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| <b>Form 5500</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security<br>Administration<br><br>Pension Benefit Guaranty Corporation | <b>Annual Return/Report of Employee Benefit Plan</b><br><br>This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).<br><br><b>► Complete all entries in accordance with the instructions to the Form 5500.</b> | OMB Nos. 1210-0110<br>1210-0089               |
|                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                    | <b>2011</b>                                   |
|                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                    | <b>This Form is Open to Public Inspection</b> |

|                                                                                                          |                                                                                                                                                                                                                                           |
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| <b>Part I</b>                                                                                            | <b>Annual Report Identification Information</b>                                                                                                                                                                                           |
| For calendar plan year 2011 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u> |                                                                                                                                                                                                                                           |
| <b>A</b> This return/report is for:                                                                      | <input type="checkbox"/> a multiemployer plan; <input type="checkbox"/> a multiple-employer plan; or<br><input checked="" type="checkbox"/> a single-employer plan; <input type="checkbox"/> a DFE (specify) ____                         |
| <b>B</b> This return/report is:                                                                          | <input type="checkbox"/> the first return/report; <input type="checkbox"/> the final return/report;<br><input type="checkbox"/> an amended return/report; <input type="checkbox"/> a short plan year return/report (less than 12 months). |
| <b>C</b> If the plan is a collectively-bargained plan, check here. . . . .                               | <input type="checkbox"/>                                                                                                                                                                                                                  |
| <b>D</b> Check box if filing under:                                                                      | <input checked="" type="checkbox"/> Form 5558; <input type="checkbox"/> automatic extension; <input type="checkbox"/> the DFVC program;<br><input type="checkbox"/> special extension (enter description)                                 |

|                                                                                                                                                                                                                                          |                                                                                                                                                                                                   |
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| <b>Part II</b>                                                                                                                                                                                                                           | <b>Basic Plan Information</b> —enter all requested information                                                                                                                                    |
| <b>1a</b> Name of plan<br><u>NORTHERN STATES FINANCIAL CORPORATION PROFIT SHARING TRUST</u>                                                                                                                                              | <b>1b</b> Three-digit plan number (PN) ► <u>001</u><br><b>1c</b> Effective date of plan <u>08/10/1971</u>                                                                                         |
| <b>2a</b> Plan sponsor's name and address, including room or suite number (Employer, if for single-employer plan)<br><br><u>NORTHERN STATES FINANCIAL CORPORATION</u><br><br><u>1601 NORTH LEWIS AVENUE</u><br><u>WAUKEGAN, IL 60085</u> | <b>2b</b> Employer Identification Number (EIN)<br><u>36-3449727</u><br><b>2c</b> Sponsor's telephone number<br><u>847-244-6000</u><br><b>2d</b> Business code (see instructions)<br><u>522110</u> |

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

|                  |                                                          |                   |                                                              |
|------------------|----------------------------------------------------------|-------------------|--------------------------------------------------------------|
| <b>SIGN HERE</b> | <u>Filed with authorized/valid electronic signature.</u> | <u>10/15/2012</u> | <u>KERRY BIEGAY</u>                                          |
|                  | <b>Signature of plan administrator</b>                   | Date              | Enter name of individual signing as plan administrator       |
| <b>SIGN HERE</b> | <u>Filed with authorized/valid electronic signature.</u> | <u>10/15/2012</u> | <u>KERRY BIEGAY</u>                                          |
|                  | <b>Signature of employer/plan sponsor</b>                | Date              | Enter name of individual signing as employer or plan sponsor |
| <b>SIGN HERE</b> |                                                          |                   |                                                              |
|                  | <b>Signature of DFE</b>                                  | Date              | Enter name of individual signing as DFE                      |

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2011)  
v.012611

|                                                                                                                                                                                       |                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>3a</b> Plan administrator's name and address (if same as plan sponsor, enter "Same")<br>NORTHERN STATES FINANCIAL CORPORATION<br><br>1601 NORTH LEWIS AVENUE<br>WAUKEGAN, IL 60085 | <b>3b</b> Administrator's EIN<br>36-3449727<br><br><b>3c</b> Administrator's telephone number<br>847-244-6000 |
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|                                                                                                                                                                                                                       |                                   |
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| <b>4</b> If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:<br><br><b>a</b> Sponsor's name | <b>4b</b> EIN<br><br><b>4c</b> PN |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|

|                                                                         |          |     |
|-------------------------------------------------------------------------|----------|-----|
| <b>5</b> Total number of participants at the beginning of the plan year | <b>5</b> | 173 |
|-------------------------------------------------------------------------|----------|-----|

|                                                                                                                                                        |           |     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----|
| <b>6</b> Number of participants as of the end of the plan year (welfare plans complete only lines <b>6a</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ). |           |     |
| <b>a</b> Active participants.....                                                                                                                      | <b>6a</b> | 135 |
| <b>b</b> Retired or separated participants receiving benefits.....                                                                                     | <b>6b</b> |     |
| <b>c</b> Other retired or separated participants entitled to future benefits.....                                                                      | <b>6c</b> | 6   |
| <b>d</b> Subtotal. Add lines <b>6a</b> , <b>6b</b> , and <b>6c</b> .....                                                                               | <b>6d</b> | 141 |
| <b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....                                              | <b>6e</b> | 0   |
| <b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....                                                                                                | <b>6f</b> | 141 |
| <b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....         | <b>6g</b> | 123 |
| <b>h</b> Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....             | <b>6h</b> | 0   |

|                                                                                                                                      |          |  |
|--------------------------------------------------------------------------------------------------------------------------------------|----------|--|
| <b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) ..... | <b>7</b> |  |
|--------------------------------------------------------------------------------------------------------------------------------------|----------|--|

**8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:

2E 2F 2G 2J 2R 2T 3D

**b** If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

|                                                                                |                                                                                |
|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <b>9a</b> Plan funding arrangement (check all that apply)                      | <b>9b</b> Plan benefit arrangement (check all that apply)                      |
| <b>(1)</b> <input type="checkbox"/> Insurance                                  | <b>(1)</b> <input type="checkbox"/> Insurance                                  |
| <b>(2)</b> <input type="checkbox"/> Code section 412(e)(3) insurance contracts | <b>(2)</b> <input type="checkbox"/> Code section 412(e)(3) insurance contracts |
| <b>(3)</b> <input checked="" type="checkbox"/> Trust                           | <b>(3)</b> <input checked="" type="checkbox"/> Trust                           |
| <b>(4)</b> <input type="checkbox"/> General assets of the sponsor              | <b>(4)</b> <input type="checkbox"/> General assets of the sponsor              |

**10** Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

**a Pension Schedules**

- (1)** ☒ **R** (Retirement Plan Information)  
  
**(2)** ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary  
  
**(3)** ☐ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

**b General Schedules**

- (1)** ☒ **H** (Financial Information)  
**(2)** ☐ **I** (Financial Information – Small Plan)  
**(3)** ☐ **A** (Insurance Information)  
**(4)** ☒ **C** (Service Provider Information)  
**(5)** ☐ **D** (DFE/Participating Plan Information)  
**(6)** ☐ **G** (Financial Transaction Schedules)

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        |                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| <b>SCHEDULE C</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Service Provider Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).<br><br>▶ <b>File as an attachment to Form 5500.</b> | OMB No. 1210-0110                              |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        | <b>2011</b>                                    |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        | <b>This Form is Open to Public Inspection.</b> |

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

|                                                                                                               |                                                                    |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>A</b> Name of plan<br><u>NORTHERN STATES FINANCIAL CORPORATION PROFIT SHARING TRUST</u>                    | <b>B</b> Three-digit plan number (PN) ▶ <u>001</u>                 |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>NORTHERN STATES FINANCIAL CORPORATION</u> | <b>D</b> Employer Identification Number (EIN)<br><u>36-3449727</u> |

**Part I Service Provider Information (see instructions)**

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

**1 Information on Persons Receiving Only Eligible Indirect Compensation**

**a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☐ Yes ☐ No

**b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

**(b)** Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                               |                                                                                                          |                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                    | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                               |                                                                                                          |                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                    | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                               |                                                                                                          |                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                    | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                               |                                                                                                          |                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                    | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                               |                                                                                                          |                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                    | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                               |                                                                                                          |                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                    | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
|                                                                     |                                                                                                                                                                    |                                           |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
|                                                                     |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|                                                                     |                                                                                                                                                                    |                                           |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
|                                                                     |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|                                                                     |                                                                                                                                                                    |                                           |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
|                                                                     |                                                                                                                                                                    |                                           |

**Part II Service Providers Who Fail or Refuse to Provide Information**

**4** Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|--------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
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|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |

**Part III** **Termination Information on Accountants and Enrolled Actuaries (see instructions)**  
(complete as many entries as needed)

|                                                             |                                  |
|-------------------------------------------------------------|----------------------------------|
| <b>a</b> Name: DOLAN GOLDMAN & ROTH, P.C.                   | <b>b</b> EIN: 36-4166110         |
| <b>c</b> Position: ACCOUNTING FIRM                          |                                  |
| <b>d</b> Address: 4244 COMMERCIAL WAY<br>GLENVIEW, IL 60025 | <b>e</b> Telephone: 847-699-6000 |
|                                                             |                                  |

Explanation: PREDECESSOR AUDITOR CHOSE NOT TO RETAIN WORK DUE TO TURNOVER IN STAFFING CAPABILITIES

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                              |                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>SCHEDULE H</b><br><b>(Form 5500)</b><br><br><small>Department of the Treasury<br/>Internal Revenue Service</small><br><br><small>Department of Labor<br/>Employee Benefits Security Administration</small><br><br><small>Pension Benefit Guaranty Corporation</small> | <b>Financial Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).<br><br><b>► File as an attachment to Form 5500.</b> | OMB No. 1210-0110<br><br><div style="border: 1px solid black; padding: 5px; font-size: 1.2em; font-weight: bold;">2011</div><br><br><b>This Form is Open to Public Inspection</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                               |                                                                        |            |
|---------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------|
| For calendar plan year 2011 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u>      |                                                                        |            |
| <b>A</b> Name of plan<br><u>NORTHERN STATES FINANCIAL CORPORATION PROFIT SHARING TRUST</u>                    | <b>B</b> Three-digit plan number (PN) ►                                | <u>001</u> |
|                                                                                                               |                                                                        |            |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>NORTHERN STATES FINANCIAL CORPORATION</u> | <b>D</b> Employer Identification Number (EIN)<br><br><u>36-3449727</u> |            |

|               |                                      |
|---------------|--------------------------------------|
| <b>Part I</b> | <b>Asset and Liability Statement</b> |
|---------------|--------------------------------------|

**1** Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

| Assets                                                                                            |                 | (a) Beginning of Year | (b) End of Year |
|---------------------------------------------------------------------------------------------------|-----------------|-----------------------|-----------------|
| <b>a</b> Total noninterest-bearing cash .....                                                     | <b>1a</b>       |                       |                 |
| <b>b</b> Receivables (less allowance for doubtful accounts):                                      |                 |                       |                 |
| <b>(1)</b> Employer contributions .....                                                           | <b>1b(1)</b>    |                       |                 |
| <b>(2)</b> Participant contributions .....                                                        | <b>1b(2)</b>    |                       |                 |
| <b>(3)</b> Other.....                                                                             | <b>1b(3)</b>    |                       |                 |
| <b>c</b> General investments:                                                                     |                 |                       |                 |
| <b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit) .....  | <b>1c(1)</b>    | 1321549               |                 |
| <b>(2)</b> U.S. Government securities.....                                                        | <b>1c(2)</b>    | 842615                |                 |
| <b>(3)</b> Corporate debt instruments (other than employer securities):                           |                 |                       |                 |
| <b>(A)</b> Preferred .....                                                                        | <b>1c(3)(A)</b> | 0                     |                 |
| <b>(B)</b> All other.....                                                                         | <b>1c(3)(B)</b> | 356688                |                 |
| <b>(4)</b> Corporate stocks (other than employer securities):                                     |                 |                       |                 |
| <b>(A)</b> Preferred .....                                                                        | <b>1c(4)(A)</b> |                       |                 |
| <b>(B)</b> Common .....                                                                           | <b>1c(4)(B)</b> | 3636864               |                 |
| <b>(5)</b> Partnership/joint venture interests .....                                              | <b>1c(5)</b>    |                       |                 |
| <b>(6)</b> Real estate (other than employer real property) .....                                  | <b>1c(6)</b>    |                       |                 |
| <b>(7)</b> Loans (other than to participants) .....                                               | <b>1c(7)</b>    |                       |                 |
| <b>(8)</b> Participant loans .....                                                                | <b>1c(8)</b>    |                       |                 |
| <b>(9)</b> Value of interest in common/collective trusts.....                                     | <b>1c(9)</b>    |                       | 0               |
| <b>(10)</b> Value of interest in pooled separate accounts.....                                    | <b>1c(10)</b>   |                       |                 |
| <b>(11)</b> Value of interest in master trust investment accounts .....                           | <b>1c(11)</b>   |                       |                 |
| <b>(12)</b> Value of interest in 103-12 investment entities .....                                 | <b>1c(12)</b>   |                       |                 |
| <b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds).....        | <b>1c(13)</b>   |                       | 4504847         |
| <b>(14)</b> Value of funds held in insurance company general account (unallocated contracts)..... | <b>1c(14)</b>   |                       |                 |
| <b>(15)</b> Other .....                                                                           | <b>1c(15)</b>   |                       | 641900          |

**1d** Employer-related investments:

|                                                                      |              | (a) Beginning of Year | (b) End of Year |
|----------------------------------------------------------------------|--------------|-----------------------|-----------------|
| (1) Employer securities .....                                        | <b>1d(1)</b> | 193088                | 77550           |
| (2) Employer real property .....                                     | <b>1d(2)</b> |                       |                 |
| <b>e</b> Buildings and other property used in plan operation .....   | <b>1e</b>    |                       |                 |
| <b>f</b> Total assets (add all amounts in lines 1a through 1e) ..... | <b>1f</b>    | 6350804               | 5224297         |

**Liabilities**

|                                                                           |           |  |  |
|---------------------------------------------------------------------------|-----------|--|--|
| <b>g</b> Benefit claims payable .....                                     | <b>1g</b> |  |  |
| <b>h</b> Operating payables .....                                         | <b>1h</b> |  |  |
| <b>i</b> Acquisition indebtedness .....                                   | <b>1i</b> |  |  |
| <b>j</b> Other liabilities .....                                          | <b>1j</b> |  |  |
| <b>k</b> Total liabilities (add all amounts in lines 1g through 1j) ..... | <b>1k</b> |  |  |

**Net Assets**

|                                                           |           |         |         |
|-----------------------------------------------------------|-----------|---------|---------|
| <b>l</b> Net assets (subtract line 1k from line 1f) ..... | <b>1l</b> | 6350804 | 5224297 |
|-----------------------------------------------------------|-----------|---------|---------|

**Part II Income and Expense Statement**

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

**Income****a Contributions:**

|                                                                                                            |                 | (a) Amount | (b) Total |
|------------------------------------------------------------------------------------------------------------|-----------------|------------|-----------|
| (1) Received or receivable in cash from: <b>(A)</b> Employers .....                                        | <b>2a(1)(A)</b> | 0          |           |
| <b>(B)</b> Participants .....                                                                              | <b>2a(1)(B)</b> | 333750     |           |
| <b>(C)</b> Others (including rollovers) .....                                                              | <b>2a(1)(C)</b> | 30142      |           |
| (2) Noncash contributions .....                                                                            | <b>2a(2)</b>    |            |           |
| (3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> ..... | <b>2a(3)</b>    |            | 363892    |

**b Earnings on investments:****(1) Interest:**

|                                                                                                      |                 |       |       |
|------------------------------------------------------------------------------------------------------|-----------------|-------|-------|
| <b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) ..... | <b>2b(1)(A)</b> | 59211 |       |
| <b>(B)</b> U.S. Government securities .....                                                          | <b>2b(1)(B)</b> |       |       |
| <b>(C)</b> Corporate debt instruments .....                                                          | <b>2b(1)(C)</b> |       |       |
| <b>(D)</b> Loans (other than to participants) .....                                                  | <b>2b(1)(D)</b> |       |       |
| <b>(E)</b> Participant loans .....                                                                   | <b>2b(1)(E)</b> |       |       |
| <b>(F)</b> Other .....                                                                               | <b>2b(1)(F)</b> |       |       |
| <b>(G)</b> Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....                        | <b>2b(1)(G)</b> |       | 59211 |

|                                                                                           |                 |       |       |
|-------------------------------------------------------------------------------------------|-----------------|-------|-------|
| (2) Dividends: <b>(A)</b> Preferred stock .....                                           | <b>2b(2)(A)</b> |       |       |
| <b>(B)</b> Common stock .....                                                             | <b>2b(2)(B)</b> | 0     |       |
| <b>(C)</b> Registered investment company shares (e.g. mutual funds) .....                 | <b>2b(2)(C)</b> | 78149 |       |
| <b>(D)</b> Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> ..... | <b>2b(2)(D)</b> |       | 78149 |

|                 |              |  |  |
|-----------------|--------------|--|--|
| (3) Rents ..... | <b>2b(3)</b> |  |  |
|-----------------|--------------|--|--|

|                                                                                           |                 |  |  |
|-------------------------------------------------------------------------------------------|-----------------|--|--|
| (4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds .....                | <b>2b(4)(A)</b> |  |  |
| <b>(B)</b> Aggregate carrying amount (see instructions) .....                             | <b>2b(4)(B)</b> |  |  |
| <b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result ..... | <b>2b(4)(C)</b> |  |  |

|                                                                                                   |          | (a) Amount | (b) Total |
|---------------------------------------------------------------------------------------------------|----------|------------|-----------|
| <b>2b</b> (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....              | 2b(5)(A) |            |           |
| (B) Other .....                                                                                   | 2b(5)(B) |            |           |
| (C) Total unrealized appreciation of assets.<br>Add lines 2b(5)(A) and (B).....                   | 2b(5)(C) |            |           |
| (6) Net investment gain (loss) from common/collective trusts .....                                | 2b(6)    |            | 0         |
| (7) Net investment gain (loss) from pooled separate accounts .....                                | 2b(7)    |            |           |
| (8) Net investment gain (loss) from master trust investment accounts .....                        | 2b(8)    |            |           |
| (9) Net investment gain (loss) from 103-12 investment entities .....                              | 2b(9)    |            |           |
| (10) Net investment gain (loss) from registered investment<br>companies (e.g., mutual funds)..... | 2b(10)   |            | 58067     |
| <b>c</b> Other income.....                                                                        | 2c       |            | 0         |
| <b>d</b> Total income. Add all <b>income</b> amounts in column (b) and enter total.....           | 2d       |            | 559319    |

**Expenses**

|                                                                                            |       |         |         |
|--------------------------------------------------------------------------------------------|-------|---------|---------|
| <b>e</b> Benefit payment and payments to provide benefits:                                 |       |         |         |
| (1) Directly to participants or beneficiaries, including direct rollovers .....            | 2e(1) | 1672873 |         |
| (2) To insurance carriers for the provision of benefits .....                              | 2e(2) |         |         |
| (3) Other .....                                                                            | 2e(3) |         |         |
| (4) Total benefit payments. Add lines 2e(1) through (3).....                               | 2e(4) |         | 1672873 |
| <b>f</b> Corrective distributions (see instructions) .....                                 | 2f    |         | 10342   |
| <b>g</b> Certain deemed distributions of participant loans (see instructions).....         | 2g    |         |         |
| <b>h</b> Interest expense.....                                                             | 2h    |         |         |
| <b>i</b> Administrative expenses: (1) Professional fees .....                              | 2i(1) |         |         |
| (2) Contract administrator fees .....                                                      | 2i(2) | 2611    |         |
| (3) Investment advisory and management fees .....                                          | 2i(3) |         |         |
| (4) Other .....                                                                            | 2i(4) |         |         |
| (5) Total administrative expenses. Add lines 2i(1) through (4).....                        | 2i(5) |         | 2611    |
| <b>j</b> Total expenses. Add all <b>expense</b> amounts in column (b) and enter total..... | 2j    |         | 1685826 |

**Net Income and Reconciliation**

|                                                                |       |  |          |
|----------------------------------------------------------------|-------|--|----------|
| <b>k</b> Net income (loss). Subtract line 2j from line 2d..... | 2k    |  | -1126507 |
| <b>l</b> Transfers of assets:                                  |       |  |          |
| (1) To this plan.....                                          | 2l(1) |  |          |
| (2) From this plan .....                                       | 2l(2) |  |          |

**Part III Accountant's Opinion**

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):  
 (1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

**c** Enter the name and EIN of the accountant (or accounting firm) below:  
 (1) Name: **PLANTE & MORAN, PLLC** (2) EIN: **38-1357951**

**d** The opinion of an independent qualified public accountant is **not attached** because:  
 (1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

**Part IV Compliance Questions**

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

|                                                                                                                                                                                                                                                                                                                 | Yes | No | Amount  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|---------|
| <b>a</b> Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....                 |     | X  |         |
| <b>b</b> Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)..... |     | X  |         |
| <b>c</b> Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) .....                                                                                                                            |     | X  |         |
| <b>d</b> Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....                                                                                                                  |     | X  |         |
| <b>e</b> Was this plan covered by a fidelity bond?.....                                                                                                                                                                                                                                                         | X   |    | 5000000 |
| <b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? .....                                                                                                                                                                         |     | X  |         |
| <b>g</b> Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? .....                                                                                                                                      |     | X  |         |
| <b>h</b> Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? .....                                                                                                                            |     | X  |         |
| <b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....                                                                                                                                                   | X   |    |         |
| <b>j</b> Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....                                                                                    |     | X  |         |
| <b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....                                                                                                                                              |     | X  |         |
| <b>l</b> Has the plan failed to provide any benefit when due under the plan? .....                                                                                                                                                                                                                              |     | X  |         |
| <b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....                                                                                                                                                                                     | X   |    |         |
| <b>n</b> If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. ....                                                                                                                        | X   |    |         |

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?

If "Yes," enter the amount of any plan assets that reverted to the employer this year..... ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

**5b(1)** Name of plan(s)

| 5b(2) EIN(s) | 5b(3) PN(s) |
|--------------|-------------|
|              |             |
|              |             |
|              |             |
|              |             |
|              |             |

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                            |                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>SCHEDULE R</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Retirement Plan Information</b><br><br>This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).<br><br>▶ <b>File as an attachment to Form 5500.</b> | OMB No. 1210-0110<br><br><b>2011</b><br><br><b>This Form is Open to Public Inspection.</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

|                                                                                                               |                                                                    |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>A</b> Name of plan<br><u>NORTHERN STATES FINANCIAL CORPORATION PROFIT SHARING TRUST</u>                    | <b>B</b> Three-digit plan number (PN) ▶<br><u>001</u>              |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>NORTHERN STATES FINANCIAL CORPORATION</u> | <b>D</b> Employer Identification Number (EIN)<br><u>36-3449727</u> |

|               |                      |
|---------------|----------------------|
| <b>Part I</b> | <b>Distributions</b> |
|---------------|----------------------|

All references to distributions relate only to payments of benefits during the plan year.

|                                                                                                                                                                                                                                                                                                                                                                     |          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| <b>1</b> Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....                                                                                                                                                                                                                               | <b>1</b> |
| <b>2</b> Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):<br><br>EIN(s): <u>36-3449727</u> <u>20-0937408</u><br><br><b>Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.</b> |          |
| <b>3</b> Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....                                                                                                                                                                                                                                     | <b>3</b> |

|                |                                                                                                                                                                              |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part II</b> | <b>Funding Information</b> (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part) |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                                                                                                                                           |                              |                             |                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|------------------------------|
| <b>4</b> Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....                                                                                                                                                                                                                                                       | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> N/A |
| <b>If the plan is a defined benefit plan, go to line 8.</b>                                                                                                                                                                                                                                                                                                               |                              |                             |                              |
| <b>5</b> If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. <b>Date:</b> Month _____ Day _____ Year _____<br><b>If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.</b> |                              |                             |                              |
| <b>6 a</b> Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) .....                                                                                                                                                                                                                            | <b>6a</b>                    |                             |                              |
| <b>b</b> Enter the amount contributed by the employer to the plan for this plan year .....                                                                                                                                                                                                                                                                                | <b>6b</b>                    |                             |                              |
| <b>c</b> Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....                                                                                                                                                                                                                           | <b>6c</b>                    |                             |                              |
| <b>If you completed line 6c, skip lines 8 and 9.</b>                                                                                                                                                                                                                                                                                                                      |                              |                             |                              |
| <b>7</b> Will the minimum funding amount reported on line 6c be met by the funding deadline? .....                                                                                                                                                                                                                                                                        | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> N/A |
| <b>8</b> If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....                                                                                                | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> N/A |

|                 |                   |
|-----------------|-------------------|
| <b>Part III</b> | <b>Amendments</b> |
|-----------------|-------------------|

|                                                                                                                                                                                                                            |                                   |                                   |                               |                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-----------------------------|
| <b>9</b> If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box..... | <input type="checkbox"/> Increase | <input type="checkbox"/> Decrease | <input type="checkbox"/> Both | <input type="checkbox"/> No |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-----------------------------|

|                |                                                                                                                                                   |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part IV</b> | <b>ESOPs</b> (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part. |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                             |                              |                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|
| <b>10</b> Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....                                                      | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>11 a</b> Does the ESOP hold any preferred stock? .....                                                                                                                                   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</b> If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)..... | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>12</b> Does the ESOP hold any stock that is not readily tradable on an established securities market? .....                                                                              | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

**Part V Additional Information for Multiemployer Defined Benefit Pension Plans**

**13** Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. Complete as many entries as needed to report all applicable employers.

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

|                                                                          |            |  |
|--------------------------------------------------------------------------|------------|--|
| <b>a</b> The current year .....                                          | <b>14a</b> |  |
| <b>b</b> The plan year immediately preceding the current plan year ..... | <b>14b</b> |  |
| <b>c</b> The second preceding plan year .....                            | <b>14c</b> |  |

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

|                                                                                                       |            |  |
|-------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> The corresponding number for the plan year immediately preceding the current plan year ..... | <b>15a</b> |  |
| <b>b</b> The corresponding number for the second preceding plan year .....                            | <b>15b</b> |  |

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

|                                                                                                                                                                        |            |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> Enter the number of employers who withdrew during the preceding plan year .....                                                                               | <b>16a</b> |  |
| <b>b</b> If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers ..... | <b>16b</b> |  |

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. .... ☐

**Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans**

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ..... ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

**a** Enter the percentage of plan assets held as:  
 Stock: \_\_\_\_\_% Investment-Grade Debt: \_\_\_\_\_% High-Yield Debt: \_\_\_\_\_% Real Estate: \_\_\_\_\_% Other: \_\_\_\_\_%

**b** Provide the average duration of the combined investment-grade and high-yield debt:  
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

**c** What duration measure was used to calculate item 19(b)?  
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): \_\_\_\_\_

**Northern States Financial Corporation  
Employees' Profit Sharing Trust**

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**Financial Report  
December 31, 2011**

# **Northern States Financial Corporation Employees' Profit Sharing Trust**

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## Independent Auditor's Report

To the Plan Administrator  
Northern States Financial Corporation  
Employees' Profit Sharing Trust

We were engaged to audit the financial statements and supplemental schedules of Northern States Financial Corporation Employees' Profit Sharing Trust (the "Plan") as of December 31, 2011 and for the year then ended, as listed in the accompanying table of contents. These financial statements and supplemental schedules are the responsibility of the Plan's management. The financial statements of the Northern States Financial Corporation Employees' Profit Sharing Trust as of December 31, 2010 were audited by other auditors whose report dated October 8, 2011 disclaimed an opinion on those statements as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Norstates Bank, Verisight Trust Company, and TD Ameritrade Trust Company, the custodians of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the Custodians hold the Plan's investment assets and execute related transactions. The plan administrator has obtained a certification from the Custodians as of and for the year ended December 31, 2011 that the information provided to the plan administrator by the Custodians is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules taken as a whole. These supplemental schedules are presented for the purpose of additional analysis and are not a required part of the financial statements but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the Custodians, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

*Plante & Moran, PLLC*

Chicago, Illinois  
October 12, 2012

# Northern States Financial Corporation Employees' Profit Sharing Trust

## Statement of Net Assets Available for Benefits

|                                                    | December 31,<br>2011 | December 31,<br>2010 |
|----------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                      |                      |                      |
| Participant-directed investments:                  |                      |                      |
| Money market accounts                              | \$ -                 | \$ 13,328            |
| Certificates of deposit                            | -                    | 458,221              |
| Mutual funds                                       | 4,504,847            | 1,410,625            |
| Corporate stocks                                   | -                    | 804,488              |
| Northern States Financial Corporation common stock | 77,550               | 181,550              |
| Self-directed brokerage account investments        | 641,900              | -                    |
| Total participant-directed investments             | 5,224,297            | 2,868,212            |
| Nonparticipant-directed investments:               |                      |                      |
| Certificates of deposit                            | -                    | 850,000              |
| Mutual funds                                       | -                    | 2,621,054            |
| Northern States Financial Corporation common stock | -                    | 11,538               |
| Total nonparticipant-directed investments          | -                    | 3,482,592            |
| <b>Net Assets Available for Benefits</b>           | <b>\$ 5,224,297</b>  | <b>\$ 6,350,804</b>  |

# Northern States Financial Corporation Employees' Profit Sharing Trust

## Statement of Changes in Net Assets Available for Benefits Year Ended December 31, 2011

### Additions to Net Assets

|                                                            |                 |
|------------------------------------------------------------|-----------------|
| Contributions:                                             |                 |
| Employee                                                   | \$ 333,750      |
| Rollovers                                                  | <u>30,142</u>   |
| Total contributions                                        | 363,892         |
| Investment income:                                         |                 |
| Interest and dividends                                     | 137,360         |
| Net realized and unrealized gains (losses) on investments: |                 |
| Mutual funds                                               | 86,518          |
| Northern States Financial Corporation common stock         | (5,078)         |
| Self-directed brokerage account investments                | <u>(23,373)</u> |
| Net realized and unrealized gains                          | <u>58,067</u>   |
| Total investment income                                    | <u>195,427</u>  |
| Total additions - Net                                      | 559,319         |

### Deductions from Net Assets

|                                                         |                  |
|---------------------------------------------------------|------------------|
| Benefits paid directly to participants or beneficiaries | 1,683,215        |
| Administrative expenses                                 | <u>2,611</u>     |
| Total deductions                                        | <u>1,685,826</u> |

**Net Decrease** (1,126,507)

### Net Assets Available for Benefits

|                   |                            |
|-------------------|----------------------------|
| Beginning of year | <u>6,350,804</u>           |
| End of year       | <u><u>\$ 5,224,297</u></u> |

# Northern States Financial Corporation Employees' Profit Sharing Trust

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## Notes to Financial Statements December 31, 2011 and 2010

### Note 1 - Plan Description

The following description of Northern States Financial Corporation Employees' Profit Sharing Trust (the "Plan") provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

The Plan was amended June 30, 2011. Amongst other changes, the amendment eliminated the nonparticipant-directed fund. In the past, the nonparticipant-directed fund was made up of historical profit sharing contributions made by the Plan sponsor. The nonparticipant funds were disbursed or allocated to participants based on prior profit sharing contributions made to the fund on behalf of specific participants. Further, the amendment modified the custodian and trustee of the Plan's assets (see Note 3). Participants should refer to the plan for a more complete description of the amendment.

**General** - The Plan is a defined contribution plan covering all full time employees of Northern States Financial Corporation and all subsidiaries (the "Company") who are eighteen years or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**Contributions** - The Plan provides for employee salary 401(k) contributions up to a maximum of 100 percent of the annual compensation subject to maximum tax deferred limitations established by the Internal Revenue Code. Effective August 1, 2011, the Plan allows participants to contribute on an after-tax basis. Participants may also make contributions to the Plan in the form of a rollover of funds from another qualified plan.

At the discretion of the Company's board of directors, the Company may make matching or profit sharing contributions to the Plan which are allocated to the participant accounts. There were no employer contributions made during the year ended December 31, 2011.

**Participant Accounts** - Each participant's account is credited with the participant's contribution, allocation of the Company's contribution, and plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participants' compensation or account balances, as defined in the plan agreement. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Vesting** - Participants are immediately 100 percent vested in employee, rollover, and employer contributions plus any earnings thereon.

**Benefit Payments** - Distributions are payable upon the retirement, death, disability, termination of employment, or the attainment of the age of 59½. The participant's account may also be distributed on account of hardship. All distributions are in the form of a lump-sum amount equal to the vested balance of a participant's account.

# Northern States Financial Corporation Employees' Profit Sharing Trust

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## Notes to Financial Statements December 31, 2011 and 2010

### Note 1 - Plan Description (Continued)

**Administration** - The Company is the sponsor of the Plan. Certain employees of the Company provide administrative and custodian services to the Plan. These employees do not receive any compensation from the Plan for their services. During 2011, the Plan was amended to name Verisight Trust Company the custodian and investment manager. Certain auditing and custodial account setup fees are paid by the Company.

**Party-in-interest Transactions** - Certain plan assets are in investment funds managed by Norstates Bank, Verisight Trust Company, and TD Ameritrade Trust Company or its affiliates. Norstates Bank, Verisight Trust Company, and TD Ameritrade Trust Company are the custodians of the Plan and, therefore, these transactions qualify as party-in-interest transactions as defined under ERISA guidelines. Norstates Bank, which served as the custodian of the Plan's investments through July 2011, is a subsidiary of Northern States Financial Corporation, the Plan's sponsor.

**Termination** - While it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in the plan agreement and ERISA. Upon termination of the Plan, participants become 100 percent vested in their account balances.

### Note 2 - Summary of Significant Accounting Policies

**Investment Valuation** - The Plan's investments are stated at fair value. Investments in self-directed brokerage accounts are invested in publicly traded securities, which are stated at fair value based on quoted market prices. The money market accounts and certificates of deposit are valued at fair value based on their outstanding balances. All other investments are valued based on quoted market prices. See Note 7 for additional information.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Benefit Payments** - Benefits are recorded when paid.

# **Northern States Financial Corporation Employees' Profit Sharing Trust**

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## **Notes to Financial Statements December 31, 2011 and 2010**

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

**Risks and Uncertainties** - The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including October 12, 2012, which is the date the financial statements were available to be issued.

### **Note 3 - Unaudited Information**

In 2011, the Plan changed custodian, from Norstates Bank to Verisight Trust Company and TD Ameritrade Trust Company (collectively, the "Custodians"). The Custodians of the Plan held the Plan's investments and executed all investment transactions during the periods under audit. The investment balances and related investment results included in the accompanying financial statements and supplemental schedules of assets held at end of year and reportable transactions is based solely on information provided by the Custodians.

# Northern States Financial Corporation Employees' Profit Sharing Trust

## Notes to Financial Statements December 31, 2011 and 2010

### Note 3 - Unaudited Information (Continued)

Significant investments of end of year net assets are as follows:

|                                             | 2011       | 2010    |
|---------------------------------------------|------------|---------|
| Participant-directed investments:           |            |         |
| Vanguard Target Retirement Fund 2010        | \$ 551,216 | \$ -    |
| Vanguard Target Retirement Fund 2015        | 366,672    | -       |
| Vanguard Target Retirement Fund 2020        | 581,130    | -       |
| Vanguard Target Retirement Fund 2025        | 461,671    | -       |
| Vanguard Prime Money Fund                   | 306,476    | -       |
| Northern Trust Money Market Mutual Fund     | -          | 665,143 |
| Federated US Government Securities Fund 2-5 | -          | 7,228   |
| Federated Total Return Bond Fund            | -          | 6,287   |
| Nonparticipant-directed investments:        |            |         |
| Northern Trust Money Market Mutual Fund     | -          | 782,473 |
| Federated US Government Securities Fund 1-3 | -          | 357,046 |
| Federated US Government Securities Fund 2-5 | -          | 367,826 |
| Federated Total Return Bond Fund            | -          | 318,483 |

### Note 4 - Terminated Participants

Included in net assets available for benefits are amounts allocated to individuals who have withdrawn from the Plan. Amounts allocated to these participants were \$0 and \$1,195,423 at December 31, 2011 and 2010, respectively.

### Note 5 - Tax Status

The Plan is a prototype plan. The prototype plan has received a favorable opinion letter from the Internal Revenue Service (IRS) that the Plan, as designed, is qualified for federal income tax-exempt status. The Plan has not individually sought its own determination letter.

In accordance with guidance on accounting for uncertainty in income taxes, management evaluated the Plan's tax position and does not believe the Plan has any uncertain tax positions that require disclosure or adjustment to the financial statements. The plan administrator believes the Plan is no longer subject to tax examinations for years prior to 2008.

# Northern States Financial Corporation Employees' Profit Sharing Trust

## Notes to Financial Statements December 31, 2011 and 2010

### Note 6 - Nonparticipant-directed Investments

The significant components of the changes in net assets relating to the nonparticipant-directed investments for the year ended December 31, 2011 are as follows:

|                                               | <u>2011</u>           |
|-----------------------------------------------|-----------------------|
| Changes in net assets:                        |                       |
| Interest and dividends                        | \$ 34,633             |
| Net realized gains on investments             | 87,932                |
| Benefits paid                                 | (746,747)             |
| Transfers to participant-directed investments | <u>(2,858,410)</u>    |
| Net decrease                                  | <u>\$ (3,482,592)</u> |

### Note 7 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Plan's assets measured at fair value on a recurring basis at December 31, 2011 and 2010 and the valuation techniques used by the Plan to determine those fair values.

**Level 1** - In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Plan has the ability to access.

**Level 2** - Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

**Level 3** - Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

# Northern States Financial Corporation Employees' Profit Sharing Trust

## Notes to Financial Statements December 31, 2011 and 2010

### Note 7 - Fair Value Measurements (Continued)

#### Assets Measured at Fair Value on a Recurring Basis at December 31, 2011

|                                                    | Level 1             | Level 2     | Level 3     | Balance at<br>December 31,<br>2011 |
|----------------------------------------------------|---------------------|-------------|-------------|------------------------------------|
| Mutual funds:                                      |                     |             |             |                                    |
| Domestic equity                                    | \$ 931,189          | \$ -        | \$ -        | \$ 931,189                         |
| Foreign equity                                     | 50,576              | -           | -           | 50,576                             |
| Balanced equity                                    | 2,934,648           | -           | -           | 2,934,648                          |
| Fixed income                                       | 204,408             | -           | -           | 204,408                            |
| Money market                                       | 384,026             | -           | -           | 384,026                            |
| Northern States Financial Corporation common stock | 77,550              | -           | -           | 77,550                             |
| Self-directed brokerage accounts                   | 641,900             | -           | -           | 641,900                            |
| Total                                              | <u>\$ 5,224,297</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,224,297</u>                |

#### Assets Measured at Fair Value on a Recurring Basis at December 31, 2010

|                                                    | Level 1             | Level 2             | Level 3     | Balance at<br>December 31,<br>2010 |
|----------------------------------------------------|---------------------|---------------------|-------------|------------------------------------|
| Money market accounts                              | \$ -                | \$ 13,328           | \$ -        | \$ 13,328                          |
| Certificates of deposit                            | -                   | 1,308,221           | -           | 1,308,221                          |
| Mutual funds:                                      |                     |                     |             |                                    |
| Domestic equity                                    | 636,790             | -                   | -           | 636,790                            |
| Foreign equity                                     | 68,789              | -                   | -           | 68,789                             |
| Balanced equity                                    | 655,113             | -                   | -           | 655,113                            |
| Fixed income                                       | 1,199,303           | -                   | -           | 1,199,303                          |
| Money market                                       | 1,471,684           | -                   | -           | 1,471,684                          |
| Northern States Financial Corporation common stock | 997,576             | -                   | -           | 997,576                            |
| Total                                              | <u>\$ 5,029,255</u> | <u>\$ 1,321,549</u> | <u>\$ -</u> | <u>\$ 6,350,804</u>                |

The Plan's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. There were no significant transfers between levels of the fair value hierarchy during 2011.

# Northern States Financial Corporation Employees' Profit Sharing Trust

## Schedule of Assets Held at End of Year Form 5500, Schedule H, Line 4i EIN 36-3449727, Plan No. 001 December 31, 2011

| (a)(b)<br>Identity of Issuer             | (c)<br>Description of Investment                     | (d)<br>Cost | (e)<br>Current Value |
|------------------------------------------|------------------------------------------------------|-------------|----------------------|
|                                          | Mutual funds:                                        |             |                      |
| Dimensional Fund Advisors                | DFA Emerging Markets Core Equity Portfolio           | *           | \$ 44,658            |
| Dimensional Fund Advisors                | DFA U.S. Targeted Value Portfolio                    | *           | 6,971                |
| Fidelity Investments                     | Fidelity Contrafund                                  | *           | 206,541              |
| First Eagle                              | First Eagle Global Fund Class A                      | *           | 143,739              |
| PIMCO                                    | PIMCO Real Return Fund                               | *           | 39,898               |
| PIMCO                                    | PIMCO Total Return Fund                              | *           | 105,890              |
| Sentinel                                 | Sentinel Small Company Fund Class I                  | *           | 56,925               |
| Vanguard                                 | Vanguard 500 Index Fund Signal Shares                | *           | 44,863               |
| Vanguard                                 | Vanguard Equity Income Fund Admiral Shares           | *           | 127,800              |
| Vanguard                                 | Vanguard Intermediate Term Bond Index Fund<br>Signal | *           | 58,620               |
| Vanguard                                 | Vanguard Mid Cap Growth Fund Investor Shares         | *           | 190,553              |
| Vanguard                                 | Vanguard Mid Cap Index Fund Signal Shares            | *           | 74,485               |
| Vanguard                                 | Vanguard Prime Money Market                          | *           | 306,476              |
| Vanguard                                 | Vanguard Selected Value Fund Investor Shares         | *           | 101,881              |
| Vanguard                                 | Vanguard Small Cap Index Fund Signal Shares          | *           | 154,062              |
| Vanguard                                 | Vanguard Target Retirement 2010 Fund                 | *           | 551,216              |
| Vanguard                                 | Vanguard Target Retirement 2015 Fund                 | *           | 366,672              |
| Vanguard                                 | Vanguard Target Retirement 2020 Fund                 | *           | 581,130              |
| Vanguard                                 | Vanguard Target Retirement 2025 Fund                 | *           | 461,671              |
| Vanguard                                 | Vanguard Target Retirement 2030 Fund                 | *           | 121,942              |
| Vanguard                                 | Vanguard Target Retirement 2035 Fund                 | *           | 117,808              |
| Vanguard                                 | Vanguard Target Retirement 2040 Fund                 | *           | 166,241              |
| Vanguard                                 | Vanguard Target Retirement 2045 Fund                 | *           | 15,187               |
| Vanguard                                 | Vanguard Target Retirement 2050 Fund                 | *           | 4,230                |
| Vanguard                                 | Vanguard Target Retirement 2055 Fund                 | *           | 7,610                |
| Vanguard                                 | Vanguard Target Retirement Income Fund               | *           | 19,405               |
| Vanguard                                 | Vanguard Total International Stock Index Fund        | *           | 50,576               |
| Vanguard                                 | Vanguard Wellesley Income Fund Admiral Shares        | *           | 149,517              |
| Vanguard                                 | Vanguard Wellington Fund Admiral Shares              | *           | 228,280              |
| Northern States Financial<br>Corporation | Common stock                                         | *           | 77,550               |
| TD Ameritrade                            | Self-directed brokerage account investments          | *           | 641,900              |
|                                          | Total                                                |             | <u>\$ 5,224,297</u>  |

\* Cost information not required

# Northern States Financial Corporation Employees' Profit Sharing Trust

## Schedule of Reportable Transactions Form 5500, Schedule H, Line 4j EIN 36-3449727, Plan No. 001 Year Ended December 31, 2011

| (a)<br>Identity of Party Involved                                                                                       | (b)<br>Description of Asset                   | (c)<br>Purchase Price | (d)<br>Selling Price | (g)<br>Cost of Asset | (h)<br>Current Value<br>of Asset on<br>Transaction<br>Date | (i)<br>Net Gain |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------|----------------------|----------------------|------------------------------------------------------------|-----------------|
| Category (i) - A single transaction that amounts to more than<br>5 percent of the beginning value of total plan assets: |                                               |                       |                      |                      |                                                            |                 |
| Northern Trust                                                                                                          | Northern Trust Money Market Fund              | \$ 1,937,164          | \$ -                 | \$ 1,937,164         | \$ 1,937,164                                               | \$ -            |
| Northern Trust                                                                                                          | Northern Trust Money Market Fund              | 604,596               | -                    | 604,596              | 604,596                                                    | -               |
| Northern Trust                                                                                                          | Northern Trust Money Market Fund              | 358,120               | -                    | 358,120              | 358,120                                                    | -               |
| Northern Trust                                                                                                          | Northern Trust Money Market Fund              | -                     | 2,855,997            | 2,855,997            | 2,855,997                                                  | -               |
| Northern Trust                                                                                                          | Northern Trust Money Market Fund              | -                     | 449,000              | 449,000              | 449,000                                                    | -               |
| Northern Trust                                                                                                          | Northern Trust Money Market Fund              | -                     | 377,839              | 377,869              | 377,869                                                    | -               |
| Vanguard                                                                                                                | Vanguard Total Stock Market Index I           | 350,000               | -                    | 350,000              | 350,000                                                    | -               |
| Vanguard                                                                                                                | Vanguard Total Stock Market Index I           | -                     | 365,765              | 352,783              | 365,765                                                    | 12,982          |
| Federated Investors                                                                                                     | Federated U.S. Government Securities Fund 2-5 | -                     | 323,429              | 303,605              | 323,429                                                    | 19,824          |
| Federated Investors                                                                                                     | Federated U.S. Government Securities Fund 1-3 | -                     | 321,869              | 318,438              | 321,869                                                    | 3,431           |

Category (iii) - A series of transactions with respect to securities  
of the same issue that amount in the aggregate to more than  
5 percent of the beginning value of the total plan assets

|                                            |                                              |           |           |           |           |        |
|--------------------------------------------|----------------------------------------------|-----------|-----------|-----------|-----------|--------|
| Northern Trust                             | Northern Trust Money Market Fund:            |           |           |           |           |        |
|                                            | Purchases - 24                               | 3,800,620 | -         | 3,800,620 | 3,800,620 | -      |
|                                            | Sales - 24                                   | -         | 4,583,094 | 4,583,094 | 4,583,094 | -      |
| Norstates Bank                             | Norstates Bank CD #59004:                    |           |           |           |           |        |
|                                            | Purchases - 2                                | 203,437   | -         | 203,437   | 203,437   | -      |
|                                            | Sales - 1                                    | -         | 203,437   | 203,437   | 203,437   | -      |
| Federated Investment<br>Management Company | Federated US Government Securities Fund 2-5: |           |           |           |           |        |
|                                            | Purchases - 8                                | 5,181     | -         | 5,181     | 5,181     | -      |
|                                            | Sales - 5                                    | -         | 375,332   | 353,927   | 375,332   | 21,405 |

# Northern States Financial Corporation Employees' Profit Sharing Trust

## Schedule of Reportable Transactions (Continued)

Form 5500, Schedule H, Line 4j

EIN 36-3449727, Plan No. 001

Year Ended December 31, 2011

| (a)<br>Identity of Party Involved          | (b)<br>Description of Asset                                                | (c)<br>Purchase Price | (d)<br>Selling Price | (g)<br>Cost of Asset | (h)<br>Current Value<br>of Asset on<br>Transaction<br>Date | (i)<br>Net Gain |
|--------------------------------------------|----------------------------------------------------------------------------|-----------------------|----------------------|----------------------|------------------------------------------------------------|-----------------|
| Federated Investment<br>Management Company | Federated US Government Securities Fund I-3:<br>Purchases - 8<br>Sales - 4 | \$ 3,723<br>-         | \$ -<br>358,702      | \$ 3,723<br>354,811  | \$ 3,723<br>358,702                                        | \$ -<br>3,891   |
| Federated Investment<br>Management Company | Federated Total Return Bond Institutional:<br>Purchases - 7<br>Sales - 3   | 7,638<br>-            | -<br>329,591         | 7,638<br>320,534     | 7,638<br>329,591                                           | -<br>9,057      |
| Vanguard                                   | Vanguard Total Stock Market Index I:<br>Purchases - 3<br>Sales - 1         | 352,783<br>-          | -<br>365,765         | 352,783<br>352,783   | 352,783<br>365,765                                         | -<br>12,982     |

There were no category (ii) or (iv) reportable transactions during the year.

## Schedule H, line 4i

## Schedule of Assets (Held At End of Year)

For the plan year beginning 01/01/2011 - 12/31/2011

Name of plan: Northern States Financial Corporation Profit Sharing Trust

Employer Identification Number: 36-3449727 Three-digit plan number: 001

| (a) | (b) Identity of issue, borrower, lessor, or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value | (d) Cost | (e) Current Value |
|-----|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|----------|-------------------|
|     | AMERITRADE SELF-DIRECTED ACCOUNT                          | EQUITIES AND MUTUAL FUNDS                                                                                   | N/A      | 641899.61         |
|     | DFA EMERGING MARKETS CORE EQUITY                          | MUTUAL FUND                                                                                                 | N/A      | 44658.22          |
|     | DFA US TARGETED VALUE                                     | MUTUAL FUND                                                                                                 | N/A      | 6970.63           |
|     | FIDELITY CONTRAFUND                                       | MUTUAL FUND                                                                                                 | N/A      | 206541.43         |
|     | FIRST EAGLE GLOBAL                                        | MUTUAL FUND                                                                                                 | N/A      | 143739.51         |
|     | NORTHERN STATES FINANCIAL CORP (STOCK)                    | MUTUAL FUND                                                                                                 | N/A      | 77550.30          |
|     | PIMCO REAL RETURN INSTITUTIONAL                           | MUTUAL FUND                                                                                                 | N/A      | 39898.36          |
|     | PIMCO RETURN INSTITUTIONAL                                | MUTUAL FUND                                                                                                 | N/A      | 105890.04         |
|     | SENTINEL SMALL COMPANY I                                  | MUTUAL FUND                                                                                                 | N/A      | 56925.37          |
|     | VANGUARD 500 INDEX SIGNAL                                 | MUTUAL FUND                                                                                                 | N/A      | 44863.30          |
|     | VANGUARD EQUITY INCOME ADMIRAL                            | MUTUAL FUND                                                                                                 | N/A      | 127800.41         |
|     | VANGUARD INTERMEDIATE-TERM BOND INDX SIG                  | MUTUAL FUND                                                                                                 | N/A      | 58620.21          |
|     | VANGUARD MID CAP GROWTH                                   | MUTUAL FUND                                                                                                 | N/A      | 190552.74         |
|     | VANGUARD MID CAP INDEX SIGNAL                             | MUTUAL FUND                                                                                                 | N/A      | 74484.58          |
|     | VANGUARD PRIME MONEY MARKET                               | MUTUAL FUND                                                                                                 | N/A      | 306467.45         |
|     | VANGUARD SELECTED VALUE                                   | MUTUAL FUND                                                                                                 | N/A      | 101880.84         |
|     | VANGUARD SMALL CAP INDEX SIGNAL                           | MUTUAL FUND                                                                                                 | N/A      | 154061.77         |
|     | VANGUARD TARGET RETIREMENT 2010                           | MUTUAL FUND                                                                                                 | N/A      | 551216.08         |
|     | VANGUARD TARGET RETIREMENT 2015                           | MUTUAL FUND                                                                                                 | N/A      | 366672.46         |
|     | VANGUARD TARGET RETIREMENT 2020                           | MUTUAL FUND                                                                                                 | N/A      | 581130.30         |
|     | VANGUARD TARGET RETIREMENT 2025                           | MUTUAL FUND                                                                                                 | N/A      | 461670.84         |
|     | VANGUARD TARGET RETIREMENT 2030                           | MUTUAL FUND                                                                                                 | N/A      | 121941.98         |
|     | VANGUARD TARGET RETIREMENT 2035                           | MUTUAL FUND                                                                                                 | N/A      | 117807.74         |
|     | VANGUARD TARGET RETIREMENT 2040                           | MUTUAL FUND                                                                                                 | N/A      | 166241.39         |
|     | VANGUARD TARGET RETIREMENT 2045                           | MUTUAL FUND                                                                                                 | N/A      | 15186.62          |
|     | VANGUARD TARGET RETIREMENT 2050                           | MUTUAL FUND                                                                                                 | N/A      | 4229.71           |
|     | VANGUARD TARGET RETIREMENT 2055                           | MUTUAL FUND                                                                                                 | N/A      | 7609.67           |
|     | VANGUARD TARGET RETIREMENT INCOME                         | MUTUAL FUND                                                                                                 | N/A      | 19404.60          |
|     | VANGUARD INTL STOCK INDEX SIGNAL                          | MUTUAL FUND                                                                                                 | N/A      | 50575.84          |
|     | VANGUARD WELLESLEY INCOME ADM                             | MUTUAL FUND                                                                                                 | N/A      | 149517.36         |
|     | VANGUARD WELLINGTON ADM                                   | MUTUAL FUND                                                                                                 | N/A      | 228279.79         |