

For Immediate Release
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Wells, Minnesota

Contact: Lonnie R. Trasamar
(507)-553-3151

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

Selected Financial Data

	Quarter ended		Nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Net Income	\$428,000	\$8,000	\$1,670,000	\$965,000
Basic earnings per share	\$0.55	\$0.01	\$2.15	\$1.00
Diluted earnings per share	\$0.55	\$0.01	\$2.15	\$1.00
Return on average equity (1)	7.9%	-	10.5%	5.1%
Return on average assets (1)	0.7%	-	0.9%	0.4%
Net interest rate spread	3.4%	3.4%	3.3%	3.2%
Net interest rate margin	3.5%	3.4%	3.4%	3.3%
Book value per share	\$28.19	\$26.18	\$28.19	\$26.18

(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 third quarter of 2009 of \$428,000, up \$420,000 when compared to the third quarter of 2008. During the third quarter of 2008 the Company realized a other-than-temporary pre-tax impairment of \$485,000 (approximately \$316,000 post-tax) on Federal Home Loan Mortgage Corp. preferred stock which resulted in reduced income during that period. Basic and diluted earnings per share for the third quarter of 2009 were \$0.55 compared to basic and diluted earnings per share of \$0.01 for the third quarter of 2008.

Net income for the nine months ended September 30, 2009 was \$1,670,000, up \$705,000 when compared to the same period in 2008. Basic and diluted earnings per share were \$2.15 for the first nine months of 2009 compared to basic and diluted earnings per share of \$1.00 for the first nine months of 2008.

“I am extremely pleased with the performance of the Company and Bank during 2009,” stated Trasamar. “During the past twelve months the profitability of the Company has increased the book value of the Company’s stock by over \$2.00 per share,” he added.

Net interest income increased by \$112,000 and \$412,000, or 5.7% and 7.2%, for the three and nine month periods ended September 30, 2009, respectively, when compared to the same periods in 2008. The provision for loan loss decreased by \$145,000 for the third quarter 2009 when compared to the third quarter 2008 and increased by \$482,000 for the nine months ended September 30, 2009 when compared to the same period in 2008. In accordance with the Bank’s internal classification of assets policy, management evaluates the loan portfolio on a monthly 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. As of September 30, 2009 and December 31, 2008, the balance in the allowance for loan losses and the allowance for loan losses as a percentage of total loans were \$1,806,000 and \$1,096,000 and 0.90% and 0.50%, respectively.

When comparing the quarter and nine months ended September 30, 2009 to the same periods in 2008, noninterest income increased by \$188,000 and \$1,322,000, or 23.9% and 51.0%, respectively, due to an increase in the gain on sale of loans which resulted from increased residential loan refinance activity. Noninterest expense decreased by \$221,000 and \$190,000, or 8.8% and 2.8% for the quarter and nine months ended September 30, 2009, respectively, when compared to the same periods in 2008.

In the nine months ended September 30, 2009, total loans decreased by \$19,497,000 due, primarily, to decreases in home equity line of credit loans and loans on agricultural real estate. Deposits increased by \$14,907,000 during the first nine months of 2009. Partially offsetting the increase in deposits was a decrease of \$13,250,000 in borrowed funds.

Cash Dividend Announcement

On October 20, 2009, the Company's Board of Directors declared a \$0.26 per share cash dividend, payable on November 20, 2009 to shareholders of record on November 6, 2009.

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>09/30/09</u>	<u>12/31/08</u>
Cash, including interest-bearing accounts: 09/30/09 \$25,430; 12/31/08 \$2,689	\$ 31,317	\$ 8,744
Certificates of deposit	175	700
Securities available for sale	8,750	8,420
Federal Home Loan Stock	3,660	3,302
Loans held for sale	3,201	2,974
Loans receivable, net	197,719	217,425
Accrued interest receivable	1,803	1,813
Prepaid Income Taxes	71	-
Premises and equipment	3,762	3,961
Mortgage servicing rights, net	1,422	1,294
Other assets	5,739	4,420
TOTAL ASSETS	<u>\$ 257,619</u>	<u>\$ 253,053</u>

LIABILITIES AND EQUITY

LIABILITIES:

Deposits	\$ 197,795	\$ 182,888
Borrowed funds	33,556	46,806
Advances from borrowers for taxes and insurance	3,249	2,081
Income taxes:		
Deferred	49	205
Accrued interest payable	423	84
Accrued expenses and other liabilities	688	376
TOTAL LIABILITIES	<u>235,760</u>	<u>232,440</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	17,156	17,143
Retained earnings, substantially restricted	32,378	31,312
Other comprehensive income	174	23
Treasury stock, at cost, 1,411,260 shares at September 30, 2009; 1,412,060 shares at December 31, 2008	(28,068)	(28,084)
TOTAL EQUITY	<u>21,859</u>	<u>20,613</u>

TOTAL LIABILITIES AND EQUITY

	<u>\$ 257,619</u>	<u>\$ 253,053</u>
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WELLS FINANCIAL CORP. and SUBSIDIARY
Consolidated Statement of Income
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Interest and dividend income				
Loans receivable:				
Residential loans	\$ 653	\$ 654	\$ 2,074	\$ 2,135
Commercial Loans	687	683	1,895	2,079
Ag Real Estate Loans	835	835	2,615	2,599
Consumer and other loans	1,160	1,261	3,584	3,815
Investment securities and other interest-bearing deposits	116	164	328	564
Total interest income	3,451	3,597	10,496	11,192
Interest expense				
Deposits	992	1,219	3,051	3,996
Borrowed funds	387	418	1,289	1,452
Total interest expense	1,379	1,637	4,340	5,448
Net interest income	2,072	1,960	6,156	5,744
Provision for loan losses	75	220	835	353
Net interest income after provision for loan losses	1,997	1,740	5,321	5,391
Noninterest income				
Gain on sale of loans	357	136	2,083	681
Loan servicing fees	237	225	693	685
Insurance commissions	149	141	482	451
Fees and service charges	155	184	447	519
Other	78	102	214	261
Total noninterest income	976	788	3,919	2,597
Noninterest expense				
Compensation and benefits	1,032	1,008	3,134	3,102
Occupancy and equipment	238	262	764	893
Federal insurance premiums	73	9	129	20
Data processing	180	179	564	596
Advertising	77	63	180	176
Amortization & Valuation adjustments for MSR's	111	140	372	417
Impairment of Securities Available for Sale	-	485	-	485
Other	576	362	1,404	1,048
Total noninterest expense	2,287	2,508	6,547	6,737
Income before income taxes	686	20	2,693	1,251
Income tax expense	258	12	1,023	461
Net Income	\$ 428	\$ 8	\$ 1,670	\$ 790
Earnings per share				
Basic earnings per share	\$ 0.55	\$ 0.01	\$ 2.15	\$ 1.00
Diluted earnings per share	\$ 0.55	\$ 0.01	\$ 2.15	\$ 1.00