

**ROYAL BANCSHARES OF PENNSYLVANIA BOARD OF DIRECTORS AND
EMPLOYEE CODE OF ETHICS AND CONFLICTS OF INTEREST POLICY
May 18, 2011**

We believe that maintenance of extremely high standards of honest, ethical and impartial conduct is essential to assure the proper performance of Royal's business and maintenance of the public's trust. Our Code of Ethics ("code") sets forth the policies and procedures applicable to all in Royal's operations.

We require compliance with the law and insist upon ethical behavior. This is the responsibility of each director and employee and cannot be delegated or assumed by the company.

Royal's Code is intended to guide our personnel's day-to-day conduct. We recognize that our code cannot anticipate every possible situation or cover every topic in detail. Most of the topics covered in this code are explained in greater detail in our various policies, procedures and guidelines such as those contained in our Bank's Employee Handbook. From time-to-time, we establish compliance programs to address specific subjects. All employees and directors of Royal Bancshares ("Royal members") are encouraged to seek guidance before taking any action on any manner in which he or she may be unclear.

We recognize that the standards in this code cannot necessarily take into account all legal requirements. Where more restrictive local laws or requirements exist, those take precedence.

All Royal members are expected to comply with all Federal, state and local laws, rules and regulations applicable to the business of Royal; and all regulations, rules and requirements of any banking regulatory authority having oversight of Royal. Any failure to obey such laws and regulations violates this code. Violation of our code or compliance programs will not be tolerated and will result in corrective action, up to and including termination. We encourage all personnel to report any known violation. Violators should expect that we will pursue remedies to full extent of the law, including civil remedies from violators as well as referral of any criminal misconduct to law enforcement agencies.

We require all personnel to report suspected violations of this code immediately to our Audit Committee Chairman. You may follow our Whistleblower Policy in making such reports.

Any questions about a topic covered in our code, should be directed to the Chairman of the Audit Committee, any other member of the Audit Committee, or Corporate Counsel. We insist that any fiscal unethical or illegal conduct, be reported to the Chairman of our Audit Committee. If you are comfortable in doing so, after you make a report to a member of the Audit Committee, you may also make a report with our Chief Executive Officer or Chief Operating Officer.

Conflicts of Interest

A “conflict of interest” exists any time one faces a choice between what is in a person’s own personal interest (financial or otherwise) and the interest of our company. When a conflict of interest arises, we encourage our directors, officers and employees to act with great care to avoid any possibility that their actions do not appear to be in the best interest of the company. Should any of our directors, officers and employees find themselves in a position where his or her objectivity may be questioned because of individual interest or family or personal relationships, we ask that they notify our Chief Operating Officer immediately for guidance.

Ownership Interests

Board of Directors approval is required for our company to do business with an entity in which a director, senior officer or family member owns – directly or indirectly – an interest. Whenever such persons or a family member own or acquire an interest that is greater than 5% in any entity, Board approval is needed when:

- Such entity has more than \$1,000 in deposits, loans or does more than \$1,000 in annual sales of goods or services to our company or its affiliates; or
- If such persons help make entity purchasing or lending decisions or have a part in payment for the goods and services.

Whenever an ownership interest does not meet any of the above criteria, Board approval is not needed, however, all such persons are expected to remain obligated to keep our company’s and those of our shareholders interest first in mind.

Gifts, Meals Services and Entertainment

No director or employee is permitted to request or accept money in any amount or goods and services that might be used or perceived as a means to influence such individual against the company’s best interests. Personal gifts should not be accepted other than those considered common business courtesies and for which one would reasonably expect to give something similar in return in the normal course of business. No one may accept or give any gift in excess of \$100 in value without the prior approval of our Chief Operating Officer (not withstanding anything contained in this Code to the contrary, the term “Gift(s)” or “gift(s)” shall mean a gift with a fair market value in excess of \$100).

Safeguarding Company Assets/Accuracy of Books and Records

We maintain internal controls to provide direction on protecting company assets and financial accountability. The controls are based upon the following principles:

We do not permit:

- Making personal use of company assets that creates additional costs for the company, interferes with work duties or violates any company policies;
- Allowing company property to be used in any manner that may be or may be used in connection with any illegal acts;
- The manipulation of financial accounts, records or reports for personal gain;
- The maintenance of off-the-book accounts intended to facilitate questionable or illegal payments; or
- The violation of any law or regulation.

Sale of Royal Assets and Property (including OREO Property)

The solicitation of and/or acceptance of money or items of value in any form in connection with any business transaction of Royal, including but not limited to the sale of assets of Royal, is generally prohibited by the Bank Bribery Amendments Act of 1985 (18 U.S.C. 215 (a)). Violations of this law can result in fines and imprisonment, and will most certainly lead to termination of employment with Royal. All members of Royal must comply with this law. If you accept money or times of value in any form, even if you did not solicit said money or times of value, you may be in violation of this law and this policy.

All Royal members shall not enjoy an advantage over the general public in the purchase of any Royal assets, including but not limited to real estate, OREO properties, computers, automobiles, securities or any other real, personal or intangible property. The terms and conditions of any sales transaction with members of Royal must be on terms not less favorable to Royal than what is offered by unrelated third parties. Any sale by Royal to a member of Royal should only be consummated following the specific approval of the transaction by the Board of Directors. All assets must be sold in accordance with normal business practices.

We Require That All Personnel:

- Prepare project budget proposals with accurate information;
- Maintain books, accounts and records according to generally accepted accounting principles, using enough detail to reflect accurately and fairly company transactions;
- Record transactions in a timely manner such that no misleading financial information is created. (These transactions include, but are not limited to, income, expense, indebtedness, obligation, reserves and acquisition or disposition of assets, etc.);

- Retain company records in accordance with established policies and applicable legal and regulatory requirements; and
- Give full, fair, accurate, timely, and understandable disclosure in any and all periodic reports filed with the United States Securities and Exchange Commission.

Insider Trading

Any member of the Royal Family that is privy to material or confidential information about our company or any company with whom we have a business relationship and trades Company securities such as stocks or bonds, while in possession of that information or tell others about it before it is made public may have violated the insider trading laws. Insider trading is a crime that can carry severe penalties.

Material information includes the type of news that would affect a reasonable investor's decision on whether or not to invest in the company's stock. Examples include plans to issue securities, sharp changes in earnings patterns, changes in dividend rates, changes in key management personnel, mergers, acquisitions, and important regulatory actions affecting the company. Our policy forbids Royal members from trading not only in our stock, but also in those of our suppliers, customers or other companies with whom we have a business relationship while in possession of material inside information learned in the course of one's employment at our company.

We encourage all directors and officers to invest in our stock. However, should any director or officer have access to any information not readily available to the public, such persons must be very careful when trading stock to be sure you have not traded while in possession of material non-public information. Should one have such information:

- Do not tell anyone not authorized to have the information. A casual remark to a family member or friend could find its way to a broker and eventually to the entire financial community thereby requiring the company to take corrective action. Any such "tipping" may be illegal and damaging to the company, our employees or our investors
- Do not trade in our company's stock (or that of an applicable outside company) until the news has been made widely public. Circumstances suggesting the possibility of insider trading tarnish our reputation and may result in an investigation by governmental authorities of company and stockbroker records of stock trading transactions. Even unintended violations could damage the company's reputation and result in liability or penalties, including criminal charges and fines against such individual(s).

This policy against insider trading also covers transfers into and out of company stock or savings plans and changes in patterns involving purchases of our stock within the plans. However, generally, regular scheduled monthly purchases of our stock within plans are not prohibited. We encourage best practices at all times and ask all our members to

exercise caution so as not to jeopardize investor confidence.

If you are planning to effect a transaction in our securities, all members are required to contact our Chief Operating Officer or Chief Financial Officer for clearance.

Ethical Standards Regarding Giving and Accepting Gifts

Our company and its directors and officers must maintain high ethical and professional standards in all our dealings.

We will not tolerate anyone offering to or making payment in money or anything of value to anyone, including a government official, agent or employee of a government, political party, with the intent to induce favorable business treatment or to improperly affect business or governmental decisions. We insist on honesty and integrity from all parties to our business activities.

Our code cannot necessarily contemplate all actions or all local legal requirements. Where more restrictive local laws exist, those take precedence. In general, we do not consider ordinary and reasonable business entertainment or gifts of insubstantial value that are customary and legal in the local market to be improper. However, we encourage all members to exercise their best judgment so as to avoid even the hint of inappropriate behavior. If you are uncertain, contact our Chief Operating Officer for guidance.

We ask that you document any entertainment of and gifts to customers, vendors, suppliers and potential customers, vendors and suppliers, as well as any and all gifts received from customers, vendors, supplier and potential customers, vendors and suppliers, when in doubt, seek guidance from the Chief Operating Officer on how to proceed.

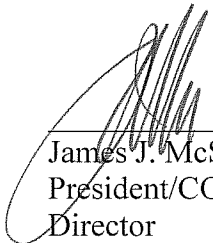
It is basic “common sense”, and the purpose of this policy, to avoid violations of law to insure that the business of Royal is protected against the influence of bribery and favors. When dealing with customers of Royal, you must keep the requirements of this policy and law in mind. All members of Royal are expected to use “common sense and good judgment” in all of their business dealings. If you are unsure about any matter, you must contact the Chairman of the Audit Committee, any member of the Audit Committee or Royal’s outside corporate counsel. If you are comfortable doing so, you may also contact the President and Chief Operating Officer or the Chief Financial Officer of Royal.

If you are offered or receive money in any amount, or items of value beyond what is authorized policy, you must disclose that fact fully in writing to our Board of Directors. This disclosure must be made promptly, contemporaneously with the offer or receipt of the aforementioned money or item(s).


ACKNOWLEDGEMENT

I, the undersigned, hereby acknowledge that I have received a copy of the Code of Ethics of Royal Bancshares of Pennsylvania and its subsidiaries and affiliates. I further certify that I have reviewed the Code of Ethics, I have had an opportunity to ask questions, and that I understand its provisions and what they require of me as an officer and/or director of Royal Bancshares of Pennsylvania. I understand that a violation of this Code of Ethics may result in the termination of my employment or a request for me to resign from Royal Bancshares of Pennsylvania.

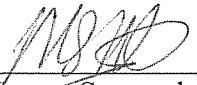
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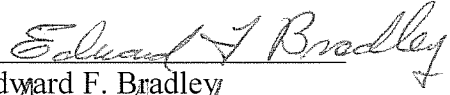
James J. McSwiggan,
President/COO
Director



Robert Tabas, Chairman/CEO
Director



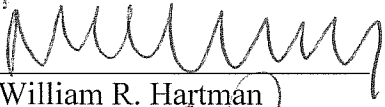
Murray Stempel, III Vice Chairman
Director



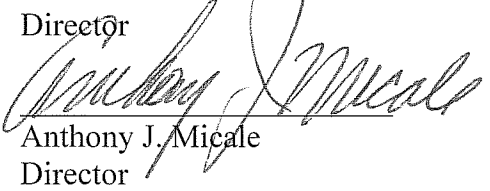
Edward F. Bradley
Director



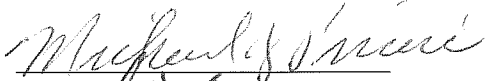
Samuel Goldstein
Director



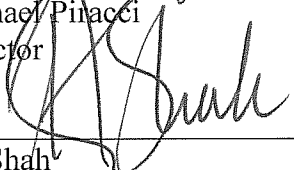
William R. Hartman
Director



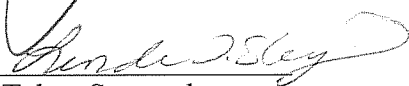
Anthony J. Micale
Director



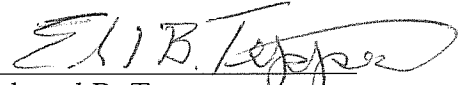
Michael Piracci
Director



Jay Shah
Director




Linda Tabas Stempel
Director



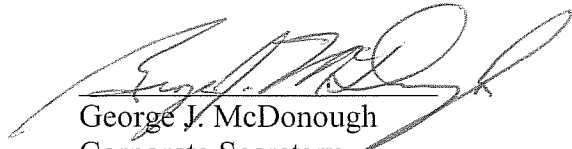
Edward B. Tepper
Director



Howard J. Wurzak
Director



Robert A. Kuehl, CFO



George J. McDonough
Corporate Secretary