on August 11, 2017.

President and Chief Executive Officer Gary C. Beilman commented, "I am happy to present this report of Dimeco, Inc. The momentum that we built in the beginning of 2017 continued in a positive direction through the year, including the fourth quarter. Before taxes, income was up 10% over 2016, asset quality improved, and our stock produced a solid return for investors with handsome dividends. With the new favorable 2018 tax rates in place and our unrelenting diligence to build a strong Company, we remain poised to continue with upward momentum in 2018."

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 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
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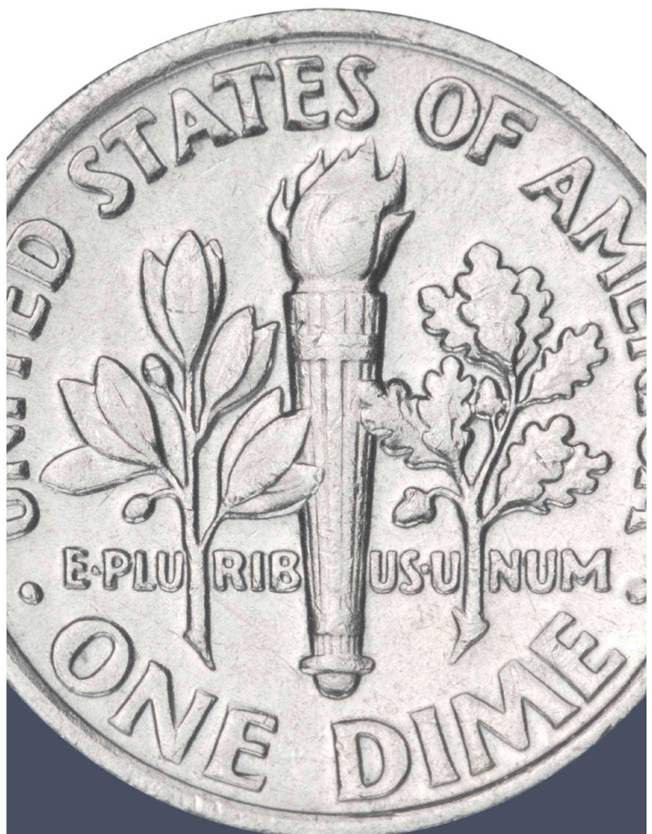
DIMECO INC.



FOURTH QUARTER 2017

CONSOLIDATED FINANCIAL HIGHLIGHTS

(unaudited)

(dollars in thousands, except per share)

	2017	2016	% Increase (decrease)
Performance for the year ended Dec. 31,			
Interest income	**$ 27,175**	$ 25,755	5.5%
Interest expense	**$ 2,946**	$ 2,750	7.1%
Net interest income	**$ 24,229**	$ 23,005	5.3%
Net income	**$ 5,407**	$ 6,350	(14.9%)
Shareholders' Value (per share)			
Net income – basic*	**$ 2.19**	$ 2.57	(14.8%)
Net income – diluted*	**$ 2.17**	$ 2.56	(15.2%)
Dividends*	**$ 1.05**	$ 1.01	4.0%
Book value*	**$ 30.16**	$ 28.94	4.2%
Market value*	**$ 35.49**	$ 30.00	18.3%
Market value/book value ratio	**117.7%**	103.7%	13.5%
Price/earnings multiple	**16.2X**	11.7X	38.5%
Dividend yield	**2.96%**	3.38%	(12.4%)
Financial Ratios			
Return on average assets	**.83%**	1.00%	(17.0%)
Return on average equity	**7.30%**	8.99%	(18.8%)
Efficiency ratio	**64.95%**	64.69%	.4%
Net interest margin	**4.18%**	4.09%	2.2%
Shareholders' equity/asset ratio	**11.37%**	11.14%	2.1%
Dividend payout ratio	**47.95%**	39.38%	21.8%
Nonperforming assets/total assets	**1.99%**	2.32%	(14.2%)
Allowance for loan losses as a % of loans	**1.49%**	1.72%	(13.4%)
Net charge-offs/average loans	**.33%**	.16%	106.3%
Allowance for loan losses/nonaccrual loans	**127.62%**	104.07%	22.6%
Allowance for loan losses/non-performing loans	**104.33%**	98.83%	5.6%
Financial Position at Dec. 31,			
Assets	**$ 655,473**	$ 641,486	2.2%
Loans	**$ 510,334**	$ 495,329	3.0%
Deposits	**$ 498,232**	$ 508,051	(1.9%)
Stockholders' equity	**$ 74,505**	$ 71,470	4.2%

*all values have been restated to include the effect of a three for two stock split on 8/11/17

Dear Shareholders:

I am happy to present this report of Dimeco, Inc. for the final quarter of 2017. As you read this report, you will note that this three-month period produced a number of achievements and a unique new twist.

Total assets stand at $655 million, which is nearly $14 million over the same period one year ago. Loan originations continued to be robust in the fourth quarter of 2017. Despite experiencing unexpected large commercial loan payoffs during the quarter, total loans ended the year at $510 million, an increase of $15 million above 2016. In addition to this growth, the loan department continued to positively impact asset quality. Loan delinquency remains below 1% at year-end and nonperforming assets to total assets improved 14% over 2016.

Total deposits were relatively flat from balances a year earlier, resulting in a decline of 1.9%. There were several contributing factors to this slight decrease. First, during the year, management consciously decreased its use of Certificate of Deposit Account Registry Service (CDARS) deposits which are used as a source of liquidity. We chose instead to utilize borrowing capacity at the Federal Home Loan Bank of Pittsburgh as the cost of those funds was more favorable. Secondly, as expected, a customer used their deposits for ongoing construction. Additionally, some depositors withdrew funds to take advantage of the strong returns in the financial markets. It is interesting to note that throughout 2017 we saw the continuation of a shift of deposits from interest-bearing to noninterest-bearing accounts. In addition to an improved local economy which allowed some depositors to carry larger balances, we believe many depositors were positioning themselves to be ready for predicted interest rate hikes. In December 2017, the Federal Reserve raised rates and it is largely anticipated that they could do the same three more times in 2018.

As we entered the final weeks of the fourth quarter of 2017, the momentum that we built in the beginning of the year continued in a positive direction. Our income before income taxes was at $8.8 million, a huge 10% increase over the income attained in 2016. Of specific note is that in the last week of the year, President Trump signed into law sweeping changes in our country's income tax. These tax changes, which are required by Generally Accepted Accounting Principles to be effective when signed, caused a one-time adverse tax adjustment due largely to the mandated treatment of our tax deferred assets. The result of this change was that our federal income taxes for 2017 increased by $1.4 million. Most banks experienced the same type of tax treatment as ours. It is our belief that as year-end reports are published by peer financial institutions, our performance ratios will be respectable.

Despite this tax adjustment, Dimeco's performance for 2017 was very positive. We ended 2017 by posting net income of $5.4 million. The decrease in the tax rate for future periods will bode well for your company. We fully expect to produce higher net income as the new corporate tax rate is effective.

With all that said, the year was also extremely positive for you, our shareholders. Very noticeable are the increases in the per share book value of Dimeco stock and stockholders' equity of 4.2%, respectively, over that of last year. With the year's solid performance in mind, our Board of Directors again enhanced your investment by increasing the fourth quarter dividend by 7.69% over the dividend declared in September 2017. A solid return on your investment is always our primary goal.

Please look for our annual report later this year which will explain in even greater detail, the results of operations for 2017. In the meantime, we remain poised to continue to produce the best possible results for you.

Our thanks are sent to you for your continued loyalty and patronage. I encourage you to refer us to others for banking and wealth management services, as well as investment in Dimeco stock. As always, your comments are welcome.

Sincerely,

Gary C. Beilman
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(unaudited)

(in thousands)

Assets	**12/31/2017**	9/30/2017	6/30/2017	3/31/2017	12/31/2016
Cash and cash equivalents	**$ 8,087**	$ 12,853	$ 14,754	$ 8,161	$ 12,015
Mortgage loans available for sale	**356**	–	54	–	–
Investment securities available for sale	**92,226**	95,717	94,903	93,016	95,459
Loans, net of allowance for loan losses	**502,752**	505,968	496,301	497,222	486,796
Premises and equipment	**10,101**	9,720	9,239	9,144	9,237
Accrued interest receivable	**2,035**	1,840	1,781	1,736	1,942
Other real estate owned	**5,807**	4,992	5,392	5,230	6,158
Other assets	**34,109**	32,018	30,353	30,805	29,879
TOTAL ASSETS	**$ 655,473**	$ 663,108	$ 652,777	$ 645,314	$ 641,486
Liabilities					
Deposits:					
Noninterest-bearing	**$ 87,954**	$ 99,758	$ 93,136	$ 92,592	$ 81,994
Interest-bearing	**410,278**	414,713	406,134	399,492	426,057
Total deposits	**498,232**	514,471	499,270	492,084	508,051
Short-term borrowings	**32,544**	32,409	37,444	38,477	31,615
Other borrowed funds	**42,326**	33,420	34,882	34,516	23,352
Accrued interest payable	**288**	200	216	286	260
Other liabilities	**7,578**	7,605	6,758	7,381	6,738
TOTAL LIABILITIES	**580,968**	588,105	578,570	572,744	570,016
TOTAL STOCKHOLDERS' EQUITY	**74,505**	75,003	74,207	72,570	71,470
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 655,473**	$ 663,108	$ 652,777	$ 645,314	$ 641,486

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands, except per share data)	Three months ended				Year ended	
	12/31/2017	9/30/2017	6/30/2017	3/31/2017	**12/31/2017**	12/31/2016
Interest Income						
Loans, including fees	**$ 6,494**	$ 6,276	$ 6,090	$ 6,129	**$ 24,989**	$ 23,388
Investment securities	**534**	499	511	520	**2,064**	2,271
Other	**40**	27	33	22	**122**	96
Total interest income	**7,068**	6,802	6,634	6,671	**27,175**	25,755
Interest Expense						
Deposits	**545**	493	477	492	**2,007**	2,018
Short-term borrowings	**28**	41	29	31	**129**	79
Other borrowed funds	**211**	203	222	174	**810**	653
Total interest expense	**784**	737	728	697	**2,946**	2,750
Net Interest Income	**6,284**	6,065	5,906	5,974	**24,229**	23,005
Provision for loan losses	**–**	200	250	250	**700**	1,000
Net Interest Income, After Provision for Loan Losses	**6,284**	5,865	5,656	5,724	**23,529**	22,005
Noninterest income	**1,128**	1,149	1,187	1,061	**4,525**	4,212
Noninterest expense	**4,964**	4,833	4,681	4,681	**19,159**	18,136
Income before income taxes	**2,448**	2,181	2,162	2,104	**8,895**	8,081
Income taxes	**1,994**	504	506	484	**3,488**	1,731
NET INCOME	**$ 454**	$ 1,677	$ 1,656	$ 1,620	**$ 5,407**	$ 6,350
Earnings per share-basic*	**$ .18**	$ .68	$ .67	$ .66	**$ 2.19**	$ 2.57
Earnings per share-diluted*	**$ .18**	$ .67	$ .66	$ .65	**$ 2.17**	$ 2.56
Average shares outstanding-basic*	2,473,421	2,470,478	2,469,978	2,469,596	2,470,557	2,466,918
Average shares outstanding-diluted*	2,501,643	2,497,551	2,494,557	2,492,786	2,496,202	2,478,665

*all values have been restated to include the effect of a three for two stock split on 8/11/17