DIMECO, INC. ANNOUNCES EARNINGS AT JUNE 30, 2017

Honesdale, PA, July 24, 2017/ Dimeco, Inc. (OTC Pink: DIMC), parent company of The Dime Bank, reported net income of $3.3 million for the first six months of 2017, an increase of 7.8% over the same period 2016. This resulted in a return on average assets of 1.02% and a return on average shareholders' equity of 8.99%, an increase of 5.2% and 3.0%, respectively, over ratios reported for the second quarter of 2016. President and Chief Executive Officer Gary C. Beilman stated, "As you read our second quarter report you will note a great deal of positive news about continuing growth, profitability, and enhancement of shareholder value."

Total assets were $653 million at June 30, 2017, an increase of $14.5 million or 2.3%, from one year earlier. Total loans at $505 million increased $38.6 million over the same period. The majority of this loan growth comes from originations of commercial types of loans followed by an increase in residential real estate loans. Loan delinquencies and non-performing assets both favorably declined, most notably with a reduction of $826 thousand in other real estate owned and $737 thousand in nonaccrual loans. Total deposits at $499 million remained in line with budgeted amounts. Gary C. Beilman continued, "During the second quarter of each year we historically witness a run-off of some of our municipal deposits. As the year progresses we expect this portfolio to rise. Our loan growth has really taken off this year and our hope is that by continuing to originate loans in our marketplace, we will be contributing to the overall growth of our community."

Earnings per share rose 7.6% to $1.99 at June 30, 2017 from $1.85 at June 30, 2016. Dimeco's Board of Directors declared dividends totaling $.76 per share for the first half of 2017 which produced a dividend yield of 3.10% at the market price of $49.05 at June 30, 2017. Stockholder's equity increased 4.7%, from one year ago, to $74 million, resulting in the ratio of stockholders' equity to assets of 11.37% at June 30, 2017. Gary C. Beilman concluded, "The market is reacting very favorably to Dimeco's performance as noted by the market value of each share at $49.05, an impressive 24.8% increase over the market value one year earlier. We are appreciative of our shareholder investment and the continued loyalty of our customers. Our ongoing efforts are directed toward the continuation of building a strong, prosperous institution to support a flourishing community."

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. / July 24, 2017 / Deborah Unflat

INVESTOR INFORMATION

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
800-937-5449
e-mail: info@amstock.com
Internet address: www.amstock.com

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.

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

John S. Kiesendahl, Chairman
Thomas A. Peifer, Vice Chairman
Gary C. Beilman, President
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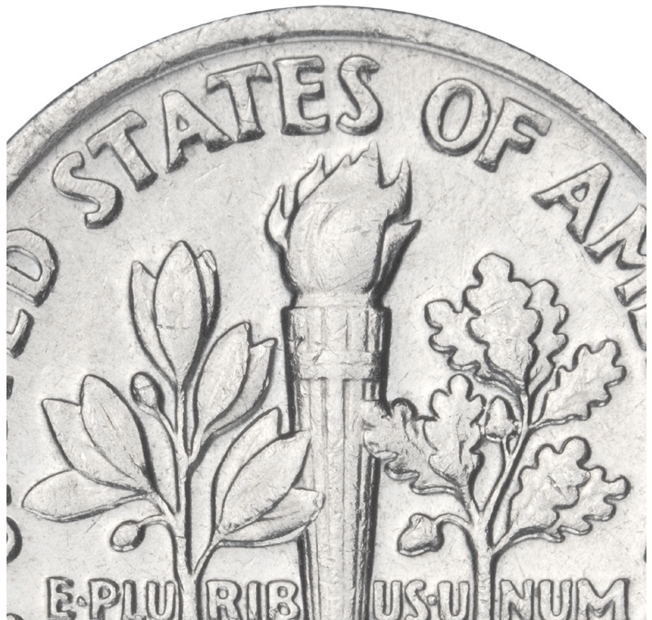
DIMECO INC.



SECOND QUARTER 2017

CONSOLIDATED FINANCIAL HIGHLIGHTS *(unaudited)*

(dollars in thousands, except per share)

	2017	2016	% Increase (decrease)
Performance for the six months ended June 30,			
Interest income	**$ 13,305**	$ 12,698	4.8%
Interest expense	**$ 1,425**	$ 1,374	3.7%
Net interest income	**$ 11,880**	$ 11,324	4.9%
Net income	**$ 3,276**	$ 3,038	7.8%
Shareholders' Value (per share)			
Net income – basic	**$ 1.99**	$ 1.85	7.6%
Net income – diluted	**$ 1.97**	$ 1.84	7.1%
Dividends	**$ .76**	$ .76	–
Book value	**$ 45.06**	$ 43.06	4.6%
Market value	**$ 49.05**	$ 39.30	24.8%
Market value/book value ratio	**108.9%**	91.3%	19.3%
*Price/earnings multiple	**12.3X**	10.6X	16.0%
*Dividend yield	**3.10%**	3.87%	(19.9%)
Financial Ratios			
*Return on average assets	**1.02%**	.97%	5.2%
*Return on average equity	**8.99%**	8.73%	3.0%
Efficiency ratio	**64.54%**	64.44%	.2%
Net interest margin	**4.16%**	4.08%	2.0%
Shareholders' equity/asset ratio	**11.37%**	11.10%	2.4%
Dividend payout ratio	**38.19%**	41.08%	(7.0%)
Nonperforming assets/total assets	**2.19%**	2.47%	(11.3%)
Allowance for loan losses as a % of loans	**1.72%**	1.75%	(1.7%)
Net charge-offs/average loans	**.07%**	.16%	(56.3%)
Allowance for loan losses/nonaccrual loans	**117.65%**	100.99%	16.5%
Allowance for loan losses/non-performing loans	**98.69%**	86.55%	14.0%
Financial Position at June 30,			
Assets	**$ 652,777**	$ 638,272	2.3%
Loans	**$ 504,965**	$ 466,337	8.3%
Deposits	**$ 499,270**	$ 501,017	(.3%)
Stockholders' equity	**$ 74,207**	$ 70,869	4.7%

*annualized

Dear Shareholders:

I am pleased to present this report of Dimeco, Inc. for the second quarter of 2017. As you read through this report you will note a great deal of positive news about continuing growth, profitability, and enhancement of shareholder value.

From a growth perspective, as of June 30, 2017 total assets were $653 million, an increase of 2.3% from the total one year ago. Deposits, at $499 million, are right in line with our annual budget. During the second quarter of each year we historically witness a run-off of some of our municipal deposits as these entities use their funds for ongoing operations. As the year progresses, and as tax receipts come in, we expect that our municipal deposit portfolio, together with most other deposit types, will rise.

Our loan growth has really taken off this year. As of June 30th total loans are $505 million. This is an 8.3% increase from the total at the end of the second quarter in 2016. To date we have experienced growth from originations of various loan types, with the majority of this loan growth on the commercial side. When comparing the second quarter of 2017 and 2016, commercial construction and development loans grew by $16.2 million, and commercial real estate, which is mostly owner-occupied, expanded by $11 million. The next largest component of loan growth was in the area of residential real estate loans which increased by $7.6 million. Our hope is that by continuing to originate loans in our marketplace, we will be contributing to the overall growth of our community.

Efforts to improve asset quality continued during the second quarter, and here too, the results are positive. Loan delinquencies and non-performing assets have both declined noticeably. Included in these efforts were reductions of $826 thousand in other real estate owned and $737 thousand in nonaccrual loans. We are pleased with these results and we are committed to achieving further reductions in these amounts in the second half of this year.

With all that said, we now look at our performance for the six months ended June 30, 2017. Net income for this period was $3.3 million. That's a 7.8% increase from what was accomplished during the same period in 2016. At this level, our return on average assets ratio was 1.02% and return on average equity was 8.99%, with both of these annualized numbers being respectable increases over the performance of 2016.

From your perspective as shareholders, I am most pleased to note that we continue to enhance the value of your investment. The dividend yield is 3.10%, a great return in this interest rate environment. Stockholder's equity has grown to $74 million, an increase of 4.7% over 2016, and shareholders' equity to asset ratio has expanded to 11.37%, a solid number to achieve. What's probably most noticeable is how the market has reacted to Dimeco's performance. On June 30, 2017, the market value of each share of Dimeco was $49.05, an impressive 24.8% increase over the market value one year earlier. Undoubtedly it is gratifying to you, to see that your Company's performance is being recognized as a growing value.

We are most appreciative of your investment. Please know that our ongoing efforts are always directed toward the enhancement of that investment. I ask that you 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)

	6/30/2017	3/31/2017	6/30/2016
Assets			
Cash and cash equivalents	**$ 14,754**	$ 8,161	$ 15,203
Mortgage loans held for sale	**54**	–	952
Investment securities available for sale	**94,903**	93,016	118,421
Loans, net of allowance for loan losses	**496,301**	497,222	458,156
Premises and equipment	**9,239**	9,144	9,326
Accrued interest receivable	**1,781**	1,736	1,859
Other real estate owned	**5,392**	5,230	6,218
Other assets	**30,353**	30,805	28,137
TOTAL ASSETS	**$ 652,777**	$ 645,314	$ 638,272
Liabilities			
Deposits:			
Noninterest-bearing	**$ 93,136**	$ 92,592	$ 85,068
Interest-bearing	**406,134**	399,492	415,949
Total deposits	**499,270**	492,084	501,017
Short-term borrowings	**37,444**	38,477	34,001
Other borrowed funds	**34,882**	34,516	26,246
Accrued interest payable	**216**	286	261
Other liabilities	**6,758**	7,381	5,878
TOTAL LIABILITIES	**578,570**	572,744	567,403
TOTAL STOCKHOLDERS' EQUITY	**74,207**	72,570	70,869
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 652,777**	$ 645,314	$ 638,272

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands, except per share data)

	Three months ended			Six months ended	
	6/30/2017	3/31/2017	6/30/2016	6/30/2017	6/30/2016
Interest Income					
Loans, including fees	**$ 6,090**	$ 6,129	$ 5,759	**$ 12,219**	$ 11,556
Investment securities	**511**	520	569	**1,031**	1,093
Other	**33**	22	30	**55**	49
Total interest income	**6,634**	6,671	6,358	**13,305**	12,698
Interest Expense					
Deposits	**477**	492	505	**969**	1,016
Short-term borrowings	**29**	31	19	**60**	33
Other borrowed funds	**222**	174	172	**396**	325
Total interest expense	**728**	697	696	**1,425**	1,374
Net Interest Income	**5,906**	5,974	5,662	**11,880**	11,324
Provision for loan losses	**250**	250	325	**500**	675
Net Interest Income, After Provision for Loan Losses	**5,656**	5,724	5,337	**11,380**	10,649
Noninterest income	**1,187**	1,061	1,056	**2,248**	2,086
Noninterest expense	**4,681**	4,681	4,454	**9,362**	8,898
Income before income taxes	**2,162**	2,104	1,939	**4,266**	3,837
Income taxes	**506**	484	405	**990**	799
NET INCOME	**$ 1,656**	$ 1,620	$ 1,534	**$ 3,276**	$ 3,038
Earnings per share-basic	**$ 1.01**	$ .98	$ .93	$ 1.99	$ 1.85
Earnings per share-diluted	**$ 1.00**	$ .98	$ .93	$ 1.97	$ 1.84
Average shares outstanding-basic	1,646,652	1,646,397	1,643,193	1,646,525	1,643,442
Average shares outstanding-diluted	1,663,038	1,661,857	1,650,422	1,662,454	1,649,616

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, 2017 and the year ended December 31, 2016 (in thousands):

	June 30, 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	(162)	-	(105)	(59)	(243)	-	(569)
Recoveries	2	5	105	15	73	-	200
Provision	33	9	132	31	152	143	500
Ending balance	$ 3,157	$ 151	$ 3,212	$ 60	$ 1,231	$ 853	$ 8,664
Ending allowance balance:							
Loans individually evaluated for impairment	$ 1,290	$ -	$ 502	$ -	$ 325	$ -	$ 2,117
Loans collectively evaluated for impairment	1,867	151	2,710	60	906	853	6,547
Total	$ 3,157	$ 151	$ 3,212	$ 60	$ 1,231	$ 853	$ 8,664
Ending loan balance:							
Loans individually evaluated for impairment	$ 2,634	$ 10	$ 10,842	$ -	$ 1,672	$ -	$ 15,158
Loans collectively evaluated for impairment	83,996	29,417	263,951	7,776	104,667	-	489,807
Total	$ 86,630	$ 29,427	$ 274,793	$ 7,776	$ 106,339	$ -	$ 504,965

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

	December 31, 2016						
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 3,193	$ 63	$ 3,544	$ 115	$ 1,235	$ 127	$ 8,277
Charge-offs	(166)	-	(925)	(38)	(53)	-	(1,182)
Recoveries	33	2	261	39	103	-	438
Provision	224	72	200	(43)	(36)	583	1,000
Ending balance	$ 3,284	$ 137	$ 3,080	$ 73	$ 1,249	$ 710	$ 8,533
Ending allowance balance:							
Loans individually evaluated for impairment	$ 1,347	$ -	$ 412	$ -	$ 345	$ -	$ 2,104
Loans collectively evaluated for impairment	1,937	137	2,668	73	904	710	6,429
Total	$ 3,284	$ 137	$ 3,080	$ 73	$ 1,249	$ 710	$ 8,533
Ending loan balance:							
Loans individually evaluated for impairment	$ 2,695	$ -	$ 10,875	$ -	$ 1,764	$ -	$ 15,334
Loans collectively evaluated for impairment	86,420	27,405	254,616	8,103	103,451	-	479,995
Total	$ 89,115	$ 27,405	$ 265,491	$ 8,103	$ 105,215	$ -	$ 495,329

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Information

The following tables represent credit exposures by assigned grades for the nine months ended March 31, 2017 and the year ended December 31, 2016. 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, 2017 and December 31, 2016 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, 2017					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Pass	$ 83,410	$ 25,267	$ 242,074	$ 7,772	$ 102,340	$ 460,863
Special Mention	233	208	10,575	3	1,116	12,135
Substandard	2,987	3,952	22,144	1	2,883	31,967
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 86,630	$ 29,427	$ 274,793	$ 7,776	$ 106,339	$ 504,965

	December 31, 2016					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Pass	$ 84,154	$ 23,151	$ 231,094	$ 8,095	$ 100,586	$ 447,080
Special Mention	1,706	-	6,791	8	1,644	10,149
Substandard	3,255	4,254	27,606	-	2,895	38,010
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 89,115	$ 27,405	$ 265,491	$ 8,103	$ 105,125	$ 495,239

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, 2017 and December 31, 2016 including loans which are in nonaccrual status (in thousands):

	June 30, 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	$ 58	$ 9	$ 38	$ 105	$ 86,525	$ 86,630	$ -
Construction and development	-	-	-	-	29,427	29,427	-
Commercial real estate	1,019	94	1,851	2,964	271,829	274,793	20
Consumer	23	4	1	28	7,748	7,776	1
Residential real estate	217	187	1,296	1,700	104,639	106,339	110
Total	$ 1,317	$ 294	$ 3,186	$ 4,797	$ 500,168	$ 504,965	$ 131

	December 31, 2016						
	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	$ 73	$ 23	$ 1,719	1,815	$ 87,300	$ 89,115	$ -
Construction and development	15	27	-	42	27,363	27,405	-
Commercial real estate	447	150	1,179	1,776	263,715	265,491	-
Consumer	16	14	4	34	8,069	8,103	1
Residential real estate	406	10	1,428	1,844	103,371	105,215	-
Total	$ 957	$ 224	$ 4,330	$ 5,511	$ 489,818	$ 495,329	$ 1