

# ROYAL BANCSHARES OF PENNSYLVANIA, INC.

## CHARTER OF NOMINATING AND CORPORATE GOVERNANCE COMMITTEE OF THE BOARD OF DIRECTORS

### I. Purpose

The Nominating and Corporate Governance Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Royal Bancshares of Pennsylvania, Inc. (the "Company") to assist the Board in fulfilling its oversight responsibility. The primary duties and responsibilities of the Committee are to:

- Identify and recommend to the full Board the selection of qualified individuals to serve as Board members and recommend to the full Board director nominees for each Annual Meeting of Shareholders;
- Annually review existing corporate governance documents and establish corporate governance principles applicable to the Company and to govern the conduct and actions of the Board and its members.

The Committee has the authority to access any consultant of the Company to aid it in its responsibilities.

### II. Compensation and Meetings

The Committee must have three or more Directors as determined by the Board. Compensation for service on the Committee will be established by the full Board based on the recommendations of the Compensation Committee. Members of the Committee must meet applicable NASDAQ Stock Market listing standards and other applicable statutory or regulatory requirements relative to director independence.

Members of the Committee and the Chair are appointed by the Board at its annual reorganizing meeting.

The Committee shall establish its own schedule for meetings throughout the year. If the Chair is not present, the members of the Committee may designate an acting Chair by a majority vote of those present. A majority of the members of the Committee shall constitute a quorum for the transaction of business and the act of a majority of those present at any meeting at which a quorum is present shall be the act of the Committee. In the absence of a quorum, a majority of the members of the Committee present may adjourn any meeting, from time to time, until a quorum is present. No notice of any adjourned meeting need to be given other than by announcement at the meeting that is being adjourned and provide minutes.

Dated: 12-16-09

The Committee shall report to the Board. The Committee shall have authority to delegate any of its responsibilities to subcommittees as it may deem appropriate in its sole discretion and to retain, terminate and obtain advice, reports or opinions from search firms or other internal or outside advisors and legal counsel in the performance of its responsibilities, and shall have the authority to approve related fees and retention terms.

### **III. Goals, Responsibilities and Duties**

The Committee shall establish criteria for the selection of new Directors to serve on the Board as well as establish along with the Chair, effective policy for Board vitality through evaluation of the Board and its individual members and term limits and retirement.

#### **A. Recommend Qualified Individuals for Board Membership**

- Review individual qualifications for service of individuals on the full Board;
- Recommend to the Board individuals for Board membership including as a result of vacancies on the Board;
- Recommend to the Board nominees for election of Directors at the Annual Meeting of Shareholders.

In identifying candidates for membership to the Board including candidates who may be nominated by shareholders of the Company, the Committee shall take into account all factors it considers appropriate, which may include (a) ensuring that the Board, as a whole, is diverse and consists of individuals with various and relevant career experience, relevant technical skills, industry knowledge and experience, financial expertise (including expertise that may qualify a director as a "financial expert", as that term is defined by the rules of the SEC), and local or community ties and (b) minimum individual qualifications, including strength of character, mature judgment, familiarity with the Company's business and industry, independence of thought and an ability to work collegially. The Committee also may consider the extent to which the candidate would fill a present need on the Board.

#### **B. Committee Membership and Qualifications**

- Recommend to the full Board the establishment of Board committees and subcommittees, as necessary, at the Annual Meeting of the Board and at other times during the year, if necessary;
- Recommend to the full Board the membership and composition of each of the Board committees and subcommittees and recommend removal of any committee member, if necessary; and
- Review qualifications of Directors for committee membership.

- C. Develop and Oversee Corporate Governance Principles
  - Develop and annually review Corporate Governance Principles for the overall governance of the Board of the Company and its subsidiaries and keep abreast of developments with regard to corporate governance to enable the Committee to make recommendations to the Board in light of such developments as may be appropriate.
  - Ensure written policies and procedures for Board are in place.
  - Ensure effective training and education programs for Board are available and conducted as is prudent.
  - Ensure open and effective lines of communication at Board.
  - Ensure the Company and Board places a high value on integrity, ethics and transparency; and that compliance policies and procedures, including the Code of Conduct, are readily available to all employees.
- D. Establish succession, retirement or term limits policy for Board approval.
- E. Other
  - Maintain minutes of meetings, which are circulated to the full Board, and report to the Board on a regular basis.
  - Distribute and review individual Board of Directors self evaluation.
  - Grievances of individual Board members should be sent to the attention of the Chairman of the Nominating and Governance Committee.