

For Immediate Release
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Wells, Minnesota

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**Wells Financial Corp. Announces Second Quarter Results
And Cash Dividend**

Selected Financial Data

(Dollars in Thousands, except per share data)
(unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net Income	\$ 475	\$ 597	\$ 826	\$ 1,242
Basic earnings per share	\$ 0.61	\$ 0.77	\$ 1.06	\$ 1.60
Diluted earnings per share	\$ 0.61	\$ 0.77	\$ 1.05	\$ 1.60
Return on average equity (1)	8.5%	11.2%	7.4%	11.1%
Return on average assets (1)	0.7%	0.9%	0.6%	0.9%
Net interest rate spread	3.6%	3.3%	3.5%	3.3%
Net interest rate margin	3.7%	3.4%	3.5%	3.4%
Book value per share	\$28.88	\$27.75	\$28.88	\$27.75

(1) Annualized

Lonnie R. Trasamar, President of Wells Financial Corp. (the Company), the holding company of Wells Federal Bank (the Bank), announced earnings for the second quarter of 2010 of \$475,000, down \$122,000 or 20.4%, when compared to the second quarter of 2009. Basic and diluted earnings per share for the second quarter of 2010 were \$0.61, down \$0.16 or 20.8%, when compared to the same period in 2009.

Net income for the six months ended June 30, 2010 was \$826,000, down \$416,000 or 33.5% when compared to the first six months of 2009. When comparing the first six months of 2010 with the same period in 2009, basic and diluted earnings per share decreased by \$0.54 and \$0.55 or 33.8% and 34.4%, respectively.

The primary reason for the decrease in net income for the quarter and six months ended June 30, 2010 resulted from a decrease in gain on sale of loans. The Bank saw a decreased volume of residential loan refinancing during the first six months of 2010 when compared to the first six months of 2009 which resulted in the decrease in gain on sale of loans. Partially offsetting the decrease in the gain on sale of loans was an increase in net interest income of \$215,000, or 10.9% for the second quarter of 2010 and \$167,000, or 4.1%, for the six months ended June 30, 2010 when compared to the same periods in 2009.

In accordance with the Bank's internal classification of assets policy, management evaluates the loan portfolio on a quarterly basis to identify and determine the adequacy of the allowance for loan loss and adjusts the level of the allowance for loan loss through the provision for loan loss. The provision for loan losses decreased by \$120,000, or 32.0% and \$380,000, or 50.0% for the quarter and six months ended June 30, 2010 when compared to the same periods

in 2009. As of June 30, 2010 and December 31, 2009, the balance in the allowance for loan losses and the allowance for loan losses as a percentage of total loans were \$1,827,000 and \$1,785,000 and 0.95% and 0.85%, respectively.

When comparing the second quarter and six months ended June 30, 2010 to the same periods in 2009, noninterest income decreased by \$477,000 and \$1,112,000 or 22.4% and 37.8%, respectively, due to the decrease in gain on sale of loans described above and noninterest expense remained relatively constant.

When comparing June 30, 2010 with December 31, 2009, total assets decreased by \$15,495,000 and total liabilities decreased by \$16,042,000 due to cash being used to repay borrowed funds.

Cash Dividend Announcement

On July 20, 2010, the Company's Board of Directors declared a \$0.26 per share cash dividend, payable on August 20, 2010 to shareholders of record on August 6, 2010.

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.

An unaudited consolidated balance sheet and income statement are part of this press release

Wells Financial Corp. and Subsidiary
Consolidated Statement of Financial Condition
(Dollars in Thousands)
(Unaudited)

ASSETS	<u>06/30/10</u>	<u>12/31/09</u>
Cash, including interest-bearing accounts: 06/30/10 \$13,063; 12/31/09 \$34,777	\$ 17,755	\$ 41,013
Certificates of deposit	7,645	175
Securities available for sale	16,205	10,698
Federal Home Loan Stock	2,026	2,728
Loans held for sale	2,458	1,931
Loans receivable, net	190,148	195,423
Accrued interest receivable	1,591	1,564
Prepaid Income Taxes	-	-
Premises and equipment	3,546	3,693
Mortgage servicing rights, net	1,340	1,373
Other assets	7,012	6,623
TOTAL ASSETS	<u>\$ 249,726</u>	<u>\$ 265,221</u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Deposits	\$ 211,868	\$ 208,870
Borrowed funds	12,110	31,435
Advances from borrowers for taxes and insurance	2,206	2,233
Income taxes:		
Deferred	9	157
Accrued interest payable	272	61
Accrued expenses and other liabilities	651	402
TOTAL LIABILITIES	<u>227,116</u>	<u>243,158</u>
STOCKHOLDER'S EQUITY:		
Common stock, \$.10 par value; 7,000,000 shares authorized; 2,187,500 shares issued	\$ 219	\$ 219
Additional paid in capital	17,132	17,166
Retained earnings, substantially restricted	33,034	32,615
Other comprehensive income	162	131
Treasury stock, at cost, 1,404,699 shares at June 30, 2010; 1,411,060 shares at December 31, 2009	(27,937)	(28,068)
TOTAL EQUITY	<u>22,610</u>	<u>22,063</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 249,726</u>	<u>\$ 265,221</u>

Wells Financial Corp. and Subsidiary
Consolidated Statement of Income

(Dollars in Thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Interest and dividend income				
Loans receivable:				
Residential loans	\$ 598	\$ 704	\$1,199	\$1,421
Commercial Loans	583	578	1,174	1,208
Ag Real Estate Loans	741	882	1,490	1,780
Consumer and other loans	1,121	1,183	2,238	2,424
Investment securities and other interest-bearing deposits	155	107	296	212
Total interest income	<u>3,198</u>	<u>3,454</u>	<u>6,397</u>	<u>7,045</u>
Interest expense				
Deposits	786	1,005	1,658	2,059
Borrowed funds	226	478	488	902
Total interest expense	<u>1,012</u>	<u>1,483</u>	<u>2,146</u>	<u>2,961</u>
Net interest income	<u>2,186</u>	<u>1,971</u>	<u>4,251</u>	<u>4,084</u>
Provision for loan losses	255	375	380	760
Net interest income after provision for loan losses	<u>1,931</u>	<u>1,596</u>	<u>3,871</u>	<u>3,324</u>
Noninterest income				
Gain on sale of loans	332	932	466	1,726
Loan servicing fees	238	231	477	456
Insurance commissions	153	147	357	333
Fees and service charges	141	143	273	292
Other	180	68	258	136
Total noninterest income	<u>1,044</u>	<u>1,521</u>	<u>1,831</u>	<u>2,943</u>
Noninterest expense				
Compensation and benefits	1,074	1,028	2,112	2,102
Occupancy and equipment	256	265	506	526
Federal insurance premiums	116	38	226	56
Data processing	190	184	377	384
Advertising	59	49	115	103
Amortization & Valuation adjustments for MSR's	80	115	166	261
Other	425	453	855	828
Total noninterest expense	<u>2,200</u>	<u>2,132</u>	<u>4,357</u>	<u>4,260</u>
Income before income taxes	<u>775</u>	<u>985</u>	<u>1,345</u>	<u>2,007</u>
Income tax expense	300	388	519	765
Net Income	<u>\$ 475</u>	<u>\$ 597</u>	<u>\$ 826</u>	<u>\$1,242</u>
Earnings per share				
Basic earnings per share	<u>\$ 0.61</u>	<u>\$ 0.77</u>	<u>\$ 1.06</u>	<u>\$ 1.60</u>
Diluted earnings per share	<u>\$ 0.61</u>	<u>\$ 0.77</u>	<u>\$ 1.05</u>	<u>\$ 1.60</u>