NEWS RELEASE
TO BUSINESS EDITOR

DIMECO, INC. ANNOUNCES EARNINGS FOR YEAR AND QUARTER ENDED SEPTEMBER 30, 2015

Honesdale, PA, October 28, 2015/ Dimeco, Inc. (OTC Pink: DIMC), parent company of The Dime Bank, reported net income of $3.3 million for the first nine months of 2015. This resulted in a return on average assets of .73%, a return on average shareholders' equity of 6.52%, with earnings per share of $2.02. Dimeco's Board of Directors declared dividends totaling $1.14 per share during the past nine months which produced a dividend yield of 4.31% at September 30, 2015.

Total assets were $612 million at September 30, 2015, a slight increase over the June 30, 2015 balance. During the first quarter of 2015, the Company experienced a decline in loan balances due to several commercial customers paying off loans totaling $13 million, therefore balances compared to one year previous were down $4.6 million, or 1.0%. The Company has seen a notable increase in loan originations as the year unfolds, with September 30, 2015 total loans of $471 million, showing an increase of $10 million, or 2.2% over balances at June 30, 2015.

Total deposits declined $4.2 million, or .9% from balances a year earlier with an increase in non-interest bearing deposits of $9.4 million, or 14.0%. Certificates of deposit balances declined $21.5 million, or 10.4%, over the period including $9.3 million less in brokered deposits that management uses as a source of liquidity when needed. Customers seem to be placing these funds in more liquid deposits as word of possible interest rate hikes is published.

Asset quality continues to be the highest priority as management works to return these assets closer to the norm for our Company. President and Chief Executive Officer Gary C. Beilman stated, "We have been working diligently to sell other real estate owned properties, with two properties sold in the third quarter and signed agreements to sell two others in the fourth quarter. There has been interest in other properties in this category, and hopefully we will be able to report additional sales in the near future. With each resolution of troubled assets comes not only a redeployment of dollars back into earning asset categories, but in the case of other real estate owned, elimination of the carrying costs of taxes, insurance, and maintenance."

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. / October 28, 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
Dr. David D. Reynolds
Henry M. Skier
Todd J. Stephens

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

DIMECO INC.

THIRD QUARTER 2015

3

Dear Shareholders:

I am pleased to present this report of your company, Dimeco, Inc., as of September 30, 2015.

As stated in the previous quarterly report, our focus this year continues to be centered on the goal of asset quality improvement. We have been working diligently to sell other real estate owned properties, with two properties sold in the third quarter, and signed agreements to sell two others in the fourth quarter. There has been interest in other properties in this category, and hopefully we will be able to report additional sales in the near future. With each resolution of troubled assets comes not only a redeployment of dollars back into earning asset categories, but in the case of other real estate owned, elimination of the carrying costs of taxes, insurance, and maintenance.

As a community bank, our mantra has always been to profitably meet the credit needs of our marketplace. In doing so, some loans, especially those of a commercial nature, were not of a strength to weather the unexpected, prolonged downturn of our economy. Rest assured, we try our best for all during every economic cycle. Our consideration is ultimately to you, our shareholders, with a commitment to enhance your investment.

As of the date of this writing, our Commonwealth is still at an impasse in approving a budget for its new fiscal year. Now more than 100 days long, this lack of a state budget has the potential to drastically affect many – local governments, school districts, human services agencies, and more. To provide assistance to these entities during this difficult time, we are reaching out to offer loan funding so that these vital services can continue until a budget resolution is finally reached.

We are thrilled to announce Dr. David Reynolds as a new addition to our Board of Directors. David is not only a well-known and respected medical practitioner in our area, but is also a dedicated community individual. Dr. Reynolds is the President/CEO of Northeastern Gastroenterology Associates, Mountain Laurel Surgical Center, and Maple City Anesthesia, all in Honesdale. In addition to his numerous medical affiliations and professional committees, David has served as an Elder, a Sunday school teacher, and a member of the Stewardship Committee at his place of worship. Furthermore, at the youth sports level, he coaches soccer, wrestling, and baseball. David and his wife, Kay, reside in Honesdale. Dr. Reynolds' medical background, and his various involvements in the community, bring a new perspective to our Board which will undoubtedly serve our Company well.

A review of the numbers in this report shows that we are largely on par with our statistics of a year ago. Deposits, loans, and assets are all about 1% off from the numbers posted in 2014. As mentioned in our first quarterly report, we began this year with an unexpected $13 million in commercial loan payoffs. Since that time, we have built an upward trend and I am happy to report that our loan pipeline is now very robust. As of the third quarter, our residential mortgage originations have already exceeded all of the mortgages written in 2014, and our commercial loans are seeing a strong uptick. As the year continues, this momentum should carry us forward to improved levels. Our quarterly dividend, at $.38 per share, produced an annualized yield of 4.3%. Most importantly, stockholders' equity has risen from $65.3 million to $68.5 million when comparing this quarter to that of last year. Net income of $3.3 million for the nine months ended September 30, 2015 decreased $875 thousand or 20.9% over the same period last year, primarily as a result of employee related benefit costs. This in turn impacted the return on average assets and the return on average equity which declined 20.7% and 25.1%, respectively. In addition, other real estate expenses continued to negatively affect our net income.

The stock market has been experiencing wide price swings lately. Some of these variations are likely due to recent international economic news, especially that coming from China. During these times you may have noticed that our Company stock, as well as that of other financial institutions, has also been subjected to price fluctuations. Recently our stock was trading at numbers below book value. Witnessing this situation, we acted prudently and bought back 5,000 shares during the third quarter because we believed that the stock was worth more than the market price at the time of purchase.

We recognize your investment and loyalty, both of which 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. As always, your comments are welcome.

Sincerely,

Gary C. Beilman

Gary C. Beilman
President and Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME (unaudited)

(in thousands)

	Three months ended Sept. 30, 2015	June 30, 2015	March 31, 2015	Nine months ended Sept. 30, 2015	Sept. 30, 2014
Interest Income					
Loans, including fees	$ 5,698	$ 5,550	$ 5,536	$ 16,784	$ 17,167
Investment securities	520	512	550	1,582	1,740
Other	13	19	68	100	63
Total interest income	6,231	6,081	6,154	18,466	18,970
Interest Expense					
Deposits	500	514	548	1,562	1,886
Short-term borrowings	23	16	13	52	59
Other borrowed funds	120	118	120	358	394
Total interest expense	643	648	681	1,972	2,339
Net Interest Income	**5,588**	**5,433**	**5,473**	**16,494**	**16,631**
Provision for loan losses	750	750	750	2,250	2,100
Net Interest Income, After Provision for Loan Losses	**4,838**	**4,683**	**4,723**	**14,244**	**14,531**
Noninterest income	1,075	1,123	1,029	3,227	3,331
Noninterest expense	4,799	4,364	4,376	13,539	12,742
Income before income taxes	1,114	1,442	1,376	3,932	5,120
Income taxes	173	232	221	626	939
NET INCOME	**$ 941**	**$ 1,210**	**$ 1,155**	**$ 3,306**	**$ 4,181**
Earnings per share basic	$ .58	$ .74	$ .71	$ 2.03	$ 2.58
Earnings per share-diluted	$ .57	$ .74	$ .71	$ 2.02	$ 2.57
Dividends per share	$ .38	$ .38	$ .38	$ 1.14	$ 1.14
Average shares outstanding-basic	1,631,333	1,624,714	1,621,099	1,626,667	1,617,810
Average shares outstanding-diluted	1,636,301	1,633,859	1,630,272	1,633,876	1,628,419

CONSOLIDATED BALANCE SHEET (unaudited)

(in thousands)

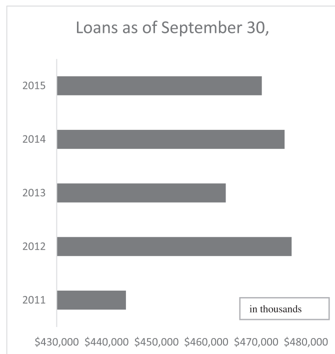
	Sept. 30, 2015	June 30, 2015	March 31, 2015	Sept. 30, 2014
Assets				
Cash and cash equivalents	$ 6,916	$ 10,718	$ 11,313	$ 8,673
Investment securities available for sale	99,709	104,223	95,943	101,310
Loans, net of allowance for loan losses	461,793	452,282	450,682	465,682
Premises and equipment	9,368	9,486	9,587	9,899
Accrued interest receivable	1,780	1,783	1,857	1,906
Other real estate owned	4,492	4,633	6,237	5,683
Other assets	28,066	27,685	26,971	27,691
TOTAL ASSETS	**$ 612,124**	**$ 610,810**	**$ 602,590**	**$ 620,844**
Liabilities				
Deposits:				
Noninterest-bearing	$ 75,993	$ 75,465	$ 68,549	$ 66,643
Interest-bearing	411,370	412,403	420,458	424,909
Total deposits	487,363	487,868	489,007	491,552
Short-term borrowings	33,121	35,573	26,300	43,137
Other borrowed funds	16,592	15,263	15,531	16,058
Accrued interest payable	257	287	318	312
Other liabilities	6,323	4,316	4,227	4,418
TOTAL LIABILITIES	543,656	543,307	535,383	555,477
TOTAL STOCKHOLDERS' EQUITY	68,468	67,503	67,207	65,367
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 612,124**	**$ 610,810**	**$ 602,590**	**$ 620,844**

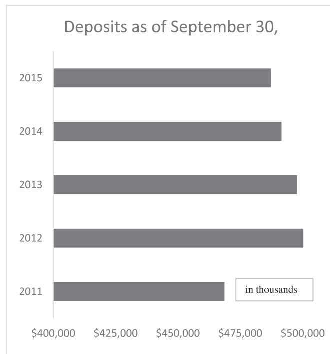
CONSOLIDATED FINANCIAL HIGHLIGHTS (unaudited)

(dollars in thousands, except per share)

	2015	2014	% Increase (decrease)
Performance for the nine months ended September 30,			
Interest income	$ 18,466	$ 18,970	(2.7%)
Interest expense	$ 1,972	$ 2,339	(15.7%)
Net interest income	$ 16,494	$ 16,631	(.8%)
Net income	$ 3,306	$ 4,181	(20.9%)
Shareholders' Value (per share)			
Net income – basic	$ 2.03	$ 2.58	(21.3%)
Net income – diluted	$ 2.02	$ 2.57	(21.4%)
Dividends	$ 1.14	$ 1.14	–
Book value	$ 41.70	$ 40.24	3.6%
Market value	$ 35.30	$ 40.50	(12.8%)
Market value/book value ratio	84.7%	100.6%	(15.8%)
*Price/earnings multiple	13.0X	11.8X	10.2%
*Dividend yield	4.31%	3.75%	14.9%
Financial Ratios			
*Return on average assets	.73%	.92%	(20.7%)
*Return on average equity	6.52%	8.70%	(25.1%)
Shareholders' equity/asset ratio	11.19%	10.53%	6.3%
Dividend payout ratio	56.16%	44.19%	27.1%
Nonperforming assets/total assets	3.60%	3.85%	(6.5%)
Allowance for loan losses as a % of loans	1.99%	2.11%	(5.7%)
Net charge-offs/average loans	.16%	.15%	6.7%
Allowance for loan losses/nonaccrual loans	55.24%	63.20%	(12.6%)
Allowance for loan losses/non-performing loans	53.45%	55.01%	(2.8%)
Financial Position at September 30,			
Assets	$ 612,124	$ 620,844	(1.4%)
Loans	$ 471,161	$ 475,720	(1.0%)
Deposits	$ 487,363	$ 491,552	(.9%)
Stockholders' equity	$ 68,468	$ 65,367	4.7%

*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 September 30, 2015 and the year ended December 31, 2014 (in thousands):

	September 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	(87)	-	(371)	(96)	(229)	(783)
Recoveries	5	1	11	43	5	65
Provision	3,364	(77)	(1,389)	77	275	2,250
Ending balance	$ 4,336	$ 53	$ 3,688	$ 102	$ 1,189	$ 9,368
Ending allowance balance:						
Loans individually evaluated for impairment	$ 3,745	$ -	$ 697	$ -	$ 481	$ 4,923
Loans collectively evaluated for impairment	591	53	2,991	102	708	4,445
Total	$ 4,336	$ 53	$ 3,688	$ 102	$ 1,189	$ 9,368
Ending loan balance:						
Loans individually evaluated for impairment	$ 6,108	$ -	$ 14,954	$ -	$ 2,025	$ 23,087
Loans collectively evaluated for impairment	80,035	13,009	255,288	7,570	92,172	448,074
Total	$ 86,143	$ 13,009	$ 270,242	$ 7,570	$ 94,197	$ 471,161

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 nine months ended September 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 September 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):

	September 30, 2015					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Loans Independently Reviewed:						
Pass	$ 78,682	$ 12,541	$ 224,334	$ 7,563	$ 89,844	$ 412,964
Special Mention	167	267	6,036	7	1,230	7,707
Substandard	7,294	201	39,872	-	3,123	50,490
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 86,143	$ 13,009	$ 270,242	$ 7,570	$ 94,197	$ 471,161

Note 09/30/15 - 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 September 30, 2015 and December 31, 2014 including loans which are in nonaccrual status (in thousands):

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

	September 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	$ 1,122	$ 148	$ 2,982	$ 4,252	$ 81,891	$ 86,143	$ -
Construction and development	-	-	-	-	13,009	13,009	-
Commercial real estate	1,545	26	7,179	8,750	261,492	270,242	-
Consumer	18	-	-	18	7,552	7,570	-
Residential real estate	374	264	1,964	2,602	91,595	94,197	-
Total	$ 3,059	$ 438	$ 12,125	$ 15,622	$ 455,539	$ 471,161	$ -

	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