DIMECO, INC. ANNOUNCES EARNINGS AT JUNE 30, 2019

Honesdale, PA, July 23, 2019/ Dimeco, Inc., parent company of The Dime Bank, reported net income of $4.4 million for the first six months of 2019, an increase of 22.9% over the same period in 2018. At this income level, return on average assets was 1.27% and return on average shareholders' equity was 10.79%, an increase of 15.5% and 13.2%, respectively, over ratios reported for the first half of 2018. Supporting these numbers was in an increase in net interest income of 9.1% and improvement in the efficiency ratio of 7.9%, resulting in a ratio of 64.93% at June 30, 2019.

Total assets were $710 million at June 30, 2019, an increase of $51 million or 7.7%, from one year earlier. Total deposits of $565 million were 14.8% greater than balances at June 30, 2018 with growth spread across checking, savings accounts, and certificates of deposits. Total loans of $523 million reflect an increase of 3.7% over one year earlier. Despite some loan payoffs, the pace of both consumer and commercial loan originations are handsomely ahead of last year, and our loan pipeline remains healthy. Due to continuing efforts to improve asset quality, nonperforming assets to total assets decreased 5.1% compared to this period in 2018 while net charge offs to average loans were negligible at .01% for the six months ended June 30, 2019. Stockholder's equity of $84 million at June 30, 2019 was 11.5% greater than one year earlier, resulting in a healthy ratio of stockholders' equity to assets of 11.89% at June 30, 2019.

President and Chief Executive Officer Gary C. Beilman enthusiastically stated, "It is my pleasure to present this Dimeco report showing several positive results for the period. I am very proud to note that this is the first quarter with total assets of over $700 million. Net income is up a solid 23% over this period in 2018, mainly attributable to the increase in all types of interest income along with reduced expenses related to other real estate owned and continued improvement in asset quality. This strong performance equates to very positive results for shareholders. Earnings per share rose 22.4% to $1.75 at June 30, 2019 from $1.43 at June 30, 2018. For the first half of 2019, Dimeco's Board of Directors declared dividends of $.60 per share, 7.1% greater than those for the first half of 2018. The market price of Dimeco at June 30, 2019 increased 9.0% per share over one year earlier, to $40.88, producing a dividend yield of 2.94%. On a per share basis, the book value of Dimeco investment grew by 10.7% when comparing 2019 to 2018. As we move into the next half of 2019, we will remain vigilant in the management of our institution."

Dimeco, Inc. is the holding company of The Dime Bank, a full-service financial institution serving Northeast Pennsylvania since 1905. Dimeco, Inc. 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 23, 2019 / Deborah Unflat [redacted] INC.

CONSOLIDATED FINANCIAL HIGHLIGHTS *(unaudited)*

(dollars in thousands, except per share)

	2019	2018	% Increase (decrease)
Performance for the six months ended June 30,			
Interest income	**$ 16,000**	$ 13,893	15.2%
Interest expense	**$ 2,690**	$ 1,698	58.4%
Net interest income	**$ 13,310**	$ 12,195	9.1%
Net income	**$ 4,407**	$ 3,585	22.9%
Shareholders' Value (per share)			
Net income – basic	**$ 1.77**	$ 1.45	22.1%
Net income – diluted	**$ 1.75**	$ 1.43	22.4%
Dividends	**$ .60**	$ .56	7.1%
Book value	**$ 33.84**	$ 30.56	10.7%
Market value	**$ 40.88**	$ 37.50	9.0%
Market value/book value ratio	**120.8%**	122.7%	(1.5%)
*Price/earnings multiple	**11.5X**	12.9X	(10.9%)
*Dividend yield	**2.94%**	2.99%	(1.7%)
Financial Ratios			
*Return on average assets	**1.27%**	1.10%	15.5%
*Return on average equity	**10.79%**	9.53%	13.2%
Efficiency ratio	**64.93%**	70.48%	(7.9%)
Net interest margin	**4.24%**	4.13%	2.7%
Shareholders' equity/asset ratio	**11.89%**	11.49%	3.5%
Dividend payout ratio	**33.90%**	38.62%	(12.2%)
Nonperforming assets/total assets	**1.66%**	1.75%	(5.1%)
Allowance for loan losses as a % of loans	**1.61%**	1.55%	3.9%
Net charge-offs/average loans	**.01%**	–	–
Allowance for loan losses/nonaccrual loans	**127.07%**	173.46%	(26.7%)
Allowance for loan losses/non-performing loans	**115.47%**	155.60%	(25.8%)
Financial Position at June 30,			
Assets	**$ 709,738**	$ 658,812	7.7%
Loans	**$ 523,152**	$ 504,550	3.7%
Deposits	**$ 565,227**	$ 492,377	14.8%
Stockholders' equity	**$ 84,398**	$ 75,678	11.5%

*annualized

Dear Shareholders:

It is my pleasure to present this report of Dimeco Inc., as of the second quarter of 2019. Enthusiastically, I have great news.

When compared to the same period one year ago, Dimeco's financial position as of June 30, 2019 shows several positive results. Deposits stand at $565 million, an increase of almost 15% over 2018. Deposit growth this year was spread across checking and savings accounts as well as certificates of deposits. This growth includes the repositioning of commercial funds from repurchase agreement sweep accounts into deposit accounts. This transition provides our commercial clients with FDIC insurance for their deposits, while eliminating the need for us to pledge investment securities. Loans as of June 30, 2019 are $523 million or 3.7% higher than in 2018. The pace of both consumer and commercial loan originations are handsomely ahead of those last year. In 2019, we continue to experience unexpected loan payoffs. Despite these payoffs, our lenders are busy originating new loans, and our loan pipeline remains healthy.

As we end the second quarter of 2019, our assets are $710 million, an increase of 7.7% over the previous year. We are proud to note that this is the first quarter that total assets are over $700 million.

The second quarter indicates continued positive results from an income performance perspective. Interest income for the first half of 2019 is $16 million, a 15% expansion over 2018. Interest expense year to date is $2.7 million, or 58% over one year earlier. Interest expense related to certificates of deposit represents the greatest increase, mostly due to special rate offerings to reward customer relationships and to remain competitive in our market. Of particular note, net interest income is $13.3 million, up 9% over that of a year ago. Net income of $4.4 million is a solid 23% increase over 2018! These positive results are mainly attributable to the increase in all types of interest income along with reduced expenses related to other real estate owned with continued improvement in asset quality.

This strong performance equates to very positive results for shareholders. On a per share basis, the book value and market value of your Dimeco investment grew by 10.7% and 9%, respectively when comparing 2019 to 2018. Moreover, dividends approved by your Board of Directors increased by 7.1% over the same period. Finally, the year to date return on average assets ratio is 1.27% and the return on average equity is 10.79%, increases of 15.5% and 13.2% respectively, over the first half of 2018.

As we move into the next half of 2019, we do so vigilantly, watching several factors including: the overall sentiment of our economy, concern over possible turmoil with foreign trade, and the uncertainty of potential interest rate moves by the Federal Reserve. Rest assured that all our actions in the coming months will continue to be directed toward providing you with the best results possible.

We extend sincere thanks to you for your investment and loyalty. I encourage you to recommend us to others for investment in our stock and to use our full array of banking and wealth management services. As always, your comments and questions are welcome.

Sincerely,

Gary C. Beilman
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(unaudited)

(in thousands)

	6/30/2019	3/31/2019	6/30/2018
Assets			
Cash and cash equivalents	**$ 21,789**	$ 15,172	$ 12,685
Mortgage loans held for sale	**–**	458	–
Investment securities available for sale	**122,965**	114,883	99,319
Loans, net of allowance for loan losses	**514,741**	505,125	496,706
Premises and equipment	**9,374**	9,417	9,861
Accrued interest receivable	**2,282**	2,158	1,998
Other real estate owned	**4,487**	4,749	6,483
Other assets	**34,100**	34,455	31,760
TOTAL ASSETS	**$ 709,738**	$ 686,417	$ 658,812
Liabilities			
Deposits:			
Noninterest-bearing	**$ 100,370**	$ 91,801	$ 97,691
Interest-bearing	**464,857**	449,805	394,686
Total deposits	**565,227**	541,606	492,377
Short-term borrowings	**652**	2,318	37,998
Other borrowed funds	**49,629**	50,820	45,568
Accrued interest payable	**284**	553	186
Other liabilities	**9,548**	9,670	7,005
TOTAL LIABILITIES	**625,340**	604,967	583,134
TOTAL STOCKHOLDERS' EQUITY	**84,398**	81,450	75,678
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 709,738**	$ 686,417	$ 658,812

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands, except per share data)	Three months ended			Six months ended	
	6/30/2019	3/31/2019	6/30/2018	**6/30/2019**	6/30/2018
Interest Income					
Loans, including fees	**$ 7,049**	$ 6,887	$ 6,405	**$ 13,936**	$ 12,655
Investment securities	**943**	881	612	**1,824**	1,126
Other	**159**	81	71	**240**	112
Total interest income	**8,151**	7,849	7,088	**16,000**	13,893
Interest Expense					
Deposits	**1,007**	999	553	**2,006**	1,108
Short-term borrowings	**–**	10	31	**10**	57
Other borrowed funds	**331**	343	281	**674**	533
Total interest expense	**1,338**	1,352	865	**2,690**	1,698
Net Interest Income	**6,813**	6,497	6,223	**13,310**	12,195
Provision for loan losses	**102**	248	–	**350**	248
Net Interest Income, After Provision for Loan Losses	**6,711**	6,249	6,223	**12,960**	11,947
Noninterest income	**1,158**	1,038	1,077	**2,196**	2,301
Noninterest expense	**5,320**	4,887	5,453	**10,207**	10,347
Income before income taxes	**2,549**	2,400	1,847	**4,949**	3,901
Income taxes	**299**	243	142	**542**	316
NET INCOME	**$ 2,250**	$ 2,157	$ 1,705	**$ 4,407**	$ 3,585
Earnings per share-basic	**$ .90**	$ .87	$ .69	$ 1.77	$ 1.45
Earnings per share-diluted	**$ .89**	$ .86	$ .68	$ 1.75	$ 1.43
Average shares outstanding-basic	2,490,179	2,488,467	2,475,503	2,489,969	2,475,285
Average shares outstanding-diluted	2,518,289	2,517,538	2,502,530	2,518,518	2,501,735

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, 2019 and the year ended December 31, 2018 (in thousands):

	June 30, 2019						
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 2,938	$ 215	$ 2,711	$ 108	$ 1,322	$ 831	$ 8,125
Charge-offs	(184)	-	-	(66)	(221)	-	(471)
Recoveries	323	-	45	19	20	-	407
Provision	229	(17)	121	44	122	(149)	350
Ending balance	$ 3,306	$ 198	$ 2,877	$ 105	$ 1,243	$ 682	$ 8,411
Ending allowance balance:							
Loans individually evaluated for impairment	$ 731	$ -	$ 447	$ -	$ 208	$ -	$ 1,386
Loans collectively evaluated for impairment	2,575	198	2,430	105	1,035	682	7,025
Total	$ 3,306	$ 198	$ 2,877	$ 105	$ 1,243	$ 682	$ 8,411
Ending loan balance:							
Loans individually evaluated for impairment	$ 4,200	$ -	$ 13,454	$ -	$ 1,718	$ -	$ 19,372
Loans collectively evaluated for impairment	97,910	25,477	260,627	10,248	109,518	-	503,780
Total	$ 102,110	$ 25,477	$ 274,081	$ 10,248	$ 111,236	$ -	$ 523,152

NOTE 1 –ALLOWANCE FOR LOAN LOSSES (continued)

	December 31, 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	(35)	(90)	(67)	(145)	(228)	-	(565)
Recoveries	99	-	425	36	48	-	608
Provision	349	79	(485)	126	140	291	500
Ending balance	$ 2,938	$ 215	$ 2,711	$ 108	$ 1,322	$ 831	$ 8,125
Ending allowance balance:							
Loans individually evaluated for impairment	$ 336	$ -	$ 180	$ 5	$ 301	$ -	$ 822
Loans collectively evaluated for impairment	2,602	215	2,531	103	1,021	831	7,303
Total	$ 2,938	$ 215	$ 2,711	$ 108	$ 1,322	$ 831	$ 8,125
Ending loan balance:							
Loans individually evaluated for impairment	$ 1,316	$ -	$ 7,516	$ 5	$ 1,813	$ -	$ 10,650
Loans collectively evaluated for impairment	99,871	27,378	266,094	8,899	110,397	-	512,639
Total	$ 101,187	$ 27,378	$ 273,610	$ 8,904	$ 112,210	$ -	$ 523,289

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, 2019 and the year ended December 31, 2018. 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, 2019 and December 31, 2018 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, 2019					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Pass	$ 95,061	$ 21,752	$ 251,989	$ 10,239	$ 107,326	$ 486,367
Special Mention	2,507	122	3,239	9	2,096	7,973
Substandard	4,542	3,603	18,853	-	1,814	28,812
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 102,110	$ 25,477	$ 274,081	$ 10,248	$ 111,236	$ 523,152

	December 31, 2018					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Pass	$ 94,518	$ 23,605	$ 248,774	$ 8,901	$ 107,859	$ 483,657
Special Mention	5,381	126	11,824	3	2,406	19,740
Substandard	1,288	3,647	13,012	-	1,945	19,892
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 101,187	$ 27,378	$ 273,610	$ 8,904	$ 112,210	$ 523,289

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, 2019 and December 31, 2018 including loans which are in nonaccrual status (in thousands):

	June 30, 2019						
	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	$ 218	$ 37	$ 118	$ 373	$ 101,737	$ 102,110	$ -
Construction and development	177	-	-	177	25,300	25,477	-
Commercial real estate	233	-	403	636	273,445	274,081	-
Consumer	19	13	8	40	10,208	10,248	-
Residential real estate	405	190	245	840	110,396	111,236	-
Total	$ 1,052	$ 240	$ 774	$ 2,066	$ 521,086	$ 523,152	$ -

	December 31, 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	$ 131	$ 72	$ 425	628	$ 100,559	$ 101,187	$ -
Construction and development	-	-	-	-	27,378	27,378	-
Commercial real estate	169	114	1,276	1,559	272,051	273,610	-
Consumer	33	-	-	33	8,871	8,904	-
Residential real estate	257	756	522	1,535	110,675	112,210	-
Total	$ 590	$ 942	$ 2,223	$ 3,755	$ 519,534	$ 523,289	$ -