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*Larry J. Miller  
Chairman, President and  
Chief Executive Officer*

December 13, 2016

Dear Shareholder:

I am pleased to inform you of the issuance of additional shares of Codorus Valley Bancorp, Inc. (the "Corporation") common stock.

On October 11, 2016, your Board of Directors authorized the payment of a five percent (5%) stock dividend for each outstanding share held on the October 25, 2016 record date. The authorization of this five percent stock dividend by your Board of Directors reflects the continued strong financial performance and growth of the Company. This stock dividend does not change your proportionate investment in the Corporation.

Your additional shares are being issued in direct registration on the books with Wells Fargo Shareowner Services, the Corporation's stock transfer agent. Fractional shares are only issued on shares that were purchased through the Dividend Reinvestment and Stock Purchase Plan (the Plan). A check is enclosed for the proceeds of the fractional shares issued on book entry and certificate shares. It is important to keep a copy of the enclosed statement, which contains information that may be required for future transactions.

The stock certificates you presently hold are still valid and should not be destroyed or exchanged. All certificates will continue to represent the same number of shares as shown on their face. You may choose to convert these shares into book-entry form by following the instructions on the back of your Direct Registration Statement. If you have questions please contact the Corporation's transfer agent at:

Wells Fargo Shareowner Services  
1110 Centre Pointe Curve, Suite 101  
MAC N9173-010  
Mendota Heights, MN 55120  
Phone: 800-468-9716 or 651-450-4064

We have been advised by counsel that, under present federal income tax laws, receipt of shares issued under this stock dividend distribution is not taxable as income to you. However, if you sell any shares, this distribution must be considered in calculating the tax cost basis of your shares in order to determine your gain or loss for federal income tax purposes. Please contact your personal tax advisor for more information.

We sincerely appreciate your investment and confidence in the Corporation. As always, we welcome your questions and comments.

Sincerely,

A handwritten signature in black ink that reads "Larry J. Miller".

Larry J. Miller  
Chairman, President & CEO