

For Immediate Release
January 25, 2008

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**Wells Financial Corp. Announces Annual Results
And Cash Dividend**

Selected Financial Data

	Year ended December 31,	
	2007	2006
Net Income	\$1,714,000	\$2,046,000
Basic earnings per share	\$1.91	\$2.17
Diluted earnings per share	\$1.90	\$2.14
Return on average equity (1)	7.4%	8.8%
Return on average assets (1)	0.7%	0.8%
Net interest rate spread	3.1%	3.2%
Net interest rate margin	3.3%	3.4%
Book value per share	\$26.06	\$25.88

(1) annualized

Wells, Minnesota – January 25, 2008 – Lonnie R. Trasamar, President of Wells Financial Corp. (the Company), the holding company of Wells Federal Bank (the Bank), announced annual earnings for 2007 of \$1,714,000, down \$332,000 or 16.2%, when compared to 2006. Basic and diluted earnings per share for 2007 were \$1.91 and \$1.90, respectively, down \$0.26 and \$0.24 when compared to 2006. The decrease in net income for 2007 when compared to 2006 resulted primarily from an increase of \$172,000 in interest income being more than offset by a \$686,000 increase in interest expense. These changes in interest income and interest expense resulted in a decrease in net interest income of \$510,000.

When comparing December 31, 2007 to December 31, 2006, total assets decreased by \$12,696,000 due primarily to a decrease in loans receivable and liabilities decreased by \$5,412 due primarily to a decrease in borrowed funds.

President's Statement

“2007 was a challenging year for Wells Financial Corp. due to changes in interest rates and the overall economy,” said President Lonnie Trasamar. “These changes resulted in a decrease in the Company’s net interest margin and an increase in non-performing loans.”

Cash Dividend Announcement

On January 22, 2008, the Company's Board of Directors declared a \$0.26 per share cash dividend, payable on February 25, 2008 to shareholders of record on February 11, 2008. This is the ninth consecutive quarter that the Company has paid a \$0.26 dividend.

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
December 31, 2007 and December 31, 2006
(Dollars in Thousands)
(Unaudited)

ASSETS

	2007	2006
Cash, including interest-bearing accounts December 31, 2007 \$7,138; December 31, 2006 \$2,276	\$ 14,182	\$ 11,701
Certificates of deposit	300	200
Securities available for sale, at fair value	9,082	8,483
Federal Home Loan Bank Stock, at cost	2,329	2,885
Loans held for sale	1,821	1,643
Loans receivable, net	220,974	233,670
Accrued interest receivable	2,056	2,247
Premises and equipment, net	4,225	4,623
Mortgage servicing rights, net	1,503	1,748
Other assets	1,826	179
TOTAL ASSETS	\$ 258,298	\$ 267,379

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Deposits	\$ 189,631	\$ 183,959
Borrowed funds	44,983	55,500
Advances from borrowers for taxes and insurance	2,095	2,120
Deferred income taxes	576	992
Accrued interest payable	128	130
Accrued expenses and other liabilities	233	357
TOTAL LIABILITIES	237,646	243,058

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	17,091	17,044
Retained earnings, substantially restricted	30,884	30,113
Accumulated other comprehensive income	206	496
Treasury stock, at cost, 1,394,885 shares at December 31, 2007, and 1,247,704 shares at December 31, 2006	(27,748)	(23,551)
TOTAL STOCKHOLDERS' EQUITY	20,652	24,321
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 258,298	\$ 267,379

WELLS FINANCIAL CORP. and SUBSIDIARY

Consolidated Statements of Income
(Dollars in thousands, except per share data)
(Unaudited)

	Year Ended	
	December 31,	
	<u>2007</u>	<u>2006</u>
Interest and dividend income		
Loans receivable:		
First mortgage loans	\$ 10,496	\$ 10,949
Consumer and other loans	5,127	4,664
Investment securities and other interest bearing deposits	870	708
Total interest income	<u>16,493</u>	<u>16,321</u>
Interest Expense		
Deposits	6,114	5,206
Borrowed funds	2,463	2,685
Total interest expense	<u>8,577</u>	<u>7,891</u>
Net interest income	<u>7,916</u>	<u>8,430</u>
Provision for loan losses	<u>71</u>	<u>75</u>
Net interest income after provision for loan losses	<u>7,845</u>	<u>8,355</u>
Noninterest income		
Gain on sale of loans originated for sale	712	754
Loan servicing fees	927	939
Insurance commissions	572	577
Fees and service charges	703	724
Other	179	178
Total noninterest income	<u>3,093</u>	<u>3,172</u>
Noninterest expense		
Compensation and benefits	4,224	4,169
Occupancy and equipment	1,245	1,166
Data processing	714	699
Advertising	275	326
Amortization and valuation adjustments for mortgage servicing rights	545	651
Other	1,270	1,319
Total noninterest expense	<u>8,273</u>	<u>8,330</u>
Income before taxes	<u>2,665</u>	<u>3,197</u>
Income tax expense	<u>951</u>	<u>1,151</u>
Net income	<u>\$ 1,714</u>	<u>\$ 2,046</u>
Cash dividends declared per share	<u>\$ 1.04</u>	<u>\$ 1.04</u>
Earnings per share		
Basic	<u>\$ 1.91</u>	<u>\$ 2.17</u>
Diluted	<u>\$ 1.90</u>	<u>\$ 2.14</u>
Weighted average number of common shares outstanding:		
Basic	<u>895,663</u>	<u>941,750</u>
Diluted	<u>903,995</u>	<u>954,546</u>

