

For Immediate Release
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Wells Financial Corp. Announces Annual Results

Selected Financial Data

	Year ended 12/31/06	Year ended 12/31/05
Net Income	\$2,046,000	\$1,974,000
Basic earnings per share	\$2.17	\$1.94
Diluted earnings per share	\$2.14	\$1.91
Return on average equity	8.79%	7.92%
Return on average assets	0.79%	0.79%
Book value per share	\$25.88	\$24.66
Net interest rate spread	3.21%	3.51%
Net interest rate margin	3.38%	3.67%
Allowance for loan loss to total loans	0.47%	0.47%

Wells, Minnesota – February 23, 2007 – Lonnie R. Trasamar, President of Wells Financial Corp. (the Company), the holding company of Wells Federal Bank (the Bank), announced earnings for 2006 of \$2,046,000, up \$72,000 or 3.6% when compared to 2005. Basic and diluted earnings per share for 2006 were \$2.17 and \$2.14, respectively. This compares to basic and diluted earnings per share of \$1.94 and \$1.91, respectively, for 2005.

The increase in net income for 2006 when compared to 2005 was due to decreases in noninterest expense and income tax expense being partially offset by decreases in net interest income and noninterest income.

Total assets increased by \$7,431,000 during 2006 due primarily to an increase in loans receivable. The increase in loans receivable resulted primarily from increases in home equity line of credit loans and other consumer loans and, to a lesser extent, increases in commercial operating and construction loans.

Liabilities increased by \$6,582,000 during 2006 due primarily to increases of \$6,691,000 in deposits.

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, 2006 and December 31, 2005
(Dollars in Thousands)
(Unaudited)

ASSETS

	2006	2005
Cash, including interest-bearing accounts		
December 31, 2006 \$2,276; December 31, 2005 \$3,799	\$ 11,701	\$ 10,396
Certificates of deposit	200	200
Securities available for sale, at fair value	8,483	10,667
Federal Home Loan Bank Stock, at cost	2,885	2,859
Loans held for sale	1,643	2,422
Loans receivable, net	233,670	224,041
Accrued interest receivable	2,247	1,891
Premises and equipment, net	4,623	4,990
Mortgage servicing rights, net	1,748	2,085
Other assets	179	397
TOTAL ASSETS	\$ 267,379	\$ 259,948

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Deposits	\$ 183,959	\$ 177,268
Borrowed funds	55,500	55,640
Advances from borrowers for taxes and insurance	2,120	2,020
Deferred income taxes	992	1,066
Accrued interest payable	130	75
Accrued expenses and other liabilities	357	407
TOTAL LIABILITIES	243,058	236,476

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	17,142	17,145
Retained earnings, substantially restricted	30,113	29,047
Accumulated other comprehensive income	496	422
Unearned compensation restricted stock awards	(98)	(175)
Treasury stock, at cost, 1,247,704 shares at December 31, 2006, and 1,235,511 shares at December 31, 2005	(23,551)	(23,186)
TOTAL STOCKHOLDERS' EQUITY	24,321	23,472
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 267,379	\$ 259,948

WELLS FINANCIAL CORP. and SUBSIDIARY*Consolidated Statements of Income**Years Ended December 31, 2006 and 2005**(Dollars in thousands, except per share data)**(Unaudited)*

	Year Ended	
	December 31,	
	<u>2006</u>	<u>2005</u>
Interest and dividend income		
Loans receivable:		
First mortgage loans	\$ 10,949	\$ 7,565
Consumer and other loans	4,664	6,224
Investment securities and other interest bearing deposits	708	630
Total interest income	<u>16,321</u>	<u>14,419</u>
Interest Expense		
Deposits	5,206	3,535
Borrowed funds	2,685	2,218
Total interest expense	<u>7,891</u>	<u>5,753</u>
Net interest income	8,430	8,666
Provision for loan losses	75	195
Net interest income after provision for loan losses	<u>8,355</u>	<u>8,471</u>
Noninterest income		
Gain on sale of loans originated for sale	754	1,009
Loan servicing fees	939	892
Insurance commissions	577	568
Fees and service charges	724	686
Other	178	193
Total noninterest income	<u>3,172</u>	<u>3,348</u>
Noninterest expense		
Compensation and benefits	4,169	4,264
Occupancy and equipment	1,166	1,127
Data processing	686	677
Advertising	326	276
Amortization and valuation adjustments for mortgage servicing rights	651	761
Other	1,332	1,382
Total noninterest expense	<u>8,330</u>	<u>8,487</u>
Income before taxes	3,197	3,332
Income tax expense	1,151	1,358
Net income	<u>\$ 2,046</u>	<u>\$ 1,974</u>
Cash dividends declared per share	<u>\$ 1.04</u>	<u>\$ 0.96</u>
Earnings per share		
Basic	<u>\$ 2.17</u>	<u>\$ 1.94</u>
Diluted	<u>\$ 2.14</u>	<u>\$ 1.91</u>
Weighted average number of common shares outstanding:		
Basic	<u>941,750</u>	<u>1,018,675</u>
Diluted	<u>954,546</u>	<u>1,035,041</u>