DIMECO, INC. ANNOUNCES EARNINGS AT JUNE 30, 2018

Honesdale, PA, July 25, 2018/ Dimeco, Inc., parent company of The Dime Bank, reported net income of $3.6 million for the first six months of 2018, an increase of 9.4% over the same period 2017. At this income level, return on average assets was 1.10% and return on average shareholders' equity was 9.53%, an increase of 7.8% and 6.0%, respectively, over ratios reported for the second quarter of 2017. President and Chief Executive Officer Gary C. Beilman stated, "These operating results for the second quarter of 2018 present a bright story with opportunity for improved performance as the year unfolds."

Total assets were $659 million at June 30, 2018, an increase of $6.0 million or 0.9%, from one year earlier. Total loans at $505 million remained even over the same period. Total deposits at $492 million retracted slightly at 1.4% less than one year earlier. Gary C. Beilman continued, "Second quarter growth numbers are basically flat compared with the numbers posted one year ago due to several factors. To begin, the local economy had a slower start due to unusual weather conditions. In addition, customers continue to move funds from traditional banking products into the stock market, despite the rising interest rate environment. Finally, there is a great deal of competitive pricing on loans at terms below our guidelines. Our current management decisions may slow us in the short run, but we see our efforts being the right thing for the long term."

Earnings per share rose 9.0% to $1.45 at June 30, 2018 from $1.33 at June 30, 2017. For the first half of 2018, Dimeco's Board of Directors declared dividends of $.56 per share, 9.8% greater than those for the first half of 2017. The market price of Dimeco at June 30, 2018 increased 14.7% to $37.50 per share over one year earlier, producing a dividend yield of 2.99%. Stockholder's equity increased 2.0%, from one year ago, to $76 million, resulting in the ratio of stockholders' equity to assets of 11.49% at June 30, 2018.

Gary C. Beilman concluded, "The market is reacting very favorably to Dimeco's performance as noted by the market value of the Company's stock. Electronic banking usage continues to grow as a means of service delivery channels and we continue to invest in new technologies. These are exciting times, and ones that we are meeting head-on. Our ongoing efforts are directed toward the continuation of building a strong, prosperous institution to support a thriving community. We are appreciative of our shareholders' investment and the continued loyalty of our customers."

Dimeco, Inc. is the holding company of The Dime Bank, a full service financial institution serving Northeast Pennsylvania since 1905.The Company 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. / July 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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SECOND QUARTER 2018

DIMECO INC.

CONSOLIDATED FINANCIAL HIGHLIGHTS

(unaudited)

(dollars in thousands, except per share)

	2018	2017	% Increase (decrease)
Performance for the six months ended June 30,			
Interest income	**$ 13,893**	$ 13,305	4.4%
Interest expense	**$ 1,698**	$ 1,425	19.2%
Net interest income	**$ 12,195**	$ 11,880	2.7%
Net income	**$ 3,585**	$ 3,276	9.4%
Shareholders' Value (per share)**			
Net income – basic	**$ 1.45**	$ 1.33	9.0%
Net income – diluted	**$ 1.43**	$ 1.31	9.2%
Dividends	**$ .56**	$ .51	9.8%
Book value	**$ 30.56**	$ 30.04	1.7%
Market value	**$ 37.50**	$ 32.70	14.7%
Market value/book value ratio	**122.7%**	108.9%	12.7%
*Price/earnings multiple	**12.9X**	12.3X	4.9%
*Dividend yield	**2.99%**	3.12%	(4.2%)
Financial Ratios			
*Return on average assets	**1.10%**	1.02%	7.8%
*Return on average equity	**9.53%**	8.99%	6.0%
Efficiency ratio	**70.48%**	64.54%	9.2%
Net interest margin	**4.13%**	4.16%	(.7%)
Shareholders' equity/asset ratio	**11.49%**	11.37%	1.1%
Dividend payout ratio	**38.62%**	38.19%	1.1%
Nonperforming assets/total assets	**1.75%**	2.19%	(20.1%)
Allowance for loan losses as a % of loans	**1.55%**	1.72%	(9.9%)
Net charge-offs/average loans	**(2.92%)**	.07%	(4,271.4%)
Allowance for loan losses/nonaccrual loans	**173.46%**	117.65%	47.4%
Allowance for loan losses/non-performing loans	**155.60%**	98.69%	57.7%
Financial Position at June 30,			
Assets	**$ 658,812**	$ 652,777	.9%
Loans	**$ 504,550**	$ 504,965	(.1%)
Deposits	**$ 492,377**	$ 499,270	(1.4%)
Stockholders' equity	**$ 75,678**	$ 74,207	2.0%

*annualized

**2017 values have been restated to include the effect of a three for two stock split on 8/11/17

Dear Shareholders:

I am pleased to present this report of Dimeco, Inc. for the quarter ended June 30, 2018. When I gave the report for the first quarter of this year, I noted that we were beginning the year with a sluggish start. As many of us will recall, Mother Nature didn't cooperate very well with us in April and May, and as a result, construction starts, planned expansions, and certain real estate deals were postponed. Thankfully, our weather finally turned and our area is off and running. So too, is your Company.

When looking at deposits, loans, and total assets, you will see that the second quarter of 2018 is basically flat compared with the numbers posted a year ago due to many factors. First, as mentioned above, our local economy had a slower than usual start this year. Second, like other community banks, many customers continue to invest in the stock market rather than looking to the safety of certificates of deposits despite the beginning upward movements in interest rates. Finally, there is a great deal of competition for quality loans, with a number of banks granting approvals at rates and terms below our guidelines. As a result, we were outbid in some deals, and we chose not to bid on a few others. Our goal is to always produce the most competitive deal possible for our borrowers, while keeping in mind the best interests of the Company. Our current decisions may slow us in the short run, but we see our efforts being the right thing for the long term.

Despite those sets of circumstances, our operating results for the second quarter of 2018 present a bright story. As interest rates continue to rise, interest income and interest expense grew. Net interest income of $6.2 million for the second quarter reflects an increase of 4.2% over the first quarter results. In the current quarter, upon receipt of updated sale price estimates, we recognized expense of $462 thousand in the value of certain properties included in other real estate owned. Due to improved loan asset quality, our analysis of the allowance for loan losses indicated that no additional provision was necessary for the second quarter of 2018, lowering the year to date expense by 50.5% compared to 2017. Primarily due to the decrease in federal income tax rates, our income taxes were $674 thousand less in 2018 than in the first half of 2017. After making these adjustments, net income of $3.5 million is 9.4% increase over results posted one year earlier. At that income level, our Return on Average Assets was 1.10%, and Return on Average Equity was 9.53%, increases of 7.8% and 6.0% respectively, over the same period in 2017.

For the first half of 2018, our Board of Directors declared dividends nearly 10% greater than those for the first half of 2017. In addition, the securities market reacted favorably to our stock. Dimeco's per share market value at the end of this quarter was $37.50, which is an expansion of almost 15% compared to one year earlier. Obviously, the securities markets react to many factors beyond our control. We believe that our performance results are certainly a key driver of this good news and are thrilled with the direction.

There are many things that are currently happening in our industry. Interest rates will continue to rise; however, the question is the timing and magnitude of those changes. Electronic banking usage continues to grow as a means of service delivery channels. The age demographics of our customer base is evolving, which is producing new and different requests for products, services, and engagement. These are exciting times, and ones that we meet head-on. Consideration of you, our shareholders, is forefront as we make decisions for the future.

I thank you for your investment and loyalty and 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	**6/30/2018**	3/31/2018	6/30/2017
Cash and cash equivalents	**$ 12,685**	$ 11,377	$ 14,754
Mortgage loans held for sale	**–**	–	54
Investment securities available for sale	**99,319**	92,251	94,903
Loans, net of allowance for loan losses	**496,706**	501,699	496,301
Premises and equipment	**9,861**	9,979	9,239
Accrued interest receivable	**1,998**	1,957	1,781
Other real estate owned	**6,483**	6,925	5,392
Other assets	**31,760**	31,859	30,353
TOTAL ASSETS	**$ 658,812**	$ 656,047	$ 652,777
Liabilities			
Deposits:			
Noninterest-bearing	**$ 97,691**	$ 90,283	$ 93,136
Interest-bearing	**394,686**	400,555	406,134
Total deposits	**492,377**	490,838	499,270
Short-term borrowings	**37,998**	36,457	37,444
Other borrowed funds	**45,568**	46,199	34,882
Accrued interest payable	**186**	319	216
Other liabilities	**7,005**	7,415	6,758
TOTAL LIABILITIES	**583,134**	581,228	578,570
TOTAL STOCKHOLDERS' EQUITY	**75,678**	74,819	74,207
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 658,812**	$ 656,047	$ 652,777

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands, except per share data)

	Three months ended			Six months ended	
	6/30/2018	3/31/2018	6/30/2017	**6/30/2018**	6/30/2017
Interest Income					
Loans, including fees	**$ 6,405**	$ 6,250	$ 6,090	**$ 12,655**	$ 12,219
Investment securities	**612**	514	511	**1,126**	1,031
Other	**71**	41	33	**112**	55
Total interest income	**7,088**	6,805	6,634	**13,893**	13,305
Interest Expense					
Deposits	**553**	555	477	**1,108**	969
Short-term borrowings	**31**	26	29	**57**	60
Other borrowed funds	**281**	252	222	**533**	396
Total interest expense	**865**	833	728	**1,698**	1,425
Net Interest Income	**6,223**	5,972	5,906	**12,195**	11,880
Provision for loan losses	**–**	248	250	**248**	500
Net Interest Income, After Provision for Loan Losses	**6,223**	5,724	5,656	**11,947**	11,380
Noninterest income	**1,077**	1,224	1,187	**2,301**	2,248
Noninterest expense	**5,453**	4,894	4,681	**10,347**	9,362
Income before income taxes	**1,847**	2,054	2,162	**3,901**	4,266
Income taxes	**142**	174	506	**316**	990
NET INCOME	**$ 1,705**	$ 1,880	$ 1,656	**$ 3,585**	$ 3,276
Earnings per share-basic**	**$ .69**	$ .76	$ .67	$ 1.45	$ 1.33
Earnings per share-diluted**	**$ .68**	$ .75	$ .67	$ 1.43	$ 1.31
Average shares outstanding-basic**	2,475,503	2,475,065	2,469,978	2,475,285	2,469,788
Average shares outstanding-diluted**	2,502,530	2,500,925	2,494,557	2,501,735	2,493,681

**2017 values have been restated to include the effect of a three for two stock split on 8/11/17

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

	June 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	(22)	-	-	(59)	(105)	-	(186)
Recoveries	34	-	146	16	4	-	200
Provision	(99)	(22)	(105)	40	79	355	248
Ending balance	$ 2,438	$ 204	$ 2,879	$ 88	$ 1,340	$ 895	$ 7,844
Ending allowance balance:							
Loans individually evaluated for impairment	$ 364	$ -	$ 182	$ 5	$ 309	$ -	$ 860
Loans collectively evaluated for impairment	2,074	204	2,697	83	1,031	895	6,984
Total	$ 2,438	$ 204	$ 2,879	$ 88	$ 1,340	$ 895	$ 7,844
Ending loan balance:							
Loans individually evaluated for impairment	$ 1,402	$ -	$ 8,598	$ 5	$ 1,527	$ -	$ 11,532
Loans collectively evaluated for impairment	88,314	26,773	265,226	7,919	104,786	-	493,018
Total	$ 89,716	$ 26,773	$ 273,824	$ 7,924	$ 106,313	$ -	$ 504,550

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 six months ended June 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 June 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)

	June 30, 2018					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Pass	$ 83,417	$ 22,763	$ 247,155	$ 7,922	$ 102,688	$ 463,945
Special Mention	4,854	-	12,365	2	1,489	18,710
Substandard	1,445	4,010	14,304	-	2,136	21,895
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 89,716	$ 26,773	$ 273,824	$ 7,924	$ 106,313	$ 504,550

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

	June 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	$ 163	$ -	$ 441	$ 604	$ 89,112	$ 89,716	$ -
Construction and development	192	-	-	192	26,581	26,773	-
Commercial real estate	945	260	1,280	2,485	271,339	273,824	-
Consumer	6	-	-	6	7,918	7,924	-
Residential real estate	123	101	629	853	105,460	106,313	-
Total	$ 1,429	$ 361	$ 2,350	$ 4,140	$ 500,410	$ 504,550	$ -

	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	$ -