



*Codus Valley Bancorp, Inc.*

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

December 11, 2012

Dear Shareholder:

We are pleased to inform you of your additional shares of Codorus Valley Bancorp, Inc. (the "Corporation") common stock.

On October 9, 2012, your Board of Directors authorized the payment of a five percent (5%) stock dividend for each outstanding share held on the October 23, 2012 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 "book-entry" form without stock certificates. These shares are registered on the books with the Corporation maintained by Wells Fargo Shareowner Services, Codorus Valley's stock transfer agent and registrar. You will not receive a stock certificate unless you request it. Fractional shares are only issued on shares that were purchased through the Dividend Reinvestment and Stock Purchase Plan (the "Plan"). General information on the book-entry form of ownership appears on the back of the Direct Registration Statement enclosed with this letter. It is very important to keep a copy of the enclosed Direct Registration Statement, which contains information that may be required for future transactions.

A check is enclosed for the value of all fractional shares except for those shares issued under the Plan. In addition, a Dividend Reinvestment Plan Account Statement is enclosed for participants in the Plan.

The stock certificates you presently hold are still valid and should not be destroyed or exchanged. Such 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 any questions, do not hesitate to contact the Corporation's transfer agent as follows:

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

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 basis of your shares in order to determine your gain or loss for federal income tax purposes. To obtain additional information, please contact your personal tax advisor.

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

Sincerely,

Larry J. Miller  
Vice-Chairman, President & CEO