NEWS RELEASE
TO BUSINESS EDITOR

DIMECO, INC. ANNOUNCES FIRST QUARTER 2017 EARNINGS

Honesdale, Pennsylvania/ April 26, 2017/ Dimeco, Inc. (DIMC), the holding company for The Dime Bank, reported unaudited results for the first quarter of 2017. Total assets were $645 million at March 31, 2017, an increase of $22 million, or 3.6%, over balances a year earlier. Fueling this growth was an increase in total loans of $30 million, or 6.3%, primarily due to originations of commercial loans granted to customers in various industries as well as to individuals borrowing for their primary residences. The bank continued to promote our core accounts and recognized an increase of $15 million dollars in noninterest-bearing deposits over balances a year earlier, while intentionally decreasing interest-bearing deposits to leave total deposits relatively even at $492 million at March 31, 2017.

Net income of $1.6 million for the first quarter of 2017 was 7.7% greater than the same period in 2016 and resulted in a return on average assets of 1.01% and a return on average equity of 8.98%; up 4.1% and 3.2%, respectively. Net interest income increased $312 thousand, or 5.5% from the same quarter of 2016, primarily due to the favorable net interest margin of 4.26% for the first quarter of 2017. Continuing the positive trend seen in the loan portfolio in 2016, nonperforming assets as a percentage of total assets was reduced by 8.3%.

Maintaining a strong capital position, stockholders' equity was $73 million at March 31, 2017, representing growth of 4.7% over balances a year earlier. Dividends remained solid, amounting to $.38 per share for the period ended March 31, producing a dividend yield of 3.11% in 2017. The market value of Dimeco stock was $48.95 on March 31, 2017, up 23.3% from one year earlier.

Gary C. Beilman, president and chief executive officer, stated "Dimeco's financial performance for the first quarter is very positive, demonstrating the clear momentum established in 2016 is continuing. Our financial statement confirms growth compared to a year earlier as well as to the year-end 2016. We were able to assist many borrowers which produced robust loan growth. Our hope is that the demand for quality loans continues throughout 2017. Focusing on asset quality, expense control, and management of spread, our management team's ongoing efforts are directed toward building a strong institution to serve our investors, customers, and our communities."

Dimeco, Inc. is the holding company of The Dime Bank, a full service financial institution serving Northeast 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. / April 26, 2017 / Deborah Unflat

Dear Shareholders:

It is my pleasure to make this report of Dimeco, Inc. for the first quarter of 2017 demonstrating that the positive momentum established in 2016 is continuing.

Typically, the first three months of every year are the slowest both for your company as well as for our overall geographic marketplace. Despite that fact, our financial statement confirms growth compared to a year earlier as well as to the year-end 2016. This is especially true of the loan portfolio. As of March 31, 2017, total loans outstanding were $506 million, an increase of $30 million or 6.3% over the numbers posted a year ago. Loan originations assisted customers in many industries, with the largest credits granted to customers in the following types of business: hotel development, children's summer camps, lessors of residential housing, storage facilities, machine shops, construction site development and bakery products. In addition, balances of loans to purchase, build or refinance primary residences increased by nearly $9 million. Our hope is that the demand for quality loans continues throughout this entire year. Total assets at March 31, 2017 were $645 million, a growth of $22 million or 3.6% over the end of the first quarter 2016.

Deposits for this first quarter were $492 million which is level with balances one year earlier. Municipal deposit balances at March 31, 2017 were approximately $12 million lower than a year earlier. The majority of these deposits are acquired through a bidding process and management did not bid as aggressively for these funds in the past year in order to improve net interest margin. Offsetting this decrease, customers took advantage of our new Kasasa deposit products, with $17 million greater balances in those accounts over the same time frame. Taking this into consideration, we chose to decrease purchases of CDARS deposits by $3.4 million. Commercial customers took advantage of our sweep product, which is not federally insured, but rather pledges specific investments for funds placed with us, increasing these balances by $6 million over the past year.

Dimeco's financial performance for the first quarter is very positive. Your management team continues its focus on asset quality, expense control, and management of spread. The net interest margin increased to 4.26% for the first quarter of 2017, driving improvement in net interest income. While noninterest income was slightly improved from a year earlier, noninterest expense increased by more than 5% over that period due primarily to payroll and benefits costs. Operations staffing increased with heightened regulatory requirements and costs associated with our self-insured health plan were greater. The result of these efforts produced net income of $1.62 million for the first quarter of 2017, an uptick of 7.7% over the results produced for the first quarter of 2016. Return on average assets for the quarter was 1.01% and return on average equity was 8.98%, with both of these annualized percentages being respectable increases over the ratios posted for the first quarter of 2016.

As you read this report you will see more good news for you, our shareholders. Stockholders' equity for the first quarter end was $72.6 million, and book value of your Dimeco stock was $44.08 per share, both of which are more than 4.5% increases over a year earlier. Possibly most rewarding is the increase in per share market value of your stock. As of March 31, 2017, Dimeco's market value stood at $48.95 per share. This marked increase undoubtedly includes the market's reaction to our performance, the growing national economy, and the potential for regulatory relief for the financial industry, among others. Although we cannot control outside factors, rest assured that our ongoing efforts are directed toward performance that will enhance your investment.

My thanks go out to you for your commitment and loyalty. 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)

	3/31/2017	3/31/2016
Assets		
Cash and cash equivalents	**$ 8,161**	$ 8,672
Investment securities available for sale	**93,016**	100,764
Loans, net of allowance for loan losses	**497,222**	467,358
Premises and equipment	**9,144**	9,338
Accrued interest receivable	**1,736**	1,801
Other real estate owned	**5,230**	6,625
Other assets	**30,805**	28,608
TOTAL ASSETS	**$ 645,314**	$ 623,166
Liabilities		
Deposits:		
Noninterest-bearing	**$ 92,592**	$ 77,754
Interest-bearing	**399,492**	414,755
Total deposits	**492,084**	492,509
Short-term borrowings	**38,477**	28,429
Other borrowed funds	**34,516**	26,977
Accrued interest payable	**286**	310
Other liabilities	**7,381**	5,630
TOTAL LIABILITIES	**572,744**	553,855
TOTAL STOCKHOLDERS' EQUITY	**72,570**	69,311
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 645,314**	$ 623,166

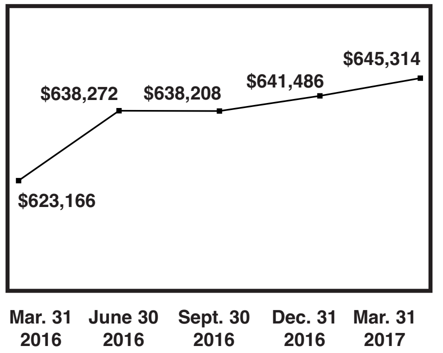
CONSOLIDATED STATEMENT OF INCOME

(unaudited)

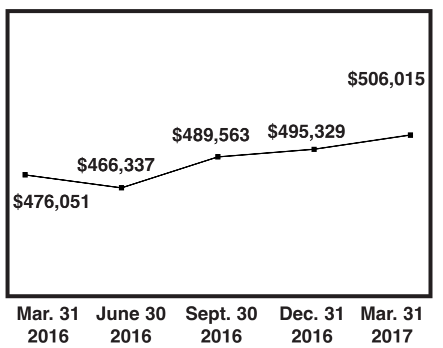
(in thousands, except per share data)

	Three months ended	
	3/31/2017	3/31/2016
Interest Income		
Loans, including fees	**$ 6,129**	$ 5,797
Investment securities	**520**	524
Other	**22**	19
Total interest income	**6,671**	6,340
Interest Expense		
Deposits	**492**	511
Short-term borrowings	**31**	14
Other borrowed funds	**174**	153
Total interest expense	**697**	678
Net Interest Income	**5,974**	5,662
Provision for loan losses	**250**	350
Net Interest Income, After Provision for Loan Losses	**5,724**	5,312
Noninterest income	**1,061**	1,030
Noninterest expense	**4,681**	4,444
Income before income taxes	**2,104**	1,898
Income taxes	**484**	394
NET INCOME	**$ 1,620**	$ 1,504
Earnings per share-basic	**$ .98**	$ .92
Earnings per share-diluted	**$ .98**	$ .91
Average shares outstanding-basic	1,646,397	1,643,179
Average shares outstanding-diluted	1,661,857	1,648,204

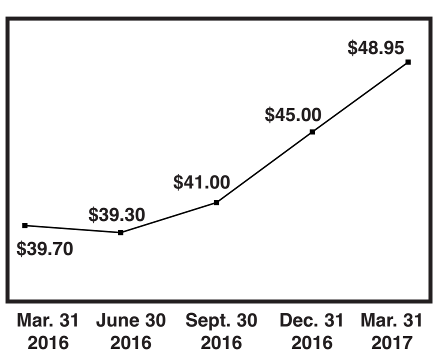
Total Assets
(in thousands)



Total Loans
(in thousands)



Market Value/Share



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

	March 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	(26)	-	-	(26)	(54)	-	(106)
Recoveries	-	5	102	9	-	-	116
Provision	97	4	353	16	109	(329)	250
Ending balance	$ 3,355	$ 146	$ 3,535	$ 72	$ 1,304	$ 381	$ 8,793
Ending allowance balance:							
Loans individually evaluated for impairment	$ 1,458	$ -	$ 805	$ -	$ 363	$ -	$ 2,626
Loans collectively evaluated for impairment	1,897	146	2,730	72	941	381	6,167
Total	$ 3,355	$ 146	$ 3,535	$ 72	$ 1,304	$ 381	$ 8,793
Ending loan balance:							
Loans individually evaluated for impairment	$ 3,941	$ 11	$ 10,667	$ -	$ 1,750	$ -	$ 16,369
Loans collectively evaluated for impairment	85,503	27,952	264,048	7,813	104,330	-	489,646
Total	$ 89,444	$ 27,963	$ 274,715	$ 7,813	$ 106,080	$ -	$ 506,015

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

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.

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. Balances as of March 31, 2017 and December 31, 2016 are net of unearned income and include overdrafts, loan settlement and loan unposted (in thousands):

	March 31, 2017					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Pass	$ 84,746	$ 23,752	$ 241,185	$ 7,805	$ 101,518	$ 459,006
Special Mention	356	217	10,702	8	1,767	13,050
Substandard	4,342	3,994	22,828	-	2,795	33,959
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 89,444	$ 27,963	$ 274,715	$ 7,813	$ 106,080	$ 506,015

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

	March 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	$ 96	$ 78	$ 1,390	$ 1,564	$ 87,880	$ 89,444	$ -
Construction and development	-	-	22	22	27,941	27,963	-
Commercial real estate	1,354	586	1,062	3,002	271,713	274,715	-
Consumer	25	6	5	36	7,777	7,813	1
Residential real estate	346	400	1,279	2,025	104,055	106,080	82
Total	$ 1,821	$ 1,070	$ 3,758	$ 6,649	$ 499,366	$ 506,015	$ 83

	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