

For Immediate Release
October 19, 2006

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

Selected Financial Data

	Quarter ended		Nine months ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Net Income	\$543,000	\$438,000	\$1,503,000	\$1,389,000
Basic earnings per share	\$0.58	\$0.43	\$1.60	\$1.34
Diluted earnings per share	\$0.57	\$0.42	\$1.58	\$1.32
Return on average equity (1)	9.2%	7.1%	8.5%	7.3%
Return on average assets (1)	0.8%	0.7%	0.8%	0.7%
Net interest rate spread	3.2%	3.4%	3.3%	3.5%
Net interest rate margin	3.4%	3.6%	3.4%	3.7%
Book value per share	\$25.45	\$24.24	\$25.45	\$24.24

(1) annualized

Wells, Minnesota – October 19, 2006 – Lonnie R. Trasamar, President of Wells Financial Corp. (the Company), the holding company of Wells Federal Bank (the Bank), announced earnings for the third quarter of 2006 of \$543,000, up \$105,000 or 24.0%, when compared to the third quarter of 2005. Basic and diluted earnings per share for the third quarter of 2006 were \$0.58 and \$0.57, respectively, up \$0.15 when compared to the third quarter of 2005.

Net income for the nine months ended September 30, 2006 was \$1,503,000, up \$114,000 or 8.2% when compared to the same period in 2005. Basic and diluted earnings per share were \$1.60 and \$1.58, respectively, for the first nine months of 2006. This compares to basic and diluted earnings per share for the first nine months of 2005 of \$1.34 and \$1.32, respectively.

When comparing September 30, 2006 to December 31, 2005, total assets increased by \$9,443,000 due 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.

Liabilities increased by \$8,971,000 during the first nine months of 2006 due to increases of \$2,638,000 and \$5,360,000 in deposits and borrowed funds, respectively.

Cash Dividend Announcement

On October 17, 2006, the Company's Board of Directors declared a \$0.26 per share cash dividend, payable on November 17, 2006 to shareholders of record on November 1, 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
September 30, 2006 and December 31, 2005
(Dollars in Thousands)
(Unaudited)

ASSETS

	2006	2005
Cash, including interest-bearing accounts		
September 30, 2006 \$3,135; December 31, 2005 \$3,799	\$ 9,501	\$ 10,396
Certificates of deposit	200	200
Securities available for sale, at fair value	9,024	10,667
Federal Home Loan Bank Stock, at cost	3,080	2,859
Loans held for sale	1,147	2,422
Loans receivable, net	237,275	224,041
Accrued interest receivable	2,404	1,891
Premises and equipment, net	4,696	4,990
Mortgage servicing rights, net	1,832	2,085
Other assets	232	397
TOTAL ASSETS	\$ 269,391	\$ 259,948

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Deposits	\$ 179,906	\$ 177,268
Borrowed funds	61,000	55,640
Advances from borrowers for taxes and insurance	2,991	2,020
Deferred income taxes	994	1,066
Accrued interest payable	368	75
Accrued expenses and other liabilities	188	407
TOTAL LIABILITIES	245,447	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	29,815	29,047
Accumulated other comprehensive income	445	422
Unearned compensation restricted stock awards	(126)	(175)
Treasury stock, at cost, 1,246,825 shares at September 30, 2006, and 1,235,511 shares at December 31, 2004	(23,551)	(23,186)
TOTAL STOCKHOLDERS' EQUITY	23,944	23,472
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 269,391	\$ 259,948

WELLS FINANCIAL CORP. and SUBSIDIARY

Consolidated Statements of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Interest and dividend income				
Loans receivable:				
First mortgage loans	\$ 2,828	\$ 1,931	\$ 8,247	\$ 5,607
Consumer and other loans	1,255	1,653	3,373	4,546
Investment securities and other interest bearing deposits	164	138	544	461
Total interest income	<u>4,247</u>	<u>3,722</u>	<u>12,164</u>	<u>10,614</u>
Interest Expense				
Deposits	1,376	958	3,766	2,491
Borrowed funds	719	592	1,972	1,585
Total interest expense	<u>2,095</u>	<u>1,550</u>	<u>5,738</u>	<u>4,076</u>
Net interest income	2,152	2,172	6,426	6,538
Provision for loan losses	<u>20</u>	<u>75</u>	<u>45</u>	<u>170</u>
Net interest income after provision for loan losses	<u>2,132</u>	<u>2,097</u>	<u>6,381</u>	<u>6,368</u>
Noninterest income				
Gain on sale of loans originated for sale	231	227	570	733
Loan servicing fees	234	237	706	714
Insurance commissions	138	147	452	446
Fees and service charges	186	173	552	460
Other	47	46	133	122
Total noninterest income	<u>836</u>	<u>830</u>	<u>2,413</u>	<u>2,475</u>
Noninterest expense				
Compensation and benefits	1,064	1,118	3,236	3,285
Occupancy and equipment	299	278	906	836
Data processing	116	113	394	364
Advertising	87	62	235	208
Amortization and valuation adjustments for mortgage servicing rights	164	190	490	586
Other	397	380	1,173	1,200
Total noninterest expense	<u>2,127</u>	<u>2,141</u>	<u>6,434</u>	<u>6,479</u>
Income before taxes	841	786	2,360	2,364
Income tax expense	<u>298</u>	<u>348</u>	<u>857</u>	<u>975</u>
Net income	<u>\$ 543</u>	<u>\$ 438</u>	<u>\$ 1,503</u>	<u>\$ 1,389</u>
Cash dividends declared per share	<u>\$ 0.26</u>	<u>\$ 0.24</u>	<u>\$ 0.78</u>	<u>\$ 0.72</u>
Earnings per share				
Basic	<u>\$ 0.58</u>	<u>\$ 0.43</u>	<u>\$ 1.60</u>	<u>\$ 1.34</u>
Diluted	<u>\$ 0.57</u>	<u>\$ 0.42</u>	<u>\$ 1.58</u>	<u>\$ 1.32</u>
Weighted average number of common shares outstanding:				
Basic	<u>936,110</u>	<u>1,014,625</u>	<u>939,660</u>	<u>1,037,690</u>
Diluted	<u>949,465</u>	<u>1,032,251</u>	<u>953,015</u>	<u>1,055,316</u>