

COMPENSATION COMMITTEE CHARTER

Purpose

The Compensation Committee (the "Committee") is appointed by the Board of Directors, (the "Board") of Royal Bancshares of Pennsylvania (the "Company") to (i) periodically review and determine the compensation of the Company's directors and certain senior executive officers (the "Tier 1 Executives") and periodically review the compensation of the other executive officers of the Company as determined by the Salary Committee and (ii) produce an annual report on executive compensation for inclusion in the Company's proxy statement. The Committee also has overall responsibility for recommending, approving and evaluating the compensation plans, policies and programs of the Company and the Company's direct and indirect subsidiaries.

Committee Membership

The Committee shall consist of no fewer than three members, each of whom shall be a director of the Company. Each member of the Committee shall meet the listing standards relating to independence of NASDAQ and all other applicable legal requirements. The committee shall report to the Board when the Committee deems it appropriate or upon request of the Board. A majority of the members of the Committee shall constitute a quorum.

The members of the Committee shall be appointed and replaced by the Board.

Committee Authority and Responsibilities

1. The Committee shall at least annually review and approve corporate goals and objectives relevant to the compensation of the Tier 1 Executives, evaluate the Tier 1 Executives' performance in light of those goals and objectives, and determine the compensation levels of the Tier 1 Executives based on this evaluation. In determining the long-term incentive component of the compensation of the Tier 1 Executives, the Committee will consider the Company's performance and relative shareholder return, the value of similar incentive awards to senior executive officers at comparable companies, the awards given to the Tier 1 Executives in past years, and other factors it deems appropriate.

2. The Committee shall at least annually review the material performance criteria used in evaluating executive officers of the Company (other than Tier 1 Executives) and the material criteria used in establishing appropriate compensation, retention, incentive, severance, and benefit policies and programs applicable to such executive officers of the Company, as determined by the Salary Committee.

3. The Committee shall periodically review and make recommendations to the Board with respect to the adoption of or substantive changes in material employee benefit, bonus, incentive compensation, severance, equity-based or other compensation, or incentive plans of the Company and its direct and indirect subsidiaries.

4. The Committee shall administer and shall have the authority to recommend awards, subject to the approval of the Board, under the Company's long-term incentive plan(s), subject to the terms of such plans.

5. The Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director or Tier 1 Executive compensation and shall have sole authority to approve the consultant's fees and other retention terms, all at the Company's expense.

6. The Committee shall annually review and determine the compensation of all directors, which shall be subject to the approval of independent directors in executive session.

7. The Committee shall annually review and determine for the Tier 1 Executives of and shall annually review for the other executive officers of the Company (as determined by the Salary Committee) (a) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term incentive opportunity level, (d) the terms of any employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits, which shall be subject to the approval of independent directors in executive session.

8. The Committee is also responsible, for so long as the Company has outstanding debt or equity securities (but excluding any warrants to purchase common stock) issued to the United States Department of the Treasury (the "Treasury") under the Capital Purchase Program authorized by the Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009, and applicable rules and regulations promulgated thereunder (collectively, "EESA"), to review executive compensation to ensure compliance with the requirements of EESA and perform any duties required of it under EESA.

9. The Committee may form and delegate authority to subcommittees when appropriate.

10. The Committee shall make reports to the Board when the Committee deems it appropriate or upon request of the Board.

11. The Committee shall annually evaluate its own performance.

12. The Committee, and each member of the Committee in his or her capacity as such, shall be entitled to rely, in good faith, on information, opinions, reports or statements, or other information prepared or presented to them, by (i) officers and other employees of the Company or the Company's direct and indirect subsidiaries, whom such member believes to be reliable and competent in the matters presented and (ii) counsel, public accountants or other persons as to matters which the member believes to be within the professional competence of such person.

13. The minutes of each Committee meeting will be compiled by a person designated by the Committee.