

PEOPLESBank
where it's all about people.

It's about people!

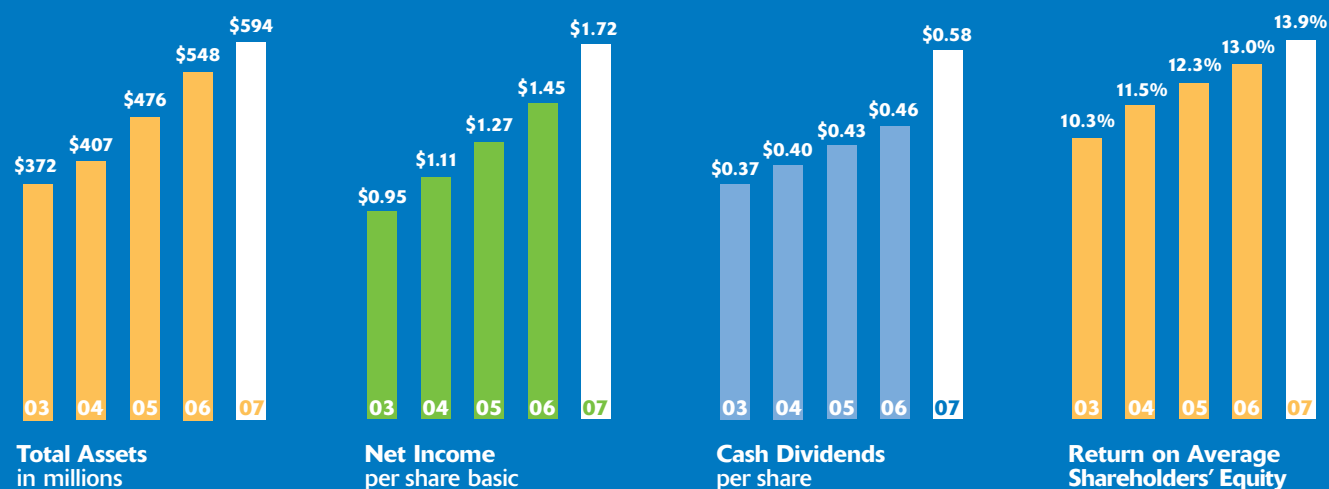
Codorus Valley Bancorp, Inc.
Annual Report **2007**

We discovered long ago that banking isn't just about money—it's about people, too. People saving for their future. People borrowing to fulfill their needs. The people we serve each and every day.

In this report, we feature three very unique ways in which we have helped our neighbors. The list does not end there, though. From our original roots in Glen Rock to our newest site in Hunt Valley, we are recognized as a good corporate citizen who actively and enthusiastically cares for our community.

In the end, banking is about more than deposits and loans.

It's about people.



Selected Financial Data

	2007	2006	2005	2004	2003
Summary of Operations (in thousands)					
Interest income	\$ 39,169	\$ 33,319	\$ 25,572	\$ 20,469	\$ 19,964
Interest expense	18,489	15,077	9,149	6,545	6,898
Net interest income	20,680	18,242	16,423	13,924	13,066
Provision for (recovery of) loan losses	(554)	650	775	420	553
Noninterest income	5,688	5,465	5,003	4,626	4,380
Noninterest expense	18,368	15,890	14,482	12,769	12,290
Income before income taxes	8,554	7,167	6,169	5,361	4,603
Provision for income taxes	2,180	1,845	1,552	1,353	1,171
Net income	\$ 6,374	\$ 5,322	\$ 4,617	\$ 4,008	\$ 3,432
Per Common Share (adjusted for stock dividends)					
Net income, basic	\$ 1.72	\$ 1.45	\$ 1.27	\$ 1.11	\$ 0.95
Net income, diluted	\$ 1.69	\$ 1.42	\$ 1.24	\$ 1.08	\$ 0.94
Cash dividends paid	\$ 0.58	\$ 0.46	\$ 0.43	\$ 0.40	\$ 0.37
Stock dividends distributed	5%	10%*	5%	5%	5%
Book value	\$ 12.95	\$ 11.63	\$ 10.58	\$ 9.89	\$ 9.33
Cash dividend payout ratio	33.8%	32.0%	33.6%	36.3%	38.7%
Weighted average shares outstanding	3,696,667	3,663,692	3,648,951	3,626,250	3,616,015
Weighted average diluted shares outstanding	3,777,122	3,749,572	3,721,702	3,701,562	3,657,217
* includes a special 5% stock dividend					
Profitability Ratios					
Return on average shareholders' equity (ROAE)	13.9%	13.0%	12.3%	11.5%	10.3%
Return on average assets (ROAA)	1.11%	1.05%	1.06%	1.03%	0.96%
Net interest margin	3.97%	3.97%	4.16%	4.01%	4.13%
Efficiency ratio	67.4%	65.1%	66.1%	67.6%	69.9%
Capital Ratios					
Tier 1 risk-based capital	12.1%	12.0%	10.6%	11.8%	11.1%
Total risk-based capital	12.9%	12.7%	11.3%	12.3%	11.7%
Average shareholders' equity to average assets	8.0%	8.1%	8.6%	9.0%	9.3%
Summary of Financial Condition at Year-End (in thousands)					
Investment securities	\$ 84,369	\$ 80,926	\$ 69,664	\$ 74,140	\$ 74,069
Loans	447,497	407,260	369,631	300,260	262,363
Assets	594,607	548,212	476,052	407,671	372,547
Deposits	511,968	456,645	385,154	329,537	304,282
Borrowings	30,660	45,339	49,493	39,493	31,234
Equity	48,415	42,786	38,729	35,982	33,789
Other Data					
Number of bank offices	14	14	14	12	11
Number of employees (full-time equivalents)	179	168	163	146	143
Wealth Management assets, market value (in thousands)	\$ 320,655	\$ 259,453	\$ 213,735	\$ 180,314	\$ 137,186

To Our Shareholders:

Due in no small measure to the collapse of the mortgage industry and the burst of the housing bubble, 2007 was an exasperating year for the financial services industry. Coupled with other industry-related issues (such as monoline insurance, a challenging yield curve and intense competition for commercial loans and deposits), this created an environment that materially impacted the financial performance of many financial institutions.

Strong Performance

While competition for deposits and loans remains fierce and interest rates continue to decline, I am pleased to report that Codorus Valley Bancorp, Inc. realized yet another year of improved financial performance. Codorus Valley, primarily through its financial services subsidiary PeoplesBank, A Codorus Valley Company, earned \$6.3 million in 2007, an increase of almost 20 percent over the \$5.3 million reported in 2006. Total deposits topped the half-billion mark for the first time, ending 2007 at almost \$512 million, or an increase of more than 12 percent over 2006. Assets in the Wealth Management Division increased substantially as well, up 23 percent from 2006 to end at \$320 million in 2007.

As you review the 2007 financial performance information contained in this report and in the Form 10-K, it will become clear to you that the Company's key ratios and performance measurements reflect continued, positive growth.

Recognizing Risk

The successful performance our Company experienced last year was a direct result of our commitment to continually review our strategic plan and evaluate those risks that could impede our growth or financial performance. Some time ago, we made the strategic decision not to invest in subprime loans or investments collateralized by subprime mortgages. As a result, Codorus Valley Bancorp, Inc. has no loss exposure to subprime lending or investments collateralized by subprime mortgage instruments.

The ability to repay one's financial obligations through ordinary and ongoing cash flow is paramount to basic credit underwriting and analysis. We firmly believe that acquiring and nurturing profitable client relationships will provide the best long-term return for our shareholders and other constituencies. We also believe that making loans simply to generate revenue without regard to the financial capacity of the borrower to repay the debt is inappropriate and not in the best interests of our shareholders, our community, or our clients.

Recruitment

Throughout 2007, several financial institutions that once had a presence in our market area merged with much larger, regional companies, and as a result we were able to attract highly-experienced, professional bankers to our team.

Jeffrey A. Snyder was named Senior Vice President and leader of our Business Banking Division. Joining Jeff are Thomas W. Hodgins, Senior Vice President and Director of the Maryland Banking Group; James B. Hess, III, Vice President and Business Banking Officer; Susannah W. Groves, Assistant Vice President, Cash Management; and Tamara L. Wildasin, Senior Commercial Credit Review Officer. These individuals bring not only a wealth of professional talent, but also valuable corporate institutional knowledge that we will utilize in the future as we strive to become a billion-dollar company.

Expansion of Locations and Services

Expansion into the state of Maryland was an initiative in the clearly-defined long-range strategic plan of the Company, and earlier this year, PeoplesBank opened its 15th financial center. Located in the Executive Plaza complex in Hunt Valley, Maryland, this facility and our business efforts in the state are led by Tom Hodgins, a veteran Maryland banker with an extensive knowledge of the market. The majority of PeoplesBank's existing financial centers are located in southern York County, which has become a bedroom community for workers commuting into Maryland. Additionally, we already have a significant business loan portfolio in the Greater Baltimore area, so this new facility will allow us to more effectively meet the needs of existing and prospective clients.

Through the leadership of Suzi Groves, we have expanded our competitive cash management programs for both businesses and municipalities. These efforts, combined with our installation of a very convenient and time-saving remote deposit capture system, have been warmly received by our clients and will increase the Company's fee income in the future.



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

A Time For Reflection

For the second year in a row, I regret to report the untimely death of a former chairman of the Company. A dear friend to all, George A. Trout died in September 2007. Dr. Trout was appointed a director of PeoplesBank in November 1975, a director Codorus Valley Bancorp, Inc. upon its formation in 1986, and its Chairman in January 1994. He retired from both boards upon reaching mandatory retirement age in July 2004.

Dr. Trout, a dentist by professional training and education, was a true gentleman and a man of dignity. His gentle laugh, warm smile, and kind demeanor underscored someone who exhibited a thirst for knowledge, particularly in the fields of electronics and information technology.

Dr. Trout loved his family, his clients and his fellow man, without hesitation or reservation. For many, he will long be remembered for whistling and smiling every day of his life.

It's About People

During 2007, we commissioned Georg R. Sheets, a local author and historian, to write a manuscript on the history of PeoplesBank. The book, entitled, *The Story of PeoplesBank Since 1864*, will be available for distribution during the summer of 2008.

As we were reviewing the archives, we learned that the bank was known by many names over the years, but in 1934, the Board of Directors determined that the bank should be named after the customers it would serve – *the people of Glen Rock*. And so it was, on January 25, 1934, Peoples Bank of Glen Rock opened for business with total assets of less than \$800,000!

The theme for this year's report is: **It's about people!** People like the 195 employees who make this Company an enjoyable and rewarding place to work. People like the thousands we serve, by investing their money, making loans to them, or providing them financial advice. People like the more than 924 shareholders who have invested in the Company. And finally, people like the thousands of citizens who are dependent upon non-profit organizations that the Company financially supports and to whom our caring staff volunteer scores of hours of public service.

At Codorus Valley Bancorp, Inc., we are dedicated to meeting the unique financial needs of our clients while at the same time creating long-term shareholder value. Through your continued financial investment and the efforts of our dedicated and talented staff, we will continue on our mission. Please let us know how we may improve our services, our Company, and our community.

Sincerely,

Larry J. Miller



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

Board of Directors



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
Commonwealth of Pennsylvania

It's about
community.

Codo 241



Shown on the first floor of the Codo 241 project, from left to right, are Scott Weaver, Chief Credit Officer of PeoplesBank; project investor Bill Swartz, Owner of Sherman Property Management; and Eric Menzer, Senior Vice President of project investor and general contractor Wagman Construction, Inc.

“When we were looking for financing for the Codo 241 project, we wanted a bank that would form a long-term relationship with us and one that had demonstrated a commitment to the City of York and the York community that matched that of our investors. PeoplesBank was our choice based on that criteria, and they have not disappointed us. They are creative and flexible in their approach to our financial needs and are always ready to help solve any problems that arise, with quick response and personal attention.”

Eric Menzer
Senior Vice President
Wagman Construction, Inc.

What is Codo? That is the question that was on the minds of many in our community last year, and the question was finally answered in September when a group of community leaders unveiled their unique property redevelopment project.

Codo 241 is one of the most innovative residential rental complexes under development in Central Pennsylvania, blending restored historic architecture with new construction. This 75,000 square foot structure features rental lofts and flats, townhouses, and commercial space.

We believe that a vibrant, growing community has a direct impact on our success as a company, and because of that, we recognize the importance of participating in projects such as Codo 241. That is why PeoplesBank provided a unique financing package to encourage the development and restoration of this local landmark.

And just where did the name Codo originate? Another local spot of interest with a long history—the neighboring Codorus Creek.

For more information about this exciting project, visit the Codo website at www.codoyork.com.



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



Harry R. Swift, Esquire
Executive Vice President,
Secretary, and General Counsel



Jann Allen Weaver, CPA
Executive Vice President
and Chief Financial Officer



Matthew A. Clemens, SPHR
Senior Vice President
Human Resources Division



David J. Cover, CRSP
Senior Vice President
Senior Settlement Advisor

Executive Officers and Leadership Group



Lynn D. Crenshaw
Senior Vice President
Retail Sales and Service Division



Kent A. Ketterman
Senior Vice President
Senior Business Advisor



Jeffrey A. Snyder
Senior Vice President
Business Banking Division



Todd A. Tyson, CFSSP, CBAP
Senior Vice President
General Services Division
and Security Officer



Scott T. Weaver
Senior Vice President, Cashier,
and Chief Credit Officer



Karen L. Botts
Vice President
Information Technology Division



Nathan A. Eifert
Vice President
Director of Marketing



Diane E. Hill, CPA
Vice President
Auditor



Keith L. Sheffer
Vice President
Mortgage Banking Division

It's about
caring.

Olivia's House



Shown left to right at Olivia's House are Leslie Delp, Executive Director; and Lynn Crenshaw, PeoplesBank's Senior Vice President of Retail Sales and Service.



“ A community's strength lies in its ability to care for its children, and PeoplesBank is a caring community partner in the truest sense of the word. Their *Hometown Spirit* program embraced the philosophy of Olivia's House by allowing their clients to be a part of giving back to the community. As they partnered with PeoplesBank, in turn they connected with our mission to serve grieving children. ”

Leslie Delp
Executive Director
Olivia's House

Coping with the death of a loved one is never easy. It's even more difficult when you're a child who has lost a parent, grandparent, sibling, or special friend. Helping to ease the pain and facilitate healing are the care-giving professionals and volunteers at Olivia's House.

As the region's premier grief and loss center founded specifically for children and their families, Olivia's House provides no-cost educational services in a warm, comforting environment—where young people are able to find support and share their experiences while learning to cope with death.

At PeoplesBank, we strongly believe in supporting organizations like Olivia's House that provide valuable services to our community. That is why we launched our *Hometown Spirit* program in 2007. Designed to encourage new deposit growth while providing our clients with a unique way to help care for our community, PeoplesBank makes a contribution to a *Hometown Spirit* partner each time a client opens a *Hometown Spirit CD*. Olivia's House was one of our 2007 partners.

Thanks to the overwhelming success of this program, PeoplesBank distributed over \$68,000 to our *Hometown Spirit* partners, including \$22,000 to Olivia's House. We are pleased to lend a hand to their important mission of caring for the young people in our community.

For more information about Olivia's House and to find out how you can help, visit their website at www.oliviashouse.org.

Corporate Information

CORPORATE PROFILE

Codorus Valley Bancorp, Inc. (Codorus Valley), incorporated in 1986, is a one-bank holding company headquartered in York, Pennsylvania that provides a full range of financial services through its subsidiary, PeoplesBank, A Codorus Valley Company (PeoplesBank). Codorus Valley is a publicly held corporation whose stock is traded on the NASDAQ Global Market under the symbol CVLY. PeoplesBank, with origins dating back to 1864, is focused on acquiring and nurturing financial relationships with small and mid-sized businesses. It also provides personal banking, mortgage banking, wealth management, and real estate settlement services. PeoplesBank is the largest independent community bank headquartered and managed in York County. It currently operates fourteen financial centers in York County and one in Hunt Valley, Maryland.

CORPORATE HEADQUARTERS

Codorus Valley Bancorp, Inc. is headquartered at the Codorus Valley Corporate Center, 105 Leader Heights Road, York, PA 17403.

STOCK, DIVIDEND, AND BROKER INFORMATION

The shares of Codorus Valley Bancorp, Inc. are traded on the NASDAQ Global Market under the symbol CVLY. Codorus Valley had approximately 924 registered shareholders of record as of March 3, 2008. The following table sets forth dividends paid per share and the high and low sales prices for Codorus Valley as reported by NASDAQ during the periods indicated. The sales prices and cash dividends per share listed are adjusted for stock dividends.

Quarter	2007			2006		
	High	Low	Dividends per share	High	Low	Dividends per share
First	\$19.50	\$18.12	\$0.129	\$18.57	\$16.43	\$0.112
Second	19.95	17.33	0.129	18.59	16.77	0.112
Third	19.49	16.50	0.135	18.14	17.01	0.118
Fourth	19.00	15.00	0.190	20.24	17.50	0.122

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

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

Ferris, Baker Watts, Inc.
1-877-840-0012

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.

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 (select Investor Relations, then select SEC Filings), or the SEC's website at 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 20, 2008, 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.

FINANCIAL CENTERS

YORK COUNTY

Brogue
2510 Delta Road
Brogue, PA 17309-9106
John S. Eaton, Jr., Manager

Cape Horn
2587 Cape Horn Road
Red Lion, PA 17356-9057
Marisa G. Baublitz, Manager

City of York
48 East Market Street
York, PA 17401-1219
James W. Coombes, Manager

City of York
221 West Philadelphia Street
Suite 114
York, PA 17401-2992
James W. Coombes, Manager

East York
2701 Eastern Boulevard
York, PA 17402-2907
Carol A. Gross, Manager

Glen Rock
1 Manchester Street, P.O. Box 67
Glen Rock, PA 17327-0067
Connie L. Kiser, Manager

Jacobus
1 North Main Street, P.O. Box 176
Jacobus, PA 17407-0176
Barbara J. Wilson, Manager

Jefferson
6 Baltimore Street, P.O. Box 127
Codorus, PA 17311-0127
Tammy L. Ford, Manager

Leader Heights
109 Leader Heights Road
York, PA 17403-5137
Wendy M. Livingston, Manager

New Freedom
26 East Main Street
New Freedom, PA 17349-9748
Mark S. Moscynski, Manager

South Hanover
1400 Baltimore Street
Hanover, PA 17331-8528
Christopher M. Aulbach, Manager

Stewartstown
2 Ballast Lane, P.O. Box 925
Stewartstown, PA 17363-0925
Terry R. Kernan, Manager

West York
1477 Carlisle Road
York, PA 17404-4729
Mark E. Kotzman, Manager

York New Salem
320 North Main Street, P.O. Box 278
York New Salem, PA 17371-0278
Algard P. Shaffer, Manager

MARYLAND

Hunt Valley
11350 McCormick Road
Suite 101
Hunt Valley, MD 21031
Thomas W. Hodgins, Sr. VP

All Financial Centers have a 24-Hour ATM on-site for customer convenience.

Contact Information

To contact any Financial Center location, 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.

Phoneconnect® 24-Hour Telephone Banking: 717-747-1555 or 1-888-767-1555

It's about
service.



Pictured left to right at York's City Hall are Larry Miller, President and CEO of PeoplesBank; Mayor John Brenner, the City of York; and members of the City of York Police Department with the Segway® Police Transporters provided by PeoplesBank.

“Public service is alive and well in the City of York, and we are grateful to PeoplesBank for the service it provides to our community. Through its generous donation of three Segway® Police Transporters, PeoplesBank has helped the City tremendously improve its public safety presence downtown and in the surrounding area. This generous contribution serves as an example to other businesses and organizations and exemplifies what we can accomplish when we partner to improve our community.”

Mayor John Brenner
City of York, Pennsylvania

Each and every day, we strive to provide our clients with the highest level of service they expect and deserve. But our service doesn't end there. It goes beyond building solid financial relationships. We're committed to serving the needs of our community, too.

Whether as board members for non-profit organizations, little league baseball coaches, or Sunday School teachers, our employees volunteer thousands of hours of their time each year to help make this a wonderful place to live and work.

We also recognize the important service work done by others in our community, namely our public safety professionals and emergency personnel. That is why we were pleased to provide the City of York Police Department with three Segway® Police Transporters in June.

The police officers who put their lives on the line every day to serve us truly are hometown heroes. They come to our aid in emergency situations. They respond when we need them. And they deserve the best equipment available to do their jobs. With the Segway® units, the City of York police officers now have some of the latest and most technologically-advanced equipment available.

While we appreciate the extensive media coverage and statewide community service award we received for our effort, what is more important to us is knowing that we have made a difference for those who serve us.

PeoplesBank, A Codorus Valley Company

DIRECTORS EMERITUS

M. Carol Druck

Barry A. Keller

Bernard F. Young

ADVISORY COMMITTEE MEMBERS

Cindy E. Baugher
President, Baugher Motors, Inc.

Keith R. Brown
Retired Personal Care Administrator

Evans N. Fishel
President, H. Norman Fishel and Son, Inc.

William W. Gemmill, Jr.
Owner, W. W. Gemmill Plumbing, Heating, and Air Conditioning

Richard D. Hupper, Ed.D.
Retired Educator

Samuel E. Keeney
President, Sam Keeney Organ and Piano Center, Inc.

Claude W. Rohrbaugh
President, B & R Electrical Contractors, Inc.

Bank Officers and Managers

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

Gregg A. Elicker
Vice President, Administrative Services

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

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

Brady J. Barnes
Business Relationship Officer

Phyllis A. Crumley
Retail Services Officer

Rose M. Detter
Retail Services Officer

Donna A. Massa
Training Officer

Phyllis C. McCullough
Trust Officer

Sarah A. McPherson
Trust Officer

Debra A. Messersmith
Retail Support Manager

Stephanie R. Miller
Manager, Trust Operations

Carol E. Montony
Manager, Client Care Center

Christine A. Myers
Manager, Deposit Services

Mary Anne Seitz
Training Officer

Natalie L. Thompson
Human Resources Officer

Dorcas J. Warner
Settlement Officer, Credit Services

Tamara L. Wildasin
Senior Commercial Credit Review Officer

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, CBAP
Vice President

LICENSED AGENTS

David J. Garber

Steven E. Poff

Richard B. Shuster

William H. Thompson, CLU, CHFC

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



IN MEMORY OF

George A. Trout, D.D.S.

1934-2007

A true gentleman.
A man of integrity.
A genuine role model.
A person who loved life.

Codorus Valley Bancorp, Inc.
Codorus Valley Corporate Center
105 Leader Heights Road
York, PA 17403-5137
(888) 846-1970

www.peoplesbanknet.com