

Wells Financial Corp. Restates Fourth Quarter and Annual Earnings

Wells, Minnesota, March 11, 2011

Lonnie R. Trasamar, President and CEO of Wells Financial Corp. and its subsidiary, Wells Federal Bank, announced today revised earnings for the quarter and year ended December 31, 2010. After careful review of expected future cash flows on selected loans and repossessed properties the Company felt it was prudent to record additional provisions on those assets. Revised earnings for the fourth quarter of 2010 and the year ended December 31, 2010 are \$401,000 and \$1,815,000, respectively, down \$209,000 when compared to net income previously reported. Please see the Consolidated Statement of Condition and Consolidated Statement of Income attached to this press release.

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, 2010 and 2009

(dollars in thousands, except per share data)

Assets	2010	2009
Cash and cash equivalents, including interest-bearing accounts		
2010 \$2,468; 2009 \$5,772	\$ 8,244	\$ 12,008
Certificates of deposit, at cost	-	175
Federal funds sold	12,542	29,005
Securities available for sale	14,624	10,698
Federal Home Loan Bank Stock, at cost	1,859	2,728
Loans held for sale	2,217	1,931
Loans receivable, net of allowance for loan losses of \$2,136 in 2010; \$1,525 in 2009	185,418	195,423
Accrued interest receivable	1,366	1,564
Premises and equipment	3,439	3,693
Mortgage servicing rights, net	1,687	1,373
Foreclosed real estate	5,628	5,062
Other assets	1,383	1,561
Total assets	\$ 238,407	\$ 265,221
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	\$ 210,819	\$ 208,870
Borrowed funds	1,785	31,435
Advances from borrowers for taxes and insurance	2,300	2,233
Deferred income taxes	-	157
Accrued interest payable	53	61
Accrued expenses and other liabilities	223	402
Total liabilities	215,180	243,158
Stockholders' Equity		
Preferred stock, no par value; 500,000 shares authorized; none outstanding	-	-
Common stock, \$.10 par value; 7,000,000 shares authorized; 2,187,500 shares issued	219	219
Additional paid-in capital	17,104	17,166
Retained earnings, substantially restricted	33,615	32,615
Accumulated other comprehensive income	147	131
Less cost of treasury stock, 2010 1,400,705 shares; 2009 1,411,260 shares	(27,858)	(28,068)
Total stockholders' equity	23,227	22,063
Total liabilities and stockholders' equity	\$ 238,407	\$ 265,221

Wells Financial Corp. and Subsidiary

Consolidated Statements of Income

(dollars in thousands, except per share data)

	Quarter Ended December 31,		Year Ended December 31,	
	2010	2009	2010	2009
Interest Income				
Loans receivable	\$ 2,960	\$ 3,151	\$ 12,036	\$ 13,319
Investment securities and interest-bearing deposits	127	109	561	437
Total interest income	3,087	3,260	12,597	13,756
Interest Expense				
Deposits	647	949	3,030	4,000
Borrowed funds	32	302	679	1,591
Total interest expense	679	1,251	3,709	5,591
Net interest income	2,408	2,009	8,888	8,165
Provision for loan losses	473	145	978	980
Net interest income after provision for loan losses	1,935	1,864	7,910	7,185
Noninterest Income				
Gain on sale of loans originated for sale	783	282	1,849	2,365
Loan servicing fees	240	240	954	933
Insurance commissions	162	154	679	636
Fees and service charges	141	158	550	605
Other	106	249	464	282
Total noninterest income	1,432	1,083	4,496	4,821
Noninterest Expenses				
Compensation and benefits	1,147	1,135	4,305	4,269
Occupancy	267	246	1,006	1,010
Data processing	187	174	738	738
Advertising	68	58	245	238
Amortization of mortgage servicing rights	71	89	309	461
Impairment of securities available for sale	-	-	-	-
Other	1,035	387	2,919	1,935
Total noninterest expenses	2,775	2,285	9,522	8,651
Income before income taxes	592	222	2,884	3,355
Income tax expense	190	222	1,069	1,245
Net income	\$ 402	\$ 440	\$ 1,815	\$ 2,110
Earnings per share				
Basic	\$ 0.51	\$ 0.57	\$ 2.32	\$ 2.72
Diluted	\$ 0.51	\$ 0.57	\$ 2.31	\$ 2.71