

**For Immediate Release**  
**July 18,2007**

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

**Selected Financial Data**

	Quarter ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Net Income	\$419,000	\$495,000	\$886,000	\$960,000
Basic earnings per share	\$0.45	\$0.53	\$0.95	\$1.02
Diluted earnings per share	\$0.45	\$0.52	\$0.94	\$1.01
Return on average equity (1)	6.9%	8.0%	7.3%	8.2%
Return on average assets (1)	0.6%	0.8%	0.7%	0.7%
Net interest rate spread	3.1%	3.4%	3.3%	3.3%
Net interest rate margin	3.3%	3.5%	3.5%	3.5%
Book value per share	\$26.16	\$24.95	\$26.16	\$24.95

(1) annualized

Wells, Minnesota – July 18, 2007 – Lonnie R. Trasamar, President of Wells Financial Corp. (the Company), the holding company of Wells Federal Bank (the Bank), announced earnings for the second quarter of 2007 of \$419,000, down \$76,000 or 15.4%, when compared to the second quarter of 2006. Basic and diluted earnings per share for the second quarter of 2007 were \$0.45, down \$0.08 and \$0.07, respectively, when compared to the second quarter of 2006.

Net income for the six months ended June 30, 2007 was \$886,000, down \$74,000 or 7.7% when compared to the same period in 2006. Basic and diluted earnings per share were \$0.95 and \$0.94, respectively, for the first six months of 2007. This compares to basic and diluted earnings per share for the first six months of 2006 of \$1.02 and \$1.01, respectively.

When comparing June 30, 2007 to December 31, 2006, total assets decreased by \$4,543,000 due primarily to a decrease in loans receivable. The decrease in loans receivable resulted primarily from decreases in consumer loans and loans on agricultural real estate.

Liabilities decreased by \$4,501,000 during the first six months of 2007 due primarily to a decrease of \$5,600,000 in borrowed funds.

**Cash Dividend Announcement**

On July 17, 2007, the Company's Board of Directors declared a \$0.26 per share cash dividend, payable on August 20, 2007 to shareholders of record on August 6, 2007.

## **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**June 30, 2007 and December 31, 2006**(Dollars in Thousands)**(Unaudited)***ASSETS**

	2007	2006
Cash, including interest-bearing accounts		
June 30, 2007 \$3,172; December 31, 2006 \$2,276	\$ 12,877	\$ 11,701
Certificates of deposit	300	200
Securities available for sale, at fair value	8,370	8,483
Federal Home Loan Bank Stock, at cost	2,766	2,885
Loans held for sale	1,213	1,643
Loans receivable, net	227,818	233,670
Accrued interest receivable	2,094	2,247
Premises and equipment, net	4,453	4,623
Mortgage servicing rights, net	1,639	1,748
Other assets	1,306	179
<b>TOTAL ASSETS</b>	<b>\$ 262,836</b>	<b>\$ 267,379</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY****LIABILITIES**

Deposits	\$ 184,805	\$ 183,959
Borrowed funds	49,900	55,500
Advances from borrowers for taxes and insurance	2,075	2,120
Deferred income taxes	895	992
Accrued interest payable	289	130
Accrued expenses and other liabilities	593	357
<b>TOTAL LIABILITIES</b>	<b>238,557</b>	<b>243,058</b>

**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	17,053	17,044
Retained earnings, substantially restricted	30,513	30,113
Accumulated other comprehensive income	402	496
Treasury stock, at cost, 1,259,357 shares at June 30, 2007, and 1,247,704 shares at December 31, 2006	(23,908)	(23,551)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>24,279</b>	<b>24,321</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 262,836</b>	<b>\$ 267,379</b>

**WELLS FINANCIAL CORP. and SUBSIDIARY**

*Consolidated Statements of Income*

*(Dollars in thousands, except per share data)*

*(Unaudited)*

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Interest and dividend income</b>				
Loans receivable:				
First mortgage loans	\$ 2,660	\$ 2,748	\$ 5,443	\$ 5,419
Consumer and other loans	1,270	1,122	2,496	2,118
Investment securities and other interest bearing deposits	226	167	486	380
Total interest income	<u>4,156</u>	<u>4,037</u>	<u>8,425</u>	<u>7,917</u>
<b>Interest Expense</b>				
Deposits	1,489	1,239	2,968	2,390
Borrowed funds	675	638	1,349	1,253
Total interest expense	<u>2,164</u>	<u>1,877</u>	<u>4,317</u>	<u>3,643</u>
Net interest income	1,992	2,160	4,108	4,274
<b>Provision for loan losses</b>	12	15	25	25
Net interest income after provision for loan losses	<u>1,980</u>	<u>2,145</u>	<u>4,083</u>	<u>4,249</u>
<b>Noninterest income</b>				
Gain on sale of loans originated for sale	221	200	371	339
Loan servicing fees	232	235	464	472
Insurance commissions	119	124	284	314
Fees and service charges	176	205	340	366
Other	37	45	81	86
Total noninterest income	<u>785</u>	<u>809</u>	<u>1,540</u>	<u>1,577</u>
<b>Noninterest expense</b>				
Compensation and benefits	1,083	1,074	2,142	2,172
Occupancy and equipment	329	308	657	607
Data processing	131	137	280	278
Advertising	65	70	147	148
Amortization and valuation adjustments for mortgage servicing rights	134	170	268	326
Other	360	402	728	776
Total noninterest expense	<u>2,102</u>	<u>2,161</u>	<u>4,222</u>	<u>4,307</u>
Income before taxes	663	793	1,401	1,519
<b>Income tax expense</b>	244	298	515	559
<b>Net income</b>	<u>\$ 419</u>	<u>\$ 495</u>	<u>\$ 886</u>	<u>\$ 960</u>
<b>Cash dividends declared per share</b>	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.52</u>	<u>\$ 0.52</u>
<b>Earnings per share</b>				
Basic	<u>\$ 0.45</u>	<u>\$ 0.53</u>	<u>\$ 0.95</u>	<u>\$ 1.02</u>
Diluted	<u>\$ 0.45</u>	<u>\$ 0.52</u>	<u>\$ 0.94</u>	<u>\$ 1.01</u>
<b>Weighted average number of common shares outstanding:</b>				
Basic	<u>929,510</u>	<u>935,758</u>	<u>933,761</u>	<u>941,465</u>
Diluted	<u>941,466</u>	<u>949,500</u>	<u>945,717</u>	<u>955,207</u>

