

For Immediate Release
October 22, 2008

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

Selected Financial Data

	Quarter ended		Nine months ended	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Net Income	\$8,000	\$436,000	\$965,000	\$1,322,000
Basic earnings per share	\$0.01	\$0.49	\$1.00	\$1.44
Diluted earnings per share	\$0.01	\$0.48	\$1.00	\$1.42
Return on average equity (1)	-	7.5%	5.1%	7.4%
Return on average assets (1)	-	0.7%	0.4%	0.7%
Net interest rate spread	3.4%	3.1%	3.2%	3.1%
Net interest rate margin	3.4%	3.3%	3.3%	3.3%
Book value per share	\$26.18	\$26.01	\$26.18	\$26.01

(1) annualized

Wells, Minnesota – October 22, 2008 – 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 2008 of \$8,000, down \$428,000 or 98.2%, when compared to the third quarter of 2007. Basic and diluted earnings per share for the third quarter of 2008 were \$0.01, down \$0.48 and \$0.47, respectively, when compared to the third quarter of 2007. During September of 2008 the federal government placed the Federal Home Loan Mortgage Corp. (Freddie Mac) into conservatorship which resulted in the Company realizing a \$485,000 other-than-temporary impairment on the Freddie Mac preferred stock in its security portfolio. The Company has no other preferred stock in its investment portfolio. “The impairment of the Freddie Mac preferred stock due to government action was an unexpected development that offset most of the Company’s income during the third quarter”, said Trasamar. “Absent this impairment, the Company would have reported net income of approximately \$316,000 for the quarter”, he added. Also contributing to the reduction in net income for the quarter was a \$192,000 increase in the provision for loan loss when compared to the third quarter of 2007.

“The liquidity position of Wells Financial Corp. remains strong and it continues to have capital levels that exceed regulatory standards to be classified as a well capitalized institution,” said Trasamar.

Net income for the nine months ended September 30, 2008 was \$965,000, down \$357,000 or 27.0% when compared to the same period in 2007. Basic and diluted earnings per share were \$1.00 for the first nine months of 2008, down 30.0% and 31.0%, respectively, when compared to basic and diluted earnings per share for the first nine months of 2007 of \$1.44 and \$1.42, respectively. The decrease in net income and earnings per share for the nine months ended September 30, 2008 when compared to the same period in 2007 resulted from the other-than-temporary impairment and increase in the provision for loan loss described above.

When comparing September 30, 2008 to December 31, 2007, total assets decreased by \$13,046,000 due primarily to decreases in loans receivable and cash. The decrease in loans receivable resulted primarily from decreases in residential mortgages, agricultural real estate and construction loans.

Liabilities decreased by \$12,697,000 during the first nine months of 2008 due to a decrease in deposits of \$10,670,000 and a decrease of \$3,379,000 in borrowed funds.

Cash Dividend Announcement

On October 21, 2008, the Company's Board of Directors declared a \$0.26 per share cash dividend, payable on November 24, 2008 to shareholders of record on November 10, 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**September 30, 2008 and December 31, 2007**(Dollars in Thousands)**(Unaudited)***ASSETS**

	<u>09/30/08</u>	<u>12/31/07</u>
Cash, including interest-bearing accounts: 09/30/08 \$1,448; 12/31/07 \$7,138	\$ 6,711	\$ 14,182
Certificates of deposit	700	300
Securities available for sale	9,977	9,082
Federal Home Loan Stock	2,806	2,329
Loans held for sale	1,541	1,821
Loans receivable, net	211,290	220,974
Accrued interest receivable	1,996	2,056
Prepaid Income Taxes	-	-
Premises and equipment	3,991	4,225
Mortgage servicing rights, net	1,362	1,503
Other assets	4,878	1,826
TOTAL ASSETS	<u>\$ 245,252</u>	<u>\$ 258,298</u>

LIABILITIES AND EQUITY**LIABILITIES:**

Deposits	\$ 178,961	\$ 189,631
Borrowed funds	41,606	44,985
Advances from borrowers for taxes and insurance	3,069	2,095
Income taxes:		
Deferred	389	576
Accrued interest payable	443	128
Accrued expenses and other liabilities	481	231
TOTAL LIABILITIES	<u>224,949</u>	<u>237,646</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	17,091
Retained earnings, substantially restricted	31,058	30,884
Other comprehensive income	(22)	206
Treasury stock, at cost, 1,412,060 shares at September 30, 2008; 1,394,885 shares at December 31, 2007	<u>(28,084)</u>	<u>(27,748)</u>
TOTAL EQUITY	<u>20,303</u>	<u>20,652</u>

TOTAL LIABILITIES AND EQUITY

<u>\$ 245,252</u>	<u>\$ 258,298</u>
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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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Interest and dividend income				
Loans receivable:				
Residential loans	\$ 654	\$ 798	\$ 2,135	\$ 2,375
Commercial Loans	683	793	2,079	2,640
Ag Real Estate Loans	835	981	2,599	3,000
Consumer and other loans	1,261	1,306	3,815	3,802
Investment securities and other interest-bearing deposits	164	211	564	697
Total interest income	<u>3,597</u>	<u>4,089</u>	<u>11,192</u>	<u>12,514</u>
Interest expense				
Deposits	1,219	1,558	3,996	4,526
Borrowed funds	418	589	1,452	1,938
Total interest expense	<u>1,637</u>	<u>2,147</u>	<u>5,448</u>	<u>6,464</u>
Net interest income	<u>1,960</u>	<u>1,942</u>	<u>5,744</u>	<u>6,050</u>
Provision for loan losses	220	28	353	53
Net interest income after provision for loan losses	<u>1,740</u>	<u>1,914</u>	<u>5,391</u>	<u>5,997</u>
Noninterest income				
Gain on sale of loans	136	203	681	574
Loan servicing fees	225	232	685	696
Insurance commissions	141	154	451	438
Fees and service charges	184	181	519	521
Other	102	47	261	128
Total noninterest income	<u>788</u>	<u>817</u>	<u>2,597</u>	<u>2,357</u>
Noninterest expense				
Compensation and benefits	1,008	1,074	3,102	3,216
Occupancy and equipment	262	292	893	949
Federal insurance premiums	9	6	20	17
Data processing	179	124	596	404
Advertising	63	58	176	205
Amortization & Valuation adjustments for MSR's	140	142	417	410
Impairment of Securities Available for Sale	485	-	485	-
Other	362	387	1,048	1,104
Total noninterest expense	<u>2,508</u>	<u>2,083</u>	<u>6,737</u>	<u>6,305</u>
Income before income taxes	<u>20</u>	<u>648</u>	<u>1,251</u>	<u>2,049</u>
Income tax expense	12	212	461	727
Net Income	<u>\$ 8</u>	<u>\$ 436</u>	<u>\$ 790</u>	<u>\$ 1,322</u>
Earnings per share				
Basic earnings per share	<u>\$ 0.01</u>	<u>\$ 0.49</u>	<u>\$ 1.00</u>	<u>\$ 1.44</u>
Diluted earnings per share	<u>\$ 0.01</u>	<u>\$ 0.48</u>	<u>\$ 1.00</u>	<u>\$ 1.42</u>

