

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

Selected Financial Data

| | Quarter ended | | Six months ended | |
|------------------------------|---------------|---------------|------------------|---------------|
| | June 30, 2008 | June 30, 2007 | June 30, 2008 | June 30, 2007 |
| Net Income | \$458,000 | \$419,000 | \$782,000 | \$886,000 |
| Basic earnings per share | \$0.58 | \$0.45 | \$0.99 | \$0.95 |
| Diluted earnings per share | \$0.58 | \$0.45 | \$0.98 | \$0.94 |
| Return on average equity (1) | 8.8% | 6.9% | 7.5% | 7.3% |
| Return on average assets (1) | 0.7% | 0.6% | 0.6% | 0.7% |
| Net interest rate spread | 3.2% | 3.1% | 3.1% | 3.3% |
| Net interest rate margin | 3.3% | 3.3% | 3.2% | 3.5% |
| Book value per share | \$26.36 | \$26.16 | \$26.36 | \$26.16 |

(1) annualized

Wells, Minnesota – July 17, 2008 – 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 2008 of \$458,000, up \$39,000 or 9.3%, when compared to the second quarter of 2007. Basic and diluted earnings per share for the second quarter of 2008 were \$0.58, up \$0.13, or 28.9% when compared to the second quarter of 2007.

Net income for the six months ended June 30, 2008 was \$782,000, down \$104,000 or 11.7% when compared to the same period in 2007. Basic and diluted earnings per share were \$0.99 and \$0.98, respectively, for the first six months of 2008, up 4.2% when compared to basic and diluted earnings per share for the first six months of 2007 of \$0.95 and \$0.94, respectively.

When comparing June 30, 2008 to December 31, 2007, total assets decreased by \$10,448,000 due primarily to a decrease in loans receivable. The decrease in loans receivable resulted primarily from decreases in residential mortgages and loans on agricultural real estate.

Liabilities decreased by \$10,599,000 during the first six months of 2008 due to a decrease in deposits of \$8,071,000 and a decrease of \$2,597,000 in borrowed funds.

Cash Dividend Announcement

On July 15, 2008, the Company's Board of Directors declared a \$0.26 per share cash dividend, payable on August 22, 2008 to shareholders of record on August 8, 2008.

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, 2008 and December 31, 2007
(Dollars in Thousands)
(Unaudited)

ASSETS

| | 2008 | 2007 |
|---|-------------------|-------------------|
| Cash, including interest-bearing accounts June 30, 2008 \$8,227; December 31, 2007 \$7,138 | \$ 13,632 | \$ 14,182 |
| Certificates of deposit | 300 | 300 |
| Securities available for sale, at fair value | 9,408 | 9,082 |
| Federal Home Loan Bank Stock, at cost | 2,924 | 2,329 |
| Loans held for sale | 1,547 | 1,821 |
| Loans receivable, net | 209,546 | 220,974 |
| Accrued interest receivable | 1,955 | 2,056 |
| Premises and equipment, net | 4,092 | 4,225 |
| Mortgage servicing rights, net | 1,460 | 1,503 |
| Other assets | 2,986 | 1,826 |
| TOTAL ASSETS | \$ 247,850 | \$ 258,298 |

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

| | | |
|---|----------------|----------------|
| Deposits | \$ 181,560 | \$ 189,631 |
| Borrowed funds | 42,388 | 44,985 |
| Advances from borrowers for taxes and insurance | 2,064 | 2,095 |
| Deferred income taxes | 405 | 576 |
| Accrued interest payable | 348 | 128 |
| Accrued expenses and other liabilities | 282 | 231 |
| TOTAL LIABILITIES | 227,047 | 237,646 |

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 | 17,121 | 17,091 |
| Retained earnings, substantially restricted | 31,254 | 30,884 |
| Accumulated other comprehensive income | 31 | 206 |
| Treasury stock, at cost, 1,398,460 shares at June 30, 2008, and 1,394,885 shares at December 31, 2007 | (27,822) | (27,748) |
| TOTAL STOCKHOLDERS' EQUITY | 20,803 | 20,652 |

| | | |
|--|-------------------|-------------------|
| | \$ 247,850 | \$ 258,298 |
|--|-------------------|-------------------|

WELLS FINANCIAL CORP. and SUBSIDIARY

Consolidated Statements of Income

(Dollars in thousands, except per share data)

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|---------------------------|----------------|-------------------------|----------------|
| | June 30, | | June 30, | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Interest and dividend income | | | | |
| Loans receivable: | | | | |
| First mortgage loans | \$ 2,303 | \$ 2,660 | \$ 4,641 | \$ 5,443 |
| Consumer and other loans | 1,271 | 1,270 | 2,554 | 2,496 |
| Investment securities and other interest bearing deposits | 189 | 226 | 400 | 486 |
| Total interest income | <u>3,763</u> | <u>4,156</u> | <u>7,595</u> | <u>8,425</u> |
| Interest Expense | | | | |
| Deposits | 1,320 | 1,489 | 2,777 | 2,968 |
| Borrowed funds | 494 | 675 | 1,034 | 1,349 |
| Total interest expense | <u>1,814</u> | <u>2,164</u> | <u>3,811</u> | <u>4,317</u> |
| Net interest income | 1,949 | 1,992 | 3,784 | 4,108 |
| Provision for loan losses | <u>75</u> | <u>12</u> | <u>133</u> | <u>25</u> |
| Net interest income after provision for loan losses | <u>1,874</u> | <u>1,980</u> | <u>3,651</u> | <u>4,083</u> |
| Noninterest income | | | | |
| Gain on sale of loans originated for sale | 294 | 221 | 545 | 371 |
| Loan servicing fees | 230 | 232 | 460 | 464 |
| Insurance commissions | 138 | 119 | 310 | 284 |
| Fees and service charges | 172 | 176 | 335 | 340 |
| Other | 100 | 37 | 159 | 81 |
| Total noninterest income | <u>934</u> | <u>785</u> | <u>1,809</u> | <u>1,540</u> |
| Noninterest expense | | | | |
| Compensation and benefits | 1,027 | 1,083 | 2,094 | 2,142 |
| Occupancy and equipment | 303 | 329 | 631 | 657 |
| Data processing | 219 | 131 | 417 | 280 |
| Advertising | 60 | 65 | 113 | 147 |
| Amortization and valuation adjustments for mortgage servicing rights | 135 | 134 | 277 | 268 |
| Other | 354 | 360 | 697 | 728 |
| Total noninterest expense | <u>2,098</u> | <u>2,102</u> | <u>4,229</u> | <u>4,222</u> |
| Income before taxes | 710 | 663 | 1,231 | 1,401 |
| Income tax expense | <u>252</u> | <u>244</u> | <u>449</u> | <u>515</u> |
| Net income | <u>\$ 458</u> | <u>\$ 419</u> | <u>\$ 782</u> | <u>\$ 886</u> |
| Cash dividends declared per share | <u>\$ 0.26</u> | <u>\$ 0.26</u> | <u>\$ 0.52</u> | <u>\$ 0.52</u> |
| Earnings per share | | | | |
| Basic | <u>\$ 0.58</u> | <u>\$ 0.45</u> | <u>\$ 0.99</u> | <u>\$ 0.95</u> |
| Diluted | <u>\$ 0.58</u> | <u>\$ 0.45</u> | <u>\$ 0.98</u> | <u>\$ 0.94</u> |
| Weighted average number of common shares outstanding: | | | | |
| Basic | <u>791,206</u> | <u>929,510</u> | <u>791,511</u> | <u>933,761</u> |
| Diluted | <u>795,159</u> | <u>941,466</u> | <u>795,464</u> | <u>945,717</u> |

