

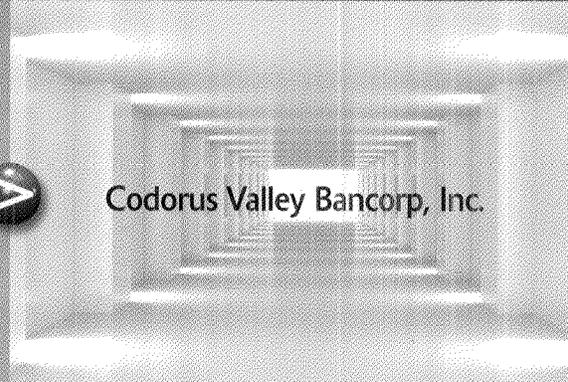


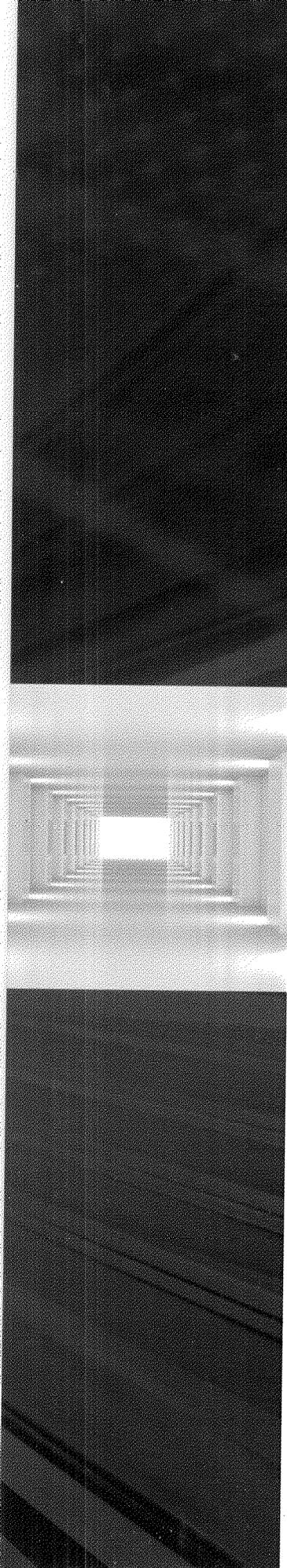
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*Moving Forward...*  
***Together***



Codorus Valley Bancorp, Inc.





If everyone is *moving forward together*,  
then success takes care of itself.

—Henry Ford

#### To Our Shareholders

We will look back on 2011 as a year of significant accomplishments by our Company and continued, limited economic recovery for our nation. Presently, 25 million people remain unemployed or unable to find meaningful work at their current skill levels. To put this in perspective, the number of jobs lost during the Great Recession was almost twice the number lost in any one of the last four recessions, and was the biggest recession in terms of job losses of any recession since World War II. Adding to the nation's issues, due to our political leaders being unable to produce a long-term plan to reduce the federal budget deficit, the credit agency Standard & Poor's reduced the United States' sterling AAA credit rating for the first time in 70 years.

Concurrently, Europe's sovereign-debt crisis loomed over U.S. markets and threatened to spin out of control. Europe's financial system was shaken to its very core as Portugal became the third European country, after Greece and Ireland in 2010, to require a government bailout as its borrowing costs soared. Along-the-way, Spain and Italy would also need financial assistance.

Couple the foregoing with natural disasters experienced around the world, such as the Japanese earthquake/tsunami which crippled the Fukushima Dai-ichi nuclear reactor, and the tornados, hurricanes and floods experienced in our nation, and 2011 will leave an indelible mark in our memories. In spite of all of this, as a Company and community, we carried on with our duties and continued *moving forward together*.

Codorus Valley Bancorp, Inc. is blessed to be staffed with good people, doing their absolute best to meet the needs of our clients, being purposeful and resolute during these troubling times. As a result of their efforts in 2011, Codorus Valley, primarily through its financial services subsidiary PeoplesBank, realized a significant financial achievement, closing the year with over \$1 billion in total assets. In addition, total deposits ended the year at \$854 million, a six percent increase over 2010. I'm pleased to announce that PeoplesBank now maintains 13 percent of the market share and is the second largest financial institution as measured by total deposits in York County. Last year PeoplesBank captured 93% of total York County deposit growth and over the past five years, PeoplesBank has captured 86% of total York County deposit growth among commercial banks and savings institutions.

For 2011, net income available to common shareholders was \$5.3 million, up slightly from the \$5.2 million realized in 2010. Total loans ended 2011 at \$696 million, an increase of eight percent over 2010 and total equity was up 22 percent, ending 2011 at \$93 million.

Additional 2011 financial performance information for Codorus Valley Bancorp, Inc. is contained in the Form 10-K.

Over the past year, we were pleased to announce the addition of three individuals to the Board of Directors of both Codorus Valley and PeoplesBank. They are: Cynthia A. Dotzel, CPA, a practicing Certified Public Accountant and a principal in the firm SF & Company; Jeffrey R. Hines, P.E., President and Chief Executive Officer of the York Water Company; and Harry R. Swift, Esq., General Counsel and Secretary to both Codorus Valley and PeoplesBank. We are very glad that these highly respected and community-minded individuals have agreed to share their time and talents as members of the Board of Directors of our companies.

In August 2011, we opened our eighteenth full service financial center in Westminster, the county-seat of Carroll County, Maryland. This location continues our expansion into the Maryland market, following the opening of offices in Hunt Valley and Bel Air during 2008. Since 2008, those two locations have generated in excess of \$144 million in new loans and gathered over \$33 million in total deposits. The Westminster location is managed by Vice President Roderick G. Morrison. Rod is joined by Vice President Brian M. Warner and a talented support staff.

During the year we announced a number of promotions and additions to the staff. Stephen M. Altland was promoted to Senior Vice President and leader of the Wealth Management Division. Mr. Altland has over 25 years experience in the financial services industry and is well-qualified to lead the Wealth Management Division; which includes \$135 million in total assets under management in the Trust Division and \$142 million within Codorus Valley Financial Advisors, Inc. To assist Mr. Altland, we added Anna M. Lamond, Vice President / Trust Advisor and Victoria A. Schofield, Vice President / Codorus Valley Financial Advisors, Inc., to the staff.

## About Our Company

Incorporated in 1986, Codorus Valley Bancorp, Inc. is a one-bank holding company that provides a full range of financial services through its principal subsidiary, PeoplesBank, A Codorus Valley Company. As a publicly-held corporation, common stock in Codorus Valley Bancorp, Inc. is traded on the NASDAQ Global Market under the symbol CVLY. Codorus Valley Bancorp, Inc. is headquartered at the Codorus Valley Corporate Center, located at 105 Leader Heights Road, York, Pennsylvania 17403.

PeoplesBank, with origins dating back to 1864, is the largest independent community bank headquartered and managed in York County, Pennsylvania. Focused on acquiring and nurturing financial relationships with small and mid-sized businesses and consumers, PeoplesBank provides business, personal, and mortgage banking services as well as wealth management and real estate settlement services throughout its network of eighteen financial centers located in York County, Pennsylvania and Baltimore, Harford, and Carroll Counties in Maryland.

## Selected Financial Data

	2011	2010	2009	2008	2007
<b>Summary of operations (in thousands)</b>					
Interest income	\$ 45,411	\$ 44,027	\$ 40,310	\$ 36,732	\$ 39,169
Interest expense	12,359	13,154	16,358	15,809	18,489
Net interest income	33,052	30,873	23,952	20,923	20,680
Provision for (recovery of) loan losses	4,935	2,990	3,715	1,870	(554)
Noninterest income	7,358	7,574	7,497	6,665	5,688
Noninterest expense	27,079	28,116	24,491	20,044	18,368
Income before income taxes	8,396	7,341	3,243	5,674	8,554
Provision (benefit) for income taxes	1,617	1,133	(191)	1,209	2,180
Net income	6,779	6,208	3,434	4,465	6,374
Preferred stock dividends and discount accretion	1,460	980	957	0	0
Net income available to common shareholders	\$ 5,319	\$ 5,228	\$ 2,477	\$ 4,465	\$ 6,374
<b>Per common share (adjusted for stock dividends)</b>					
Net income, basic	\$ 1.28	\$ 1.28	\$ 0.61	\$ 1.13	\$ 1.64
Net income, diluted	\$ 1.27	\$ 1.28	\$ 0.61	\$ 1.12	\$ 1.61
Cash dividends paid	\$ 0.35	\$ 0.25	\$ 0.26	\$ 0.51	\$ 0.56
Stock dividends distributed				5%	5%
Book value	\$ 16.24	\$ 14.51	\$ 13.60	\$ 12.99	\$ 12.33
Tangible book value	\$ 16.19	\$ 14.44	\$ 13.52	\$ 12.90	\$ 12.23
Cash dividend payout ratio	27.3%	19.6%	42.3%	45.1%	33.8%
Weighted average shares outstanding	4,158,550	4,093,192	4,042,910	3,965,996	3,881,501
Weighted average diluted shares outstanding	4,185,008	4,099,475	4,042,910	3,990,956	3,965,980
<b>Profitability ratios</b>					
Return on average shareholders' equity (ROE)	8.04%	8.12%	4.88%	8.91%	13.91%
Return on average assets (ROA)	0.69%	0.67%	0.41%	0.71%	1.11%
Net interest margin	3.73%	3.72%	3.18%	3.63%	3.94%
Efficiency ratio	64.20%	69.87%	74.63%	70.59%	67.38%
Net overhead ratio	2.02%	2.24%	2.07%	2.14%	2.20%
<b>Capital ratios</b>					
Tier 1 risk-based capital	13.35%	12.51%	11.83%	10.03%	12.14%
Total risk-based capital	14.55%	13.64%	12.90%	10.80%	12.86%
Average shareholders' equity to average assets	8.56%	8.29%	8.43%	7.94%	7.96%
<b>Summary of financial condition at year-end (in thousands)</b>					
Investment securities	\$ 237,496	\$ 226,603	\$ 178,454	\$ 77,287	\$ 84,369
Loans	696,384	645,839	647,143	580,451	447,497
Assets	1,012,132	957,332	892,831	702,766	594,607
Deposits	854,399	806,110	722,957	598,129	511,968
Borrowings	56,885	68,805	92,748	47,779	30,660
Equity	93,242	76,539	72,012	52,181	48,415
<b>Other data</b>					
Number of bank offices	18	17	17	17	14
Number of employees (full-time equivalents)	203	198	201	200	179
Wealth Management assets, market value (in thousands)	\$ 277,505	\$ 368,985	\$ 325,482	\$ 261,153	\$ 320,655

## Board of Directors

Codorus Valley Bancorp, Inc. and PeoplesBank

### **Rodney L. Krebs**

Chairman, Codorus Valley Bancorp, Inc.  
and PeoplesBank  
President, Springfield Contractors, Inc.

### **Larry J. Miller**

Vice Chairman, President  
and Chief Executive Officer,  
Codorus Valley Bancorp, Inc. and PeoplesBank

### **D. Reed Anderson, Esquire**

Stock and Leader  
Attorney at Law

### **Cynthia A. Dotzel, CPA**

Principal and Practicing CPA  
SF & Company

### **Jeffrey R. Hines, P.E.**

President and Chief Executive Officer  
The York Water Company

### **MacGregor S. Jones**

Retired Automobile Dealer

### **William H. Simpson**

Vice Chairman, Susquehanna Real Estate LP

### **Dallas L. Smith**

President, Bruce V. Smith, Inc.

### **Harry R. Swift, Esquire**

General Counsel and Secretary,  
Codorus Valley Bancorp, Inc. and PeoplesBank

### **Hon. Michael L. Waugh**

28th Senatorial District, York County

## Corporate Officers

Codorus Valley Bancorp, Inc.

### **Larry J. Miller**

President and Chief Executive Officer

### **Harry R. Swift, Esquire**

Vice President and Secretary

### **Diane E. Hill, CPA**

Vice President and Auditor

### **Jann Allen Weaver, CPA**

Treasurer and Assistant Secretary

## PeoplesBank Leadership Group

### **Larry J. Miller**

President and Chief Executive Officer  
717-747-1500

### **Harry R. Swift, Esquire**

Executive Vice President and Secretary  
717-747-1501

### **Jann Allen Weaver, CPA**

Executive Vice President  
and Chief Financial Officer  
717-747-1502

### **Stephen M. Altland**

Senior Vice President,  
Wealth Management Division  
717-747-1585

### **Matthew A. Clemens, SPHR**

Senior Vice President,  
Human Resources Division  
717-747-1507

### **Lynn D. Crenshaw**

Senior Vice President,  
Retail Sales and Services Division  
717-747-1509

### **Kent A. Ketterman**

Senior Vice President,  
Senior Business Advisor  
717-747-1506

### **Jeffrey A. Snyder**

Senior Vice President,  
Chief Lending Officer  
717-747-1515

### **Todd A. Tyson, CFSSP, CBAP**

Senior Vice President,  
General Services Division  
and Security Officer  
717-747-1510

### **Scott T. Weaver**

Senior Vice President, Cashier,  
and Chief Credit Officer  
717-747-1508

### **Nathan A. Eifert**

Vice President,  
Director of Marketing  
717-747-1520

### **Gregg A. Elicker**

Vice President,  
Chief Information Officer  
717-747-1586

### **Diane E. Hill, CPA**

Vice President,  
Auditor  
717-747-1550

### **Keith L. Sheffer**

Vice President,  
Mortgage Banking Division  
717-747-1540

**Common Stock, Dividend, and Broker Information**

The common shares of Codorus Valley Bancorp, Inc. are traded on the NASDAQ Global Market under the symbol CVLY. Codorus Valley had approximately 1,995 holders of record as of March 8, 2012. The closing price per share of Codorus Valley's common stock on March 8, 2012 was \$10.85. The following table sets forth high and low sales prices and dividends paid per common share for Codorus Valley as reported by NASDAQ during the periods indicated.

Quarter	2011			2010		
	High	Low	Dividends per share	High	Low	Dividends per share
First	\$11.23	\$ 9.30	\$0.08	\$7.40	\$5.00	\$0.03
Second	11.25	10.02	0.09	9.15	6.70	0.06
Third	11.00	8.75	0.09	8.51	7.05	0.08
Fourth	9.75	8.23	0.09	9.50	8.03	0.08

For further information, we refer you to the following market makers in our common stock:

Boenning & Scattergood, Inc.  
1-800-842-8928

RBC Wealth Management  
1-800-344-4413

**Internet Information**

Information about products and services that are offered by Codorus Valley and its subsidiaries is available on the Internet at [www.peoplesbanknet.com](http://www.peoplesbanknet.com).

**Financial Information**

The Annual Report on Form 10-K is filed with the Securities and Exchange Commission (SEC). Copies of this document and other SEC filings by Codorus Valley Bancorp, Inc. may be obtained electronically at PeoplesBank's website at [www.peoplesbanknet.com](http://www.peoplesbanknet.com) (select About Us, then select Investor Relations, then select SEC Filings), or the SEC's website at [www.sec.gov/edgarhp.htm](http://www.sec.gov/edgarhp.htm). Copies can also be obtained without charge by writing to: Treasurer, Codorus Valley Bancorp, Inc., P.O. Box 2887, York, PA 17405-2887.

**Annual Shareholders Meeting**

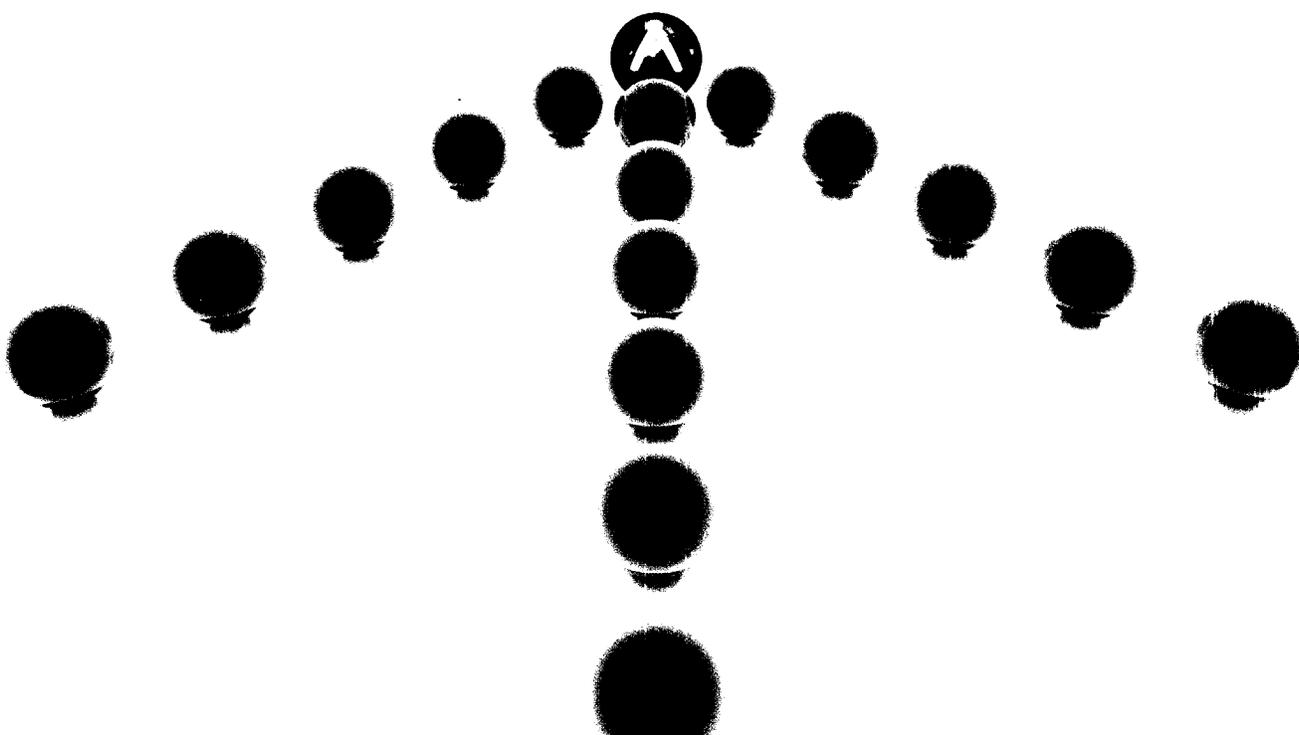
The Annual Meeting of Shareholders will be held on Tuesday, May 15, 2012, at 9:00 a.m. Eastern Time, at the Codorus Valley Corporate Center, 105 Leader Heights Road, York, PA 17403.

**Transfer Agent**

Wells Fargo Bank, N.A., Shareowner Services, 161 North Concord Exchange, South St. Paul, MN 55075. Phone 1-800-468-9716.

**Dividend Reinvestment and Stock Purchase Plan**

Information regarding the Corporation's Dividend Reinvestment and Stock Purchase Plan may be obtained by contacting the transfer agent above.



**PeoplesBank Directors Emeritus**

M. Carol Druck  
Barry A. Keller  
Donald H. Warner

**Bank Officers and Managers**

Thomas W. Hodgins  
Senior Vice President  
Director, Maryland Banking Group

Lorrie A. Schenning  
Senior Vice President, Business Banking

Brian W. Caler  
Vice President, Business Banking

M. Scott Elliott  
Vice President, Business Banking

Tammy L. Ford  
Vice President  
Director, Client Relationship Management

Jeffrey E. Grove  
Vice President, Business Banking

Joseph P. Hackett  
Vice President, Senior Private Banking Advisor

Anna M. Lamond  
Vice President, Trust Advisor

Roderick G. Morrison  
Vice President, Business Banking

Dawn C. Paul  
Vice President, Controller

Stephen T. Sherman  
Vice President, Business Banking

Brian M. Warner  
Vice President, Business Banking

Brady J. Barnes  
Assistant Vice President, Business Banking

Rose M. Detter  
Assistant Vice President,  
Retail Client Relationship Manager

Stephen P. Doud  
Assistant Vice President and Manager,  
Information Technology

Susannah W. Groves, CTP  
Assistant Vice President,  
Cash Management Advisor

Steven E. Miller  
Assistant Vice President, Loan Review Officer

Carol E. Montony  
Assistant Vice President and Manager,  
Client Care Center

Kelly L. Rosenzweig  
Assistant Vice President,  
Senior Financial Analyst

Timothy S. Wise  
Assistant Vice President and Manager,  
Loan Services

Lorraine L. Baldwin  
Deposit Services Manager

Mary C. Buck, CBA, CRCM  
Compliance Officer

Phyllis A. Crumley  
Retail Services Officer

Lindsay M. Heist  
Human Resources Officer

Debra A. Messersmith  
Manager, Retail Support

Suzanne D. Meszaros  
Settlement Manager

Stephanie R. Miller  
Trust Officer

Mary Anne Seitz  
Training Manager

Trudy L. Stoner  
Training Officer

Natalie L. Thompson  
Payroll and Benefits Officer

Tamara L. Wildasin  
Senior Commercial Credit Review Officer

**Financial Center Regional Managers**

John S. Eaton, Jr.  
Vice President

Carol A. Gross  
Assistant Vice President

Dawn M. Muir  
Assistant Vice President

Barbara J. Wilson  
Assistant Vice President

**Financial Center Managers**

Christopher M. Aulbach  
Assistant Vice President

Marisa G. Baublitz  
Assistant Vice President

James W. Coombes  
Assistant Vice President

Nathan D. Fischer

Wanda M. Hartlaub

Terry R. Kernan

Connie L. Kiser  
Assistant Vice President

Wendy M. Livingston

Algard P. Shaffer  
Assistant Vice President

Michele K. Shearer

**Codorus Valley Financial Advisors, Inc.****Officers**

Harry R. Swift, Esquire  
President

Larry J. Miller  
Vice President and Secretary

Victoria A. Schofield  
Vice President

Todd A. Tyson, CFSP, CBAP  
Vice President

Jann Allen Weaver, CPA  
Treasurer and Assistant Secretary

**Registered Representatives**

Steven E. Poff

Richard B. Shuster

David J. Tushingam

**SYC Settlement Services, Inc.****Officers**

Harry R. Swift, Esquire  
President

Larry J. Miller  
Vice President and Secretary

Scott T. Weaver  
Vice President

Jann Allen Weaver, CPA  
Treasurer and Assistant Secretary

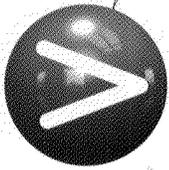
**Contact Information**

To contact any Financial Center, the Client Care Center, or any bank employee, please call us at 717-846-1970 or 1-888-846-1970.

**Electronic Access**

Internet banking and online bill payment services are available at [www.peoplesbanknet.com](http://www.peoplesbanknet.com). Phoneconnect<sup>®</sup> 24-hour telephone banking may be accessed by calling 717-747-1555 or 1-888-767-1555.

For location information and hours, visit [www.peoplesbanknet.com](http://www.peoplesbanknet.com). All Financial Centers have a 24-Hour ATM on-site for client convenience and are members of the MoneyPass<sup>®</sup> ATM Network.



We continued to implement the Client Relationship Management (CRM) initiative approved by the Board of Directors last year. This comprehensive strategy, which has been branded internally as BRAVO!, will enhance client satisfaction across all business lines while also advancing the acquisition of new and expansion of existing client relationships. Tammy L. Ford was promoted to Vice President/Director of CRM and continues to lead the Company through the implementation of the BRAVO! initiative.

I am saddened to report that in March 2011, a dear friend, advisor and dedicated public servant, Bernard F. Young, passed away. "Nardie," as everyone called him, served our Company and our Country faithfully, with distinction and fidelity. He was a member of PeoplesBank's Board of Directors from 1963 until reaching mandatory retirement in 1988. He was a founding member of Codorus Valley's Board of Directors, and served as Vice President. His warmth, sincerity and smile were ever-present. Nardie was dearly loved and is missed by all.

Recently the Dow Jones industrial average briefly closed above the psychological barrier of 13,000, last surpassed in May 2008. This recent stock surge has lifted the Dow Jones industrial average 6.4 percent so far in 2012, and the Dow average has now doubled in the nearly three years since the depths of the financial crisis in March 2009. The unemployment rate has fallen to 8.3 percent, after peaking at 10 percent in October 2009 and consumer confidence continues to rise; all of which are positive signs for our economy and our Country.

While the economy does appear to be moving forward, the residual impact of the Great Recession from a regulatory perspective on Codorus Valley is just now being felt. In response to the Great Recession, 2011 saw the implementation of the Dodd-Frank Act (the "Act"), one of the most sweeping regulatory reforms of the financial services industry in decades. As a result of the Act, five new federal agencies were added to provide oversight of the banking industry, including the Consumer Financial Protection Bureau (CFPB), adding yet another costly layer of federal bureaucracy through which bankers must now navigate. To provide perspective, PeoplesBank's regulatory compliance staff consisted of one person ten years ago. Today, due to Dodd-Frank and predecessor legislation such as Sarbanes-Oxley, PeoplesBank's compliance-related staff is comprised of five professionals and is lead by in-house Counsel.

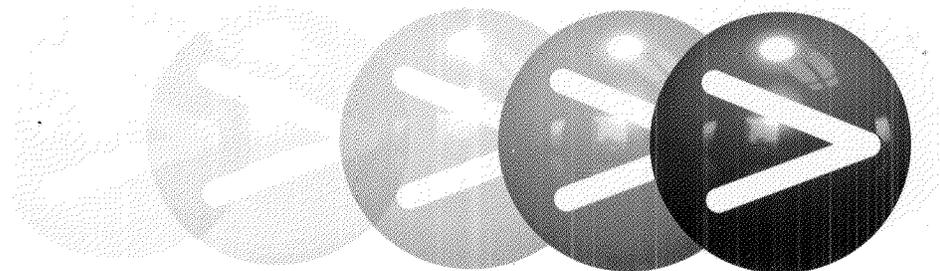
It has been said that the only constant in life is change, and that is certainly true when one considers the regulatory oversight under which we currently function. The business of banking is also undergoing change. Banks have to sell more products to more people. We have to determine which clients, products, business lines and branch locations make money and then focus the Company's capital, training and technology in those areas in order to prosper and survive. We believe the BRAVO! initiative currently being implemented is not only a tool but a mindset that will assist us in determining the foregoing. And we strongly believe we have the people with the necessary talent, skills and determination to implement the Company's strategic business plans into the future.

To everyone associated with Codorus Valley Bancorp, Inc., thank you for your efforts on behalf of our Company and the communities we serve. And thank you, our shareholders, for your confidence, financial support and continued long-term investment in Codorus Valley Bancorp, Inc.

**Larry J. Miller**  
President and Chief Executive Officer  
Codorus Valley Bancorp, Inc. and PeoplesBank



APR 08 2012



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[www.peoplesbanknet.com](http://www.peoplesbanknet.com)