

For Immediate Release
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Wells Financial Corp. Announces Annual Results

Selected Financial Data

	Year ended 12/31/05	Year ended 12/31/04
Net Income	\$1,974,000	\$2,164,000
Basic earnings per share	\$1.94	\$1.87
Diluted earnings per share	\$1.91	\$1.83
Return on average equity	7.92%	7.64%
Return on average assets	0.79%	0.95%
Book value per share	\$24.66	\$24.58
Net interest rate spread	3.51%	3.75%
Net interest rate margin	3.67%	3.92%
Allowance for loan loss to total loans	0.47%	0.44%

Wells, Minnesota – February 23, 2006 – Lonnie R. Trasamar, President of Wells Financial Corp. (the Company), the holding company of Wells Federal Bank (the Bank), announced earnings for 2005 of \$1,974,000, down \$190,000 or 8.8% when compared to 2004. Basic and diluted earnings per share for 2005 were \$1.94 and \$1.91, respectively. This compares to basic and diluted earnings per share of \$1.87 and \$1.83, respectively, for 2004.

The decrease in net income for 2005 when compared to 2004 was primarily the result of a decrease of \$412,000 in the gain on sale of loans originated for sale. During 2005 fewer mortgage loans were originated for sale when compared to 2004 resulting in a decrease in the gain on sale of loans originated for sale. Partially offsetting the decrease in gain on sale of loans originated for sale was an increase of \$208,000 in net interest income after provision for loan losses.

Total assets increased by \$20,553,000 during 2005 due primarily to an increase of \$18,379,000 in loans receivable. The increase in loans receivable resulted primarily from increases in commercial and agricultural real estate loans.

Liabilities increased by \$23,671,000 during 2005 due primarily to increases of \$9,773,000 and \$14,000,000 in deposits and borrowed funds, respectively.

Wells Financial Corp. and Wells Federal Bank are headquartered in Wells, Minnesota. The Bank operates nine full service offices located in Wells, Blue Earth, Mankato, Fairmont, North Mankato, Albert Lea, St. Peter and Owatonna Minnesota and Mason City, Iowa and a loan origination office located in Farmington, Minnesota. The Bank is a community oriented, full service savings bank offering traditional mortgage, consumer, commercial and agricultural loan products. The Bank offers insurance, mutual funds and variable rate annuity products through its subsidiary, Wells Insurance Agency.

Forward-looking Statements

Statements in this press release that are not strictly historical may be “forward-looking” statements, which involve risks and uncertainties. The foregoing material may contain forward-looking statements concerning the financial condition, results of operations and business of the Company. We caution that such statements are subject to a number of uncertainties and actual results could differ materially and, therefore, readers should not place undue reliance on any forward-looking statements. The Company does not undertake, and specifically disclaims, any obligation to publicly release the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances arising after the date hereof.

WELLS FINANCIAL CORP. and SUBSIDIARY
Consolidated Statements of Financial Condition
December 31, 2005 and December 31, 2004
(Dollars in Thousands)
(Unaudited)

ASSETS

	2005	2004
Cash, including interest-bearing accounts		
December 31, 2005 \$3,799; December 31, 2004 \$1,383	\$ 10,396	\$ 5,605
Certificates of deposit	200	100
Securities available for sale, at fair value	10,667	13,945
Federal Home Loan Bank Stock, at cost	2,859	2,133
Loans held for sale	2,422	3,454
Loans receivable, net	224,041	205,662
Accrued interest receivable	1,891	1,533
Premises and equipment, net	4,990	4,212
Mortgage servicing rights, net	2,085	2,515
Other assets	397	236
TOTAL ASSETS	\$ 259,948	\$ 239,395

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Deposits	\$ 177,268	\$ 167,495
Borrowed funds	55,640	41,640
Advances from borrowers for taxes and insurance	2,020	1,877
Deferred income taxes	1,066	1,494
Accrued interest payable	75	38
Accrued expenses and other liabilities	407	261
TOTAL LIABILITIES	236,476	212,805

STOCKHOLDERS' EQUITY:

Preferred stock, no par value; 500,000 shares authorized; none outstanding	-	-
Common stock, \$.10 par value; authorized 7,000,000 shares; issued 2,187,500 shares	219	219
Additional paid-in capital	17,145	17,177
Retained earnings, substantially restricted	29,047	28,063
Accumulated other comprehensive income	422	600
Unearned compensation restricted stock awards	(175)	(329)
Treasury stock, at cost, shares at December 31, 2005, 1,235,511 and 1,105,852 shares at December 31, 2004	(23,186)	(19,140)
TOTAL STOCKHOLDERS' EQUITY	23,472	26,590
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 259,948	\$ 239,395

WELLS FINANCIAL CORP. and SUBSIDIARY

Consolidated Statements of Income
(Dollars in thousands, except per share data)
(Unaudited)

	Twelve Months Ended	
	December 31,	
	<u>2005</u>	<u>2004</u>
Interest and dividend income		
Loans receivable:		
First mortgage loans	\$ 7,565	\$ 7,036
Consumer and other loans	6,224	4,569
Investment securities and other interest bearing deposits	630	797
Total interest income	<u>14,419</u>	<u>12,402</u>
Interest Expense		
Deposits	3,535	2,609
Borrowed funds	2,218	1,406
Total interest expense	<u>5,753</u>	<u>4,015</u>
Net interest income	8,666	8,387
Provision for loan losses	<u>195</u>	<u>120</u>
Net interest income after provision for loan losses	<u>8,471</u>	<u>8,267</u>
Noninterest income		
Gain on sale of loans originated for sale	1,009	1,421
Loan servicing fees	892	962
Insurance commissions	568	643
Fees and service charges	686	621
Other	193	98
Total noninterest income	<u>3,348</u>	<u>3,745</u>
Noninterest expense		
Compensation and benefits	4,264	4,393
Occupancy and equipment	1,127	1,070
Data processing	677	652
Advertising	276	331
Amortization and valuation adjustments for mortgage servicing rights	761	656
Other	1,382	1,525
Total noninterest expense	<u>8,487</u>	<u>8,627</u>
Income before taxes	<u>3,332</u>	<u>3,385</u>
Income tax expense	<u>1,358</u>	<u>1,221</u>
Net income	<u>\$ 1,974</u>	<u>\$ 2,164</u>
Cash dividends declared per share	<u>\$ 0.96</u>	<u>\$ 0.88</u>
Earnings per share		
Basic	<u>\$ 1.94</u>	<u>\$ 1.87</u>
Diluted	<u>\$ 1.91</u>	<u>\$ 1.83</u>
Weighted average number of common shares outstanding:		
Basic	<u>1,018,675</u>	<u>1,155,515</u>
Diluted	<u>1,035,041</u>	<u>1,181,226</u>