DIMECO INC.

NEWS RELEASE
TO BUSINESS EDITOR

DIMECO, INC. ANNOUNCES EARNINGS AT JUNE 30, 2015

Honesdale, PA, July 24, 2015/ Dimeco, Inc. (OTC Pink: DIMC), parent company of The Dime Bank, reported net income of $2.4 million for the first six months of 2015. This resulted in a return on average assets of .78%, a return on average shareholders' equity of 7.04%, and earnings per share of $1.46. Dimeco's Board of Directors declared dividends totaling $.76 per share for the first half of 2015 which produced a dividend yield of 3.87% at the market price of $39.25 at June 30, 2015. Shareholders' equity expanded $2.9 million, or 4.5%, from one year ago, resulting in the ratio of stockholders' equity to assets of 11.05% at June 30, 2015.

Total assets were $611 million at June 30, 2015, an increase of $2.4 million from one year earlier. Total loans increased $1.4 million over the same period. As management has addressed asset quality issues, some collateral-based loans were converted to other real estate owned. A number of these assets were sold in 2015, serving to deploy funds back into earning assets along with reducing the noninterest expense of carrying the properties. Asset quality will remain a primary focus of management's attention; the Company has entered into agreements to sell two more properties in the third quarter of 2015. Total deposits increased $3.3 million or .7% from balances a year earlier as non-interest bearing deposits grew by $5.5 million and interest-bearing deposits decreased $2.2 million. In May 2015, the bank introduced a new checking and savings product line called Kasasa which management believes will draw significant deposits in future periods.

President and Chief Executive Officer Gary C. Beilman stated, "I am pleased to present this report for Dimeco, Inc. The past three months have been a busy and productive period for the Company in many ways. We have made great strides in addressing our asset quality issues. I am also pleased to note that Dimeco, Inc. was again included in the top 200 performing community banks in the United States as published by American Banker magazine. This was the ninth consecutive year we were included in this prestigious listing. In the first half of this year we introduced free checking and savings accounts that reward customers with attractive interest rates, cash back, or refunds on certain purchases, as well as reimbursements of ATM fees nationwide, if certain transactions are met. There are no fees or penalties if qualifications aren't met, the account is simply a free account. For more information, I encourage members of our community to visit a Dime Bank branch or our website. Additionally, we have added strength to the management of Dimeco with a new board member, Amy Litzenberger. Her wealth of financial and corporate experience, along with her involvement in our marketplace, particularly in Pike County, will serve our company well. As we move forward in 2015, there are a number of positive indications that our momentum is headed in the right direction."

Dimeco, Inc. is the holding company of The Dime Bank, a full service financial institution serving Northeast Pennsylvania since 1905. For more information on Dimeco, Inc. and The Dime Bank, visit www.thedimebank.com.
Source: Dimeco, Inc. / July 24, 2015 / Deborah Unflat

INVESTOR INFORMATION

Stock Listing – DIMC

Transfer Agent

Computershare Trust Company, N.A.
P.O. Box 30170 800-368-5948
College Station, Texas 77842-3170
e-mail: web.queries@computershare.com
Internet address: www.computershare.com/investor

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

Raymond James & Associates, Inc.
800-647-7378

Stifel Nicolaus
800-793-7226

Directors

John S. Kiesendahl, Chairman
Thomas A. Peifer, Vice Chairman
Gary C. Beilman, President
John F. Spall, Secretary
Robert E. Genirs
Barbara J. Genzlinger
Amy Litzenberger
Henry M. Skier
Todd J. Stephens

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

DIMECO INC.

Second Quarter 2015

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Dear Shareholders:

I am pleased to present this June 30, 2015 report for Dimeco, Inc. The past three months have been a busy and productive period for the Company in many ways. To begin, I am happy to note that the asset quality issues discussed in several previous reports are moving in a positive direction. A number of loans which were the subject of collection actions and ultimately were converted into other real estate owned, have been sold. During the past quarter, we sold five such properties for slightly over $1.5 million. This is great news not only because these dollars are now being deployed back into earning assets, but also because we will no longer experience the associated carrying costs of taxes, insurance, and maintenance. Continuing with these efforts, we expect to sell two other properties during the third quarter. In addition, the Company ended the second quarter with a delinquency rate that was the lowest we have experienced this year. These are certainly great strides in addressing our asset quality issues.

As we improve our overall status, we cannot lose sight of the fact that the majority of our peer financial institutions are experiencing many of the same issues as we all weather the effects of a slowly rebounding economy. To that end, I am pleased to note that Dimeco, Inc. was again included in the top 200 performing community banks in the United States, as published by “American Banker” magazine. This was the ninth consecutive year that we were included in this prestigious listing, which is based on the average of previous years’ return on average equity. We, of course, want our performance to excel, and we are proud of this recognition.

In addition, during the second quarter we introduced and began marketing our new “Kasasa” deposit products. In essence, these free checking accounts offer rewards such as very attractive interest rates, cash back or refunds on certain internet purchases in addition to refunds of ATM fees nationwide. What’s best is that there are no fees or penalties with these products. In order for customers to qualify for these rewards, they must utilize paperless technology, serving to decrease operating expense. It is our way of rewarding customers for how they like to bank, and it meets the demands and desires of many, including the millennial generation. If you haven’t yet seen our new Kasasa product line up, I urge you to do so either on line or in any of our offices.

We are excited to announce Amy Litzenberger as the newest addition to the Board of Directors. Amy comes to us with a wealth of financial and corporate business experience. Currently, Amy is President of Haverford Penn Financial, a business consulting firm, and she is the chair and co-founder of Take the Lead, a women’s parity movement. Additionally, Amy is extremely active in numerous area organizations, including Delaware Highlands Conservancy and the Center for Developmental Disabilities. She is a member of the Board of Directors and one of the founding members of the Kindred Spirits Arts Programs, co-head of the Milford Music Festival, and member of the Black Bear Film Festival Advisory Board. Amy and her husband Robert, live in Shohola, PA. Her numerous involvements in our local marketplace, especially in Pike County, PA, will serve our company well.

While you peruse the numbers in this report, among many items, you will note that assets are increasing gradually, stockholders’ equity is up handsomely, and the dividend yield remains strong. As we move forward, there are a number of positive indications that our momentum is headed in the right direction.

As always, your loyalty and investment are most appreciated. I invite you to recommend Dimeco, Inc. to others for investment in our stock and to use our banking and wealth management services. Of course, your comments are always welcome.

Sincerely,

Gary C. Beilman
President and Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME (unaudited)

(in thousands)

	Three months ended June 30, 2015	Three months ended March 31, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Interest Income					
Loans, including fees	$ 5,550	$ 5,536	$ 5,647	$ 11,086	$ 11,349
Investment securities	512	550	595	1,062	1,170
Other	19	68	27	87	42
Total interest income	6,081	6,154	6,269	12,235	12,561
Interest Expense					
Deposits	514	548	629	1,062	1,286
Short-term borrowings	16	13	19	29	36
Other borrowed funds	118	120	132	238	266
Total interest expense	648	681	780	1,329	1,588
Net Interest Income	**5,433**	**5,473**	**5,489**	**10,906**	**10,973**
Provision for loan losses	750	750	650	1,500	1,325
Net Interest Income, After Provision for Loan Losses	**4,683**	**4,723**	**4,839**	**9,406**	**9,648**
Noninterest income	1,123	1,029	1,234	2,152	2,212
Noninterest expense	4,364	4,376	4,225	8,740	8,235
Income before income taxes	1,442	1,376	1,848	2,818	3,625
Income taxes	232	221	363	453	703
NET INCOME	**$ 1,210**	**$ 1,155**	**$ 1,485**	**$ 2,365**	**$ 2,922**
Earnings per share basic	$ .74	$ .71	$ .92	$ 1.46	$ 1.81
Earnings per share-diluted	$ .74	$ .71	$ .91	$ 1.45	$ 1.79
Dividends per share	$ .38	$ .38	$ .38	$ .76	$ .76
Average shares outstanding-basic	1,624,714	1,621,099	1,617,102	1,623,194	1,617,996
Average shares outstanding-diluted	1,633,859	1,630,272	1,625,981	1,632,220	1,629,072

CONSOLIDATED BALANCE SHEET (unaudited)

(in thousands)

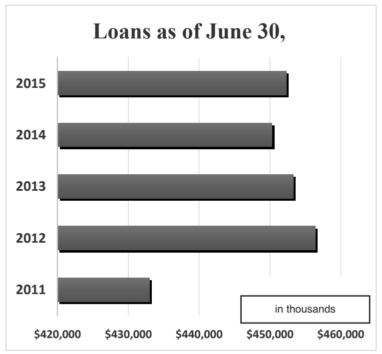
	June 30, 2015	March 31, 2015	June 30, 2014
Assets			
Cash and cash equivalents	$ 10,718	$ 11,313	$ 11,634
Investment securities available for sale	104,223	95,943	99,852
Loans, net of allowance for loan losses	452,282	450,682	450,287
Premises and equipment	9,486	9,587	10,016
Accrued interest receivable	1,783	1,857	1,872
Other real estate owned	4,633	6,237	6,216
Other assets	27,685	26,971	28,582
TOTAL ASSETS	**$ 610,810**	**$ 602,590**	**$ 608,459**
Liabilities			
Deposits:			
Noninterest-bearing	$ 75,465	$ 68,549	$ 69,980
Interest-bearing	412,403	420,458	414,564
Total deposits	487,868	489,007	484,544
Short-term borrowings	35,573	26,300	35,408
Other borrowed funds	15,263	15,531	18,017
Accrued interest payable	287	318	358
Other liabilities	4,316	4,227	5,516
TOTAL LIABILITIES	543,307	535,383	543,843
TOTAL STOCKHOLDERS' EQUITY	67,503	67,207	64,616
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 610,810**	**$ 602,590**	**$ 608,459**

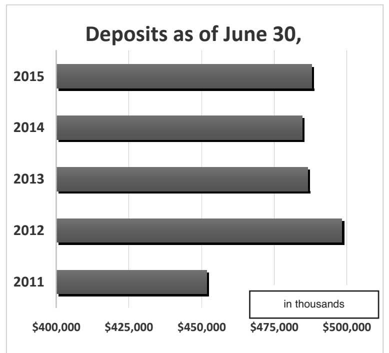
CONSOLIDATED FINANCIAL HIGHLIGHTS (unaudited)

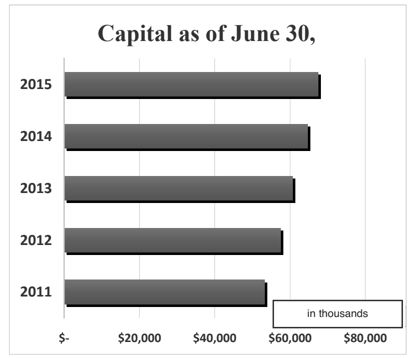
(dollars in thousands, except per share)

	2015	2014	% Increase (decrease)
Performance for the six months ended June 30,			
Interest income	$ 12,235	$ 12,561	(2.6%)
Interest expense	$ 1,329	$ 1,588	(16.3%)
Net interest income	$ 10,906	$ 10,973	(.6%)
Net income	$ 2,365	$ 2,922	(19.1%)
Shareholders' Value (per share)			
Net income – basic	$ 1.46	$ 1.81	(19.3%)
Net income – diluted	$ 1.45	$ 1.79	(19.0%)
Dividends	$ .76	$ .76	–
Book value	$ 41.33	$ 39.78	3.9%
Market value	$ 39.25	$ 39.50	(.6%)
Market value/book value ratio	95.0%	99.3%	(4.3%)
*Price/earnings multiple	13.4X	10.9X	22.9%
*Dividend yield	3.87%	3.85%	.5%
Financial Ratios			
*Return on average assets	.78%	.97%	(19.6%)
*Return on average equity	7.04%	9.20%	(23.5%)
Shareholders' equity/asset ratio	11.05%	10.62%	4.0%
Dividend payout ratio	52.05%	41.99%	24.0%
Nonperforming assets/total assets	3.67%	4.12%	(10.9%)
Allowance for loan losses as a % of loans	1.92%	2.06%	(6.8%)
Net charge-offs/average loans	.10%	.10%	–
Allowance for loan losses/nonaccrual loans	51.76%	59.37%	(12.8%)
Allowance for loan losses/non-performing loans	49.70%	50.41%	(1.4%)
Financial Position at June 30,			
Assets	$ 610,810	$ 608,459	.4%
Loans	$ 461,135	$ 459,779	.3%
Deposits	$ 487,868	$ 484,544	.7%
Stockholders' equity	$ 67,503	$ 64,616	4.5%

*annualized







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, 2015 and the year ended December 31, 2014 (in thousands):

	June 30, 2015					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Allowance for loan losses:						
Beginning balance	$ 1,054	$ 129	$ 5,437	$ 78	$ 1,138	$ 7,836
Charge-offs	(64)	-	(264)	(64)	(127)	(519)
Recoveries	4	1	7	20	4	36
Provision	131	(60)	1,134	92	203	1,500
Ending balance	$ 1,125	$ 70	$ 6,314	$ 126	$ 1,218	$ 8,853
Ending allowance balance:						
Loans individually evaluated for impairment	$ 222	$ -	$ 2,225	$ -	$ 317	$ 2,764
Loans collectively evaluated for impairment	903	70	4,089	126	901	6,089
Total	$ 1,125	$ 70	$ 6,314	$ 126	$ 1,218	$ 8,853
Ending loan balance:						
Loans individually evaluated for impairment	$ 914	$ -	$ 17,504	$ -	$ 2,293	$ 20,711
Loans collectively evaluated for impairment	68,022	13,180	259,646	7,270	92,306	440,424
Total	$ 68,936	$ 13,180	$ 277,150	$ 7,270	$ 94,599	$ 461,135

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

	December 31, 2014					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Allowance for loan losses:						
Beginning balance	$ 1,017	$ 465	$ 5,593	$ 121	$ 1,435	$ 8,631
Charge-offs	(1,422)	(2)	(1,895)	(167)	(310)	(3,796)
Recoveries	30	1	3	56	11	101
Provision	1,429	(335)	1,736	68	2	2,900
Ending balance	$ 1,054	$ 129	$ 5,437	$ 78	$ 1,138	$ 7,836
Ending allowance balance:						
Loans individually evaluated for impairment	$ 247	$ -	$ 1,312	$ -	$ 80	$ 1,639
Loans collectively evaluated for impairment	807	129	4,125	78	1,058	6,197
Total	$ 1,054	$ 129	$ 5,437	$ 78	$ 1,138	$ 7,836
Ending loan balance:						
Loans individually evaluated for impairment	$ 920	$ -	$ 15,288	$ -	$ 1,433	$ 17,641
Loans collectively evaluated for impairment	69,918	11,788	266,545	7,120	93,600	448,971
Total	$ 70,838	$ 11,788	$ 281,833	$ 7,120	$ 95,033	$ 466,612

Credit Quality Information

The following tables represent credit exposures by assigned grades for the six months ended June 30, 2015 and the year ended December 31, 2014. 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.

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Information (continued)

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. Management is using new software to calculate these balances therefore balances at June 30, 2015 are shown net of unearned income and include overdrafts while those at December 31, 2014 include gross loan value before unearned income and exclude overdrafts (in thousands):

	June 30, 2015					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Loans Independently Reviewed:						
Pass	$ 64,549	$ 12,039	$ 228,849	$ 7,259	$ 89,613	$ 402,309
Special Mention	99	915	5,515	7	1,265	7,801
Substandard	4,288	226	42,786	4	3,721	51,025
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 68,936	$ 13,180	$ 277,150	$ 7,270	$ 94,599	$ 461,135

Note 06/30/15 - Balances are net of unearned income and include overdrafts, loan settlement and loan unposted.

	December 31, 2014					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Loans Independently Reviewed:						
Pass	$ 66,226	$ 10,883	$ 244,056	$ 7,110	$ 89,999	$ 418,274
Special Mention	968	935	12,932	-	2,230	17,065
Substandard	3,490	11	25,716	10	3,067	32,294
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 70,684	$ 11,829	$ 282,704	$ 7,120	$ 95,296	$ 467,633

Note 12/31/14 - Balances include gross loan before unearned income and excluding overdrafts.

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, 2015 and December 31, 2014 including loans which are in nonaccrual status (in thousands):

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

	June 30, 2015						
	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	$ 177	$ 44	$ 210	$ 431	$ 68,505	$ 68,936	$ -
Construction and development	915	-	79	994	12,186	13,180	-
Commercial real estate	3,083	1,213	8,932	13,228	263,922	277,150	-
Consumer	10	3	-	13	7,257	7,270	-
Residential real estate	183	791	1,969	2,943	91,656	94,599	99
Total	$ 4,368	$ 2,051	$ 11,190	$ 17,609	$ 443,526	$ 461,135	$ 99

	December 31, 2014						
	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	$ 232	$ 1,061	$ 1,164	$ 2,457	$ 68,381	$ 70,838	$ -
Construction and development	-	-	-	-	11,788	11,788	-
Commercial real estate	210	1,052	5,850	7,112	274,721	281,833	48
Consumer	54	29	4	87	7,033	7,120	-
Residential real estate	57	634	1,328	2,019	93,014	95,033	55
Total	$ 553	$ 2,776	$ 8,346	$ 11,675	$ 454,937	$ 466,612	$ 103