

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

Selected Financial Data

	Year ended December 31,	
	2008	2007
Net Income	\$ 1,245	\$ 1,714
Basic earnings per share	\$1.59	\$1.91
Diluted earnings per share	\$1.58	\$1.90
Return on average equity	6.03%	7.38%
Return on average assets	0.50%	0.66%
Net interest rate spread	3.25%	3.06%
Net interest rate margin	3.35%	3.23%
Book value per share	\$26.58	\$26.06

Wells, Minnesota – Lonnie R. Trasamar, President of Wells Financial Corp. (the Company), the holding company of Wells Federal Bank (the Bank), announced annual earnings for 2008 of \$1,245,000, down \$469,000 or 27.4%, when compared to 2007. Basic and diluted earnings per share for 2008 were \$1.59 and \$1.58, respectively, down \$0.32 when compared to 2007. The decrease in net income for 2008 when compared to 2007 resulted from a \$485,000 other-than-temporary impairment the Company realized on its Federal Home Loan Mortgage Corp. preferred stock and from a \$467,000 increase in the provision for loan loss.

Net income for the fourth quarter of 2008 was \$455,000, up \$63,000, or 16.1% when compared to the fourth quarter of 2007.

When comparing December 31, 2008 to December 31, 2007, total assets decreased by \$5,245,000 due, primarily, to cash being used to fund a reduction in deposits. Liabilities decreased by \$5,218,000 during 2008 due to a \$6,743,000 decrease in deposits, primarily higher cost certificates of deposit.

Cash Dividend Announcement

On January 20, 2009, the Company's Board of Directors declared a \$0.26 per share cash dividend, payable on February 24, 2009 to shareholders of record on February 10, 2009. This is the thirteenth 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, 2008 and December 31, 2007**(Dollars in Thousands)**(Unaudited)***ASSETS**

	2008	2007
Cash, including interest-bearing accounts December 31, 2008 \$2,689; December 31, 2007 \$7,138	\$ 8,744	\$ 14,182
Certificates of deposit	700	300
Securities available for sale, at fair value	8,420	9,082
Federal Home Loan Bank Stock, at cost	3,302	2,329
Loans held for sale	2,974	1,821
Loans receivable, net	217,425	220,974
Accrued interest receivable	1,813	2,056
Premises and equipment, net	3,961	4,225
Mortgage servicing rights, net	1,294	1,503
Other assets	4,420	1,826
TOTAL ASSETS	\$ 253,053	\$ 258,298

LIABILITIES AND STOCKHOLDERS' EQUITY**LIABILITIES**

Deposits	\$ 182,888	\$ 189,631
Borrowed funds	46,806	44,985
Advances from borrowers for taxes and insurance	2,081	2,095
Deferred income taxes	205	576
Accrued interest payable	84	128
Accrued expenses and other liabilities	376	231
TOTAL LIABILITIES	232,440	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	17,144	17,091
Retained earnings, substantially restricted	31,311	30,884
Accumulated other comprehensive income	23	206
Treasury stock, at cost, 1,394,885 shares at December 31, 2007, and 1,247,704 shares at December 31, 2006	(28,084)	(27,748)
TOTAL STOCKHOLDERS' EQUITY	20,613	20,652
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 253,053	\$ 258,298

WELLS FINANCIAL CORP. and SUBSIDIARY

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

	Year Ended	
	December 31,	
	<u>2008</u>	<u>2007</u>
Interest and dividend income		
Loans receivable	\$ 14,166	\$ 15,623
Investment securities and other interest bearing deposits	688	870
Total interest income	<u>14,854</u>	<u>16,493</u>
Interest Expense		
Deposits	5,140	6,047
Borrowed funds	1,870	2,530
Total interest expense	<u>7,010</u>	<u>8,577</u>
Net interest income	7,844	7,916
Provision for loan losses	<u>538</u>	<u>71</u>
Net interest income after provision for loan losses	<u>7,306</u>	<u>7,845</u>
Noninterest income		
Gain on sale of loans originated for sale	853	712
Loan servicing fees	910	927
Insurance commissions	601	572
Fees and service charges	683	703
Other	334	179
Total noninterest income	<u>3,381</u>	<u>3,093</u>
Noninterest expense		
Compensation and benefits	4,089	4,224
Occupancy and equipment	1,175	1,245
Data processing	780	714
Advertising	238	275
Amortization and valuation adjustments for mortgage servicing rights	552	545
Impairment of Securities Available for Sale	485	-
Other	1,373	1,270
Total noninterest expense	<u>8,692</u>	<u>8,273</u>
Income before taxes	1,995	2,665
Income tax expense	<u>750</u>	<u>951</u>
Net income	<u>\$ 1,245</u>	<u>\$ 1,714</u>
Cash dividends declared per share	<u>\$ 1.04</u>	<u>\$ 1.04</u>
Earnings per share		
Basic	<u>\$ 1.59</u>	<u>\$ 1.91</u>
Diluted	<u>\$ 1.58</u>	<u>\$ 1.90</u>
Weighted average number of common shares outstanding:		
Basic	<u>784,746</u>	<u>895,663</u>
Diluted	<u>788,027</u>	<u>901,828</u>