

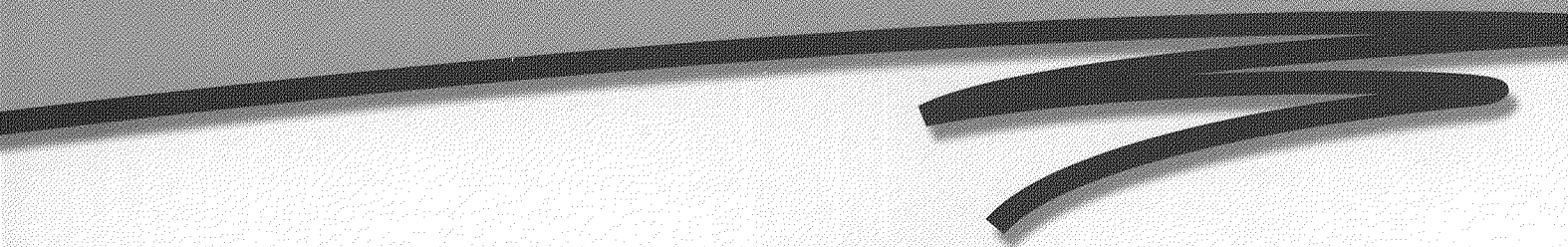
10011284

SEC Mail Processing  
Section

MAR 31 2010

Washington, DC  
112

Codorus Valley Bancorp, Inc.  
**2009** Annual Report

A decorative graphic at the bottom of the page consisting of a thick, dark, curved line that starts on the left and ends on the right, with a smaller, similar curved line below it.

## 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 seventeen financial centers located in York County, Pennsylvania and Baltimore and Harford Counties in Maryland.

## Selected Financial Data

	2009	2008	2007	2006	2005
<b>Summary of operations (in thousands)</b>					
Interest income	\$ 40,310	\$ 36,732	\$ 39,169	\$ 33,319	\$ 25,572
Interest expense	16,358	15,809	18,489	15,077	9,149
Net interest income	23,952	20,923	20,680	18,242	16,423
Provision for (recovery of) loan losses	3,715	1,870	(554)	650	775
Noninterest income	7,497	6,665	5,688	5,465	5,003
Noninterest expense	24,491	20,044	18,368	15,890	14,482
Income before income taxes (benefit)	3,243	5,674	8,554	7,167	6,169
Provision (benefit) for income taxes	(191)	1,209	2,180	1,845	1,552
Net income	3,434	4,465	6,374	5,322	4,617
Preferred stock dividends and discount accretion	957	-	-	-	-
Net income available to common shareholders	\$ 2,477	\$ 4,465	\$ 6,374	\$ 5,322	\$ 4,617
<b>Per common share (adjusted for stock dividends)</b>					
Net income, basic	\$ 0.61	\$ 1.13	\$ 1.64	\$ 1.38	\$ 1.21
Net income, diluted	\$ 0.61	\$ 1.12	\$ 1.61	\$ 1.35	\$ 1.18
Cash dividends paid	\$ 0.26	\$ 0.51	\$ 0.56	\$ 0.44	\$ 0.41
Stock dividends distributed	-	5%	5%	10%*	5%
Book value	\$ 13.60	\$ 12.99	\$ 12.33	\$ 11.08	\$ 10.08
Cash dividend payout ratio	42.3%	45.1%	33.8%	32.0%	33.6%
Weighted average shares outstanding	4,042,910	3,965,996	3,881,501	3,846,877	3,831,399
Weighted average diluted shares outstanding	4,042,910	3,990,956	3,965,980	3,937,050	3,907,787
*includes a special 5% stock dividend					
<b>Profitability ratios</b>					
Return on average shareholders' equity (ROE)	4.9%	8.9%	13.9%	13.0%	12.3%
Return on average assets (ROA)	0.41%	0.71%	1.11%	1.05%	1.06%
Net interest margin	3.23%	3.68%	3.97%	3.97%	4.16%
Efficiency ratio	74.6%	70.6%	67.4%	65.1%	66.1%
Net overhead ratio	2.07%	2.14%	2.20%	2.04%	2.16%
<b>Capital ratios</b>					
Tier 1 risk-based capital	11.8%	10.0%	12.1%	12.0%	10.6%
Total risk-based capital	12.9%	10.8%	12.9%	12.7%	11.3%
Average shareholders' equity to average assets	8.4%	7.9%	8.0%	8.1%	8.6%
<b>Summary of financial condition at year-end (in thousands)</b>					
Investment securities	\$ 178,454	\$ 77,287	\$ 84,369	\$ 80,926	\$ 69,664
Loans	647,143	580,451	447,497	407,260	369,631
Assets	892,831	702,766	594,607	548,212	476,052
Deposits	722,957	598,129	511,968	456,645	385,154
Borrowings	92,748	47,779	30,660	45,339	49,493
Equity	72,012	52,181	48,415	42,786	38,729
<b>Other data</b>					
Number of bank offices	17	17	14	14	14
Number of employees (full-time equivalents)	201	200	179	168	163
Wealth Management assets, market value (in thousands)	\$ 325,482	\$ 261,153	\$ 320,655	\$ 259,453	\$ 213,735

## 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

### **MacGregor S. Jones**

Retired Automobile Dealer

### **William H. Simpson**

Vice Chairman,  
Susquehanna Real Estate LP

### **Dallas L. Smith**

President,  
Bruce V. Smith, Inc.

### **Donald H. Warner**

President,  
Warners Motor Express, Inc.

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

28th Senatorial District  
York County

## Corporate Officers

Codorus Valley Bancorp, Inc.

### **Larry J. Miller**

President and CEO

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

Vice President and Secretary

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

Treasurer and Assistant Secretary

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

Vice President and Auditor

*You're Welcome Here!*

## PeoplesBank Leadership Group

### **Larry J. Miller**

President and Chief Executive Officer  
717-747-1500  
lmiller@peoplesbanknet.com

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

Executive Vice President and Secretary  
717-747-1501  
rswift@peoplesbanknet.com

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

Executive Vice President  
and Chief Financial Officer  
717-747-1502  
jweaver@peoplesbanknet.com

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

Senior Vice President,  
Human Resources Division  
717-747-1507  
mclemens@peoplesbanknet.com

### **David J. Cover, CRSP**

Senior Vice President,  
Senior Settlement Advisor  
717-747-1517  
dcover@peoplesbanknet.com

### **Lynn D. Crenshaw**

Senior Vice President,  
Retail Sales and Services Division  
717-747-1509  
lcrenshaw@peoplesbanknet.com

### **David R. Kenney**

Senior Vice President,  
Wealth Management Division  
717-747-1557  
dkenney@peoplesbanknet.com

### **Kent A. Ketterman**

Senior Vice President,  
Senior Business Advisor  
717-747-1506  
kketterman@peoplesbanknet.com

### **Jeffrey A. Snyder**

Senior Vice President,  
Chief Lending Officer  
717-747-1515  
jsnyder@peoplesbanknet.com

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

Senior Vice President,  
General Services Division  
and Security Officer  
717-747-1510  
ttyson@peoplesbanknet.com

### **Scott T. Weaver**

Senior Vice President, Cashier,  
and Chief Credit Officer  
717-747-1508  
sweaver@peoplesbanknet.com

### **Nathan A. Eifert**

Vice President,  
Director of Marketing  
717-747-1520  
neifert@peoplesbanknet.com

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

Vice President,  
Auditor  
717-747-1550  
dhill@peoplesbanknet.com

### **Keith L. Sheffer**

Vice President,  
Mortgage Banking Division  
717-747-1540  
ksheffer@peoplesbanknet.com

### 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 1,005 registered shareholders of record as of March 1, 2010. 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. The sales prices and cash dividends per common share listed are adjusted for common stock dividends.

Quarter	2009			2008		
	High	Low	Dividends per share	High	Low	Dividends per share
First	\$9.05	\$6.50	\$0.120	\$16.90	\$14.60	\$0.133
Second	9.86	6.05	0.080	17.40	13.62	0.133
Third	7.50	5.75	0.030	14.25	5.40	0.120
Fourth	6.24	5.12	0.030	11.86	7.75	0.120

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 18, 2010, 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.

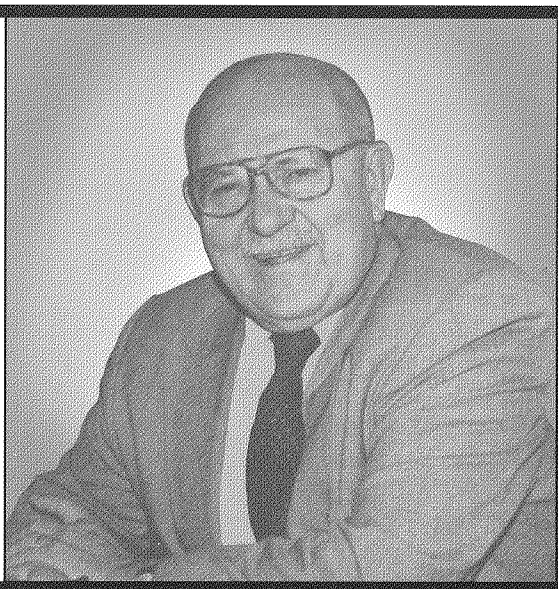
#### IN MEMORY OF

**Jeffrey C. Bortner, Esq.**

1923-2010

Story Teller  
Inquisitive Mind  
Lifelong Learner  
Student of History  
Gifted Communicator

—Counselor—



# To Our Shareholders

I believe you would agree that 2009 was another challenging year for the financial services industry and for banking professionals. In my 39-year career at PeoplesBank, the financial services subsidiary of Codorus Valley Bancorp, Inc., I have never witnessed the economic turmoil, double digit unemployment and rapid loss of homeowner equity caused by the near total collapse of the world's financial system. Mortgage bankers (sub-prime lending) and money-center banks (derivative investment products) were initially and rightfully vilified for their respective actions in creating what is now known as the "Great Recession."

In order to stabilize and stimulate the economy, Federal Reserve Chairman Ben Bernanke injected more than \$2 trillion into the monetary system and reduced nominal short-term interest rates to zero. Also, the U.S. Congress passed the \$700 billion Emergency Economic Stabilization Act of 2008. The Act's purposes were to preserve or create three million jobs and to provide capital to support the financial services industry.

The Act included funding for the U.S. Treasury's Capital Purchase Program. The Treasury and banking regulators encouraged strong, healthy financial institutions, such as Codorus Valley, to participate. Based upon our business plan and anticipated capital needs, Codorus Valley applied for, and received, \$16.5 million in capital funds from the sale of nonvoting perpetual preferred stock and common stock warrants to the U.S. Treasury. We believe Codorus Valley is effectively deploying the additional capital as our financial performance in 2009 included significant loan and deposit growth.

Codorus Valley Bancorp, Inc. achieved record balance sheet growth in 2009, as assets increased \$190 million or 27 percent above year-end 2008, ending the year at \$893 million. Total deposits ended 2009 at \$723 million, an increase of \$125 million or 21 percent above 2008. This growth propelled PeoplesBank to the third highest market share in York County deposits. Total loans grew \$67 million to end the year at \$647 million, an 11 percent increase over 2008.

In March 2009, the low point of the U.S. stock market during the Great Recession, assets managed by the Wealth Management Division totaled \$243 million. Through asset accumulation and market appreciation, managed assets ended the year 2009 at \$325 million, a 34 percent increase.

While we were very pleased with the foregoing performance, we continued to be challenged by credit quality and related expenses, net interest margin compression and costs associated with FDIC deposit insurance premiums and assessments. As a result Codorus Valley Bancorp, Inc. earned net income available to common shareholders of \$2,477,000 in 2009, compared to \$4,465,000 earned in 2008; a decrease of 45 percent. Measured by key financial ratios, such as return on average assets and return on average equity, Codorus Valley still outperformed its peer group average for bank holding companies in the Third Federal Reserve District for 2009.

The \$1.8 million increase in the provision for loan losses, between 2008 and 2009, was necessary for two distinctly different reasons. First, the provision was increased to support impaired commercial real estate loans that are currently in collection. Second, the provision was increased to support the significant growth in the loan portfolio as described previously.

FDIC premiums and assessments in 2009 increased \$1.1 million, or 332 percent, above 2008. Of total FDIC costs, \$382,000 pertained

to a special assessment imposed on all commercial financial institutions based upon an FDIC assessment formula. This special assessment, and other subsequent actions taken by the FDIC, was necessary to help replenish the Deposit Insurance Fund due to bank failures.

Throughout the year, PeoplesBank continued developing banking relationships with clients at our three newest locations in Hunt Valley and Bel Air, MD, and Hanover, PA. We are very pleased with their progress, as the Maryland Banking Division has collectively closed over \$105 million in new loans since its opening in 2008 and the North Hanover financial center has exceeded our expectations.

In November 2009, PeoplesBank relocated its East York financial center to a leased facility at 2410 Eastern Boulevard, York. The old location, which was owned by PeoplesBank, has been sold and is awaiting settlement. The new location is better situated to meet the needs of our growing client base in that market.

You may have noticed the new marketing tag line that was unveiled at last year's Annual Shareholders' meeting. As we developed new and deepened existing client relationships, we took note of the actions of our competitors and reacted accordingly. Specifically, due to mergers and changes in business philosophies within the industry, our competition continually invited their clients to seek financial services elsewhere. In response, we developed and implemented "**You're Welcome Here!**" as PeoplesBank's tag line, business philosophy and mantra. Based upon the strong growth in the number of households we now serve and their related deposits and loans, we believe our business plan has been effective.

Before closing, I must sadly report the passing of someone larger than life, Jeffrey C. Bortner, Esq. Mr. Bortner served this Corporation as a member of its Board of Directors from 1962 until 1993, retiring as Chairman of the Board of Directors. His legacy as a staunch supporter of Codorus Valley and the communities we collectively serve is well documented. For many, Jeff will be remembered for his jocular and his command of the English language. For me, he will be remembered fondly and simply as Counselor.

The pundits in Washington, D.C. claim that the Great Recession has ended, but we believe that our nation is still in the throes of an economic event that continues to evolve. Despite these difficult times, we have made significant progress in addressing the challenges that Codorus Valley, our clients and our community have faced, and we feel that our actions have positioned us well for the forecasted economic upturn.

To everyone associated with Codorus Valley Bancorp, Inc., thank you for your leadership, dedication and empathy during these very difficult times. And thank you, our shareholders, for your patience, support and financial commitment. We sincerely appreciate your continued long-term investment and confidence in Codorus Valley Bancorp, Inc.



**Larry J. Miller**

President and Chief Executive Officer

Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company

**PeoplesBank Directors Emeritus**

M. Carol Druck  
Barry A. Keller  
Bernard F. Young

**Bank Officers and Managers**

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

Lorrie A. Schenning  
Senior Vice President, Business Banking

Stephen M. Altland  
Vice President, Senior Trust Advisor

Gregg A. Elicker  
Vice President, Administrative Services

M. Scott Elliott  
Vice President, Business Banking

Terrence M. Gingrow  
Vice President, Business Banking

Jeffrey E. Grove  
Vice President, Business Banking

James B. Hess, III  
Vice President, Business Banking

Dawn C. Paul  
Vice President and Controller

Stephen T. Sherman  
Vice President, Business Banking

Brady J. Barnes  
Assistant Vice President, Business Banking

Susannah W. Groves  
Assistant Vice President, Cash Management  
Advisor

Steven E. Miller  
Assistant Vice President, Loan Review Officer

Kelly L. Rosenzweig  
Assistant Vice President, Senior Financial Analyst

Timothy S. Wise  
Assistant Vice President, Administrative Services

Mary C. Buck, CBA, CRCM  
Compliance Officer

Phyllis A. Crumley  
Retail Services Officer

Rose M. Detter  
Retail Services Officer

Renee K. Eberly  
Senior Settlement Services Officer

Donna A. Massa  
Training Officer

Phyllis C. McCullough  
Trust Officer

Sarah A. McPherson  
Trust Officer

Debra A. Messersmith  
Manager, Retail Support

Stephanie R. Miller  
Manager, Trust Operations

Carol E. Montony  
Manager, Client Care Center

Mary Anne Seitz  
Training Manager

Natalie L. Thompson  
Human Resources Officer

Dorcas J. Warner  
Settlement Officer, Credit Services

Tamara L. Wildasin  
Senior Commercial Credit Review Officer

**Financial Center Managers**

Christopher M. Aulbach  
Marisa G. Baublitz  
James W. Coombes  
John S. Eaton, Jr.  
Nathan D. Fischer  
Tammy L. Ford  
Michele K. Gowland  
Carol A. Gross  
Terry R. Kernan  
Connie L. Kiser  
Wendy M. Livingston  
Dawn M. Muir  
Algard P. Shaffer  
Barbara J. Wilson

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®  
ATM Network.

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

Harry R. Swift, Esquire  
President

William H. Thompson, CLU, CHFC  
Executive Vice President

Larry J. Miller  
Vice President and Secretary

Jann Allen Weaver, CPA  
Treasurer and Assistant Secretary

Todd A. Tyson, CFSSP  
Vice President

**Registered Representatives**

Rick A. Danielowski  
David J. Garber  
Steven E. Poff  
Richard B. Shuster  
William H. Thompson, CLU, CHFC  
David J. Tushingham  
Jason R. Weber

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

Harry R. Swift, Esquire  
President

Larry J. Miller  
Vice President and Secretary

Jann Allen Weaver, CPA  
Treasurer and Assistant Secretary

Scott T. Weaver  
Vice President

**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® 24-Hour Telephone  
Banking may be accessed by calling  
717-747-1555 or 1-888-767-1555.