

**For Immediate Release**  
**July 21, 2006**

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

**Selected Financial Data**

	Quarter ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Net Income	\$495,000	\$430,000	\$960,000	\$951,000
Basic earnings per share	\$0.53	\$0.42	\$1.02	\$0.91
Diluted earnings per share	\$0.52	\$0.41	\$1.01	\$0.89
Return on average equity (1)	8.0%	6.9%	8.2%	7.4%
Return on average assets (1)	0.8%	0.7%	0.7%	0.8%
Net interest rate spread	3.4%	3.6%	3.3%	3.6%
Net interest rate margin	3.5%	3.7%	3.5%	3.8%
Book value per share	\$24.95	\$24.41	\$24.95	\$24.41

(1) annualized

Wells, Minnesota – July 21, 2006 – 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 2006 of \$495,000, up \$65,000 or 15.1%, when compared to the second quarter of 2005. Basic and diluted earnings per share for the second quarter of 2006 were \$0.53 and \$0.52, up \$0.11 when compared to the second quarter of 2005.

Net income for the six months ended June 30, 2006 was \$960,000, up \$9,000 or 0.9% when compared to the same period in 2005. Basic and diluted earnings per share were \$1.02 and \$1.01, respectively, for the first six months of 2006. This compares to basic and diluted earnings per share for the first six months of 2005 of \$0.91 and \$0.89, respectively.

When comparing June 30, 2006 to December 31, 2005, total assets increased by \$4,178,000 due primarily to an increase in loans receivable. The increase in loans receivable resulted primarily from increases in commercial mortgage loans, construction loans and home equity line of credit loans.

Liabilities increased by \$4,194,000 during the first six months of 2006 due primarily to an increase of \$3,360,000 in borrowed funds.

**Cash Dividend Announcement**

On July 18, 2006, the Company's Board of Directors declared a \$0.26 per share cash dividend, payable on August 18, 2006 to shareholders of record on August 4, 2006.

## **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 Statements of Financial Condition**June 30, 2006 and December 31, 2005**(Dollars in Thousands)**(Unaudited)***ASSETS**

	2006	2005
Cash, including interest-bearing accounts June 30, 2006 \$1,062; December 31, 2005 \$3,799	\$ 5,727	\$ 10,396
Certificates of deposit	200	200
Securities available for sale, at fair value	9,225	10,667
Federal Home Loan Bank Stock, at cost	2,898	2,859
Loans held for sale	2,545	2,422
Loans receivable, net	234,408	224,041
Accrued interest receivable	2,041	1,891
Premises and equipment, net	4,782	4,990
Mortgage servicing rights, net	1,908	2,085
Other assets	392	397
<b>TOTAL ASSETS</b>	<b>\$ 264,126</b>	<b>\$ 259,948</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY****LIABILITIES**

Deposits	\$ 177,818	\$ 177,268
Borrowed funds	59,000	55,640
Advances from borrowers for taxes and insurance	2,037	2,020
Deferred income taxes	937	1,066
Accrued interest payable	276	75
Accrued expenses and other liabilities	602	407
<b>TOTAL LIABILITIES</b>	<b>240,670</b>	<b>236,476</b>

**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	17,154	17,145
Retained earnings, substantially restricted	29,516	29,047
Accumulated other comprehensive income	292	422
Unearned compensation restricted stock awards	(162)	(175)
Treasury stock, at cost, shares at June 30, 2006, 1,247,486 and 1,235,511 shares at December 31, 2005	(23,563)	(23,186)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>23,456</b>	<b>23,472</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 264,126</b>	<b>\$ 259,948</b>

**WELLS FINANCIAL CORP. and SUBSIDIARY**  
**Consolidated Statements of Income**  
(Dollars in thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	2006	2005	2006	2005
<b>Interest and dividend income</b>				
Loans receivable:				
First mortgage loans	\$ 3,414	\$ 1,883	\$ 5,419	\$ 3,676
Consumer and other loans	456	1,509	2,118	2,893
Investment securities and other interest bearing deposits	167	160	380	323
Total interest income	<u>4,037</u>	<u>3,552</u>	<u>7,917</u>	<u>6,892</u>
<b>Interest Expense</b>				
Deposits	1,239	828	2,390	1,533
Borrowed funds	638	541	1,253	993
Total interest expense	<u>1,877</u>	<u>1,369</u>	<u>3,643</u>	<u>2,526</u>
Net interest income	2,160	2,183	4,274	4,366
<b>Provision for loan losses</b>	15	60	25	95
Net interest income after provision for loan losses	<u>2,145</u>	<u>2,123</u>	<u>4,249</u>	<u>4,271</u>
<b>Noninterest income</b>				
Gain on sale of loans originated for sale	200	266	339	506
Loan servicing fees	235	238	472	477
Insurance commissions	124	132	314	299
Fees and service charges	205	154	366	287
Other	45	35	86	76
Total noninterest income	<u>809</u>	<u>825</u>	<u>1,577</u>	<u>1,645</u>
<b>Noninterest expense</b>				
Compensation and benefits	1,074	1,130	2,172	2,167
Occupancy and equipment	308	267	607	558
Data processing	137	121	278	251
Advertising	70	70	148	146
Amortization and valuation adjustments for mortgage servicing rights	170	203	326	396
Other	402	412	776	820
Total noninterest expense	<u>2,161</u>	<u>2,203</u>	<u>4,307</u>	<u>4,338</u>
Income before taxes	793	745	1,519	1,578
<b>Income tax expense</b>	298	315	559	627
<b>Net income</b>	<u>\$ 495</u>	<u>\$ 430</u>	<u>\$ 960</u>	<u>\$ 951</u>
<b>Cash dividends declared per share</b>	<u>\$ 0.26</u>	<u>\$ 0.24</u>	<u>\$ 0.52</u>	<u>\$ 0.48</u>
<b>Earnings per share</b>				
Basic	<u>\$ 0.53</u>	<u>\$ 0.42</u>	<u>\$ 1.02</u>	<u>\$ 0.91</u>
Diluted	<u>\$ 0.52</u>	<u>\$ 0.41</u>	<u>\$ 1.01</u>	<u>\$ 0.89</u>
<b>Weighted average number of common shares outstanding:</b>				
Basic	<u>935,758</u>	<u>1,032,580</u>	<u>941,465</u>	<u>1,049,719</u>
Diluted	<u>949,500</u>	<u>1,051,748</u>	<u>955,207</u>	<u>1,068,887</u>