FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
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FILER

WELLS FINANCIAL CORP CIK:**934739**| IRS No.: **411799504** | State of Incorp.:**MN** | Fiscal Year End: **1231** Type: **10QSB** | Act: **34** | File No.: **000-25342** | Film No.: **1696835** SIC: **6035** Savings institution, federally chartered	Mailing Address *53 1ST ST SW* *PO BOX 310* *WELLS MN 56097*	Business Address *53 FIRST ST SW* *P.O. BOX 310* *WELLS MN 56097* *5075533151*

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

FORM 10-QSB

(Mark One)
|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

or

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number 0-25342

Wells Financial Corp.
(Exact name of Registrant as Specified in Its Charter)

Minnesota	41-1799504
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

53 1st Street S.W., P.O. Box 310, Wells MN 56097
(Address of principal executive offices)

(507) 553-3151
(Registrant's Telephone Number, including Area Code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check by |X| whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. |X| Yes |_| No

The number of shares outstanding of each of the issuer's classes of common stock as of August 3, 2001:

Class	Outstanding
$.10 par value per share, common stock	1,162,499 Shares

WELLS FINANCIAL CORP. and SUBSIDIARY

[OBJECT OMITTED]

FORM 10-QSB
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PART I - FINANCIAL INFORMATION: Page

PART II - OTHER INFORMATION

WELLS FINANCIAL CORP. and SUBSIDIARY
Consolidated Statements of Financial Condition
June 30, 2001 and December 31, 2000
(Dollars in Thousands)
(Unaudited)

<TABLE>
<CAPTION>

ASSETS	2001	2000
<S>	<C>	<C>
Cash, including interest-bearing accounts June 30, 2001 $7,264; December 31, 2000 $6,553	$ 8,327	$ 7,606
Certificates of deposit	200	200
Securities available for sale, at fair value	12,308	16,225
Loans held for sale	5,700	1,955
Loans receivable, net	186,293	191,137
Accrued interest receivable	1,905	1,910
Income tax receivable	67	-
Foreclosed real estate	80	54
Premises and equipment	1,851	1,833
Other assets	1,214	928
TOTAL ASSETS	$ 217,945	$ 221,848
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	$ 170,478	$ 163,582
Borrowed funds	23,000	33,500
Advances from borrowers for taxes and insurance	1,297	1,228
Income taxes:		
Current	-	52
Deferred	972	855
Accrued interest payable	219	129
Accrued expenses and other liabilities	256	161
TOTAL LIABILITIES	196,222	199,507
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	17,026	17,011
Retained earnings, substantially restricted	20,052	19,182
Accumulated other comprehensive income	791	698
Unearned ESOP shares	(222)	(290)
Unearned compensation restricted stock awards	(176)	(237)
Treasury stock, at cost	(15,967)	(14,242)
TOTAL STOCKHOLDERS' EQUITY	21,723	22,341
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 217,945	$ 221,848

</TABLE>

(See Notes to Consolidated Financial Statements)

WELLS FINANCIAL CORP. and SUBSIDIARY
Consolidated Statements of Income
(Dollars in thousands, except per share data)
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
<S>	<C>	<C>	<C>	<C>
Interest and dividend income				
Loans receivable:				
First mortgage loans	$ 2,955	$ 2,825	$ 5,962	$ 5,529
Consumer and other loans	890	786	1,789	1,524
Investment securities and other interest bearing deposits	250	295	544	574
Total interest income	4,095	3,906	8,295	7,627
Interest Expense				
Deposits	1,874	1,986	3,922	3,858
Borrowed funds	322	354	723	582
Total interest expense	2,196	2,340	4,645	4,440
Net interest income	1,899	1,566	3,650	3,187
Provision for loan losses	45	-	60	-
Net interest income after provision for loan losses	1,854	1,566	3,590	3,187
Noninterest income				
Gain on sale of loans originated for sale	180	-	286	14
Loan origination and commitment fees	361	24	519	41
Loan servicing fees	109	101	212	201
Insurance commissions	96	110	199	185
Fees and service charges	160	103	284	201
Other	5	9	12	16
Total noninterest income	911	347	1,512	658
Noninterest expense				
Compensation and benefits	773	655	1,484	1,253
Occupancy and equipment	231	222	450	434
Data processing	96	91	197	184
Advertising	44	57	91	110
Other	387	230	739	509
Total noninterest expense	1,531	1,255	2,961	2,490
Income before taxes	1,234	658	2,141	1,355
Income tax expense	519	259	897	546
Net Income	$ 715	$ 399	$ 1,244	$ 809
Earnings per share				
Basic earnings per share	$ 0.63	$ 0.32	$ 1.07	$ 0.62
Diluted earnings per share	$ 0.60	$ 0.32	$ 1.03	$ 0.62
Weighted average number of common shares outstanding:				
Basic	1,135,847	1,247,470	1,161,299	1,300,191
Diluted	1,183,136	1,254,821	1,209,177	1,308,206

</TABLE>

(See Notes to Consolidated Financial Statements)

WELLS FINANCIAL CORP. and SUBSIDIARY
Consolidated Statements of Comprehensive Income
(Dollars in Thousands)

(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Net Income	$ 715	$ 399	$ 1,244	$ 809
Other comprehensive income:				
Unrealized appreciation (depreciation) on securities available for sale	69	(86)	157	(155)
Income tax benefit (expense)	(28)	35	(64)	63
Comprehensive income	$ 756	$ 348	$ 1,337	$ 717

</TABLE>

(See Notes to Consolidated Financial Statements)

WELLS FINANCIAL CORP. and SUBSIDIARY
Consolidated Statement of Stockholders' Equity
Six Months Ended June 30, 2001
(Dollars in Thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unearned Employee Stock Ownership Plan shares	Unearned Compensation Restricted Stock Awards	Treasury Stock	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 2000	$ 219	$ 17,011	$ 19,182	$ 698	$ (290)	$ (237)	$(14,242)	$ 22,341
Net income for the six months ended June 30, 2001	-	-	1,244	-	-	-	-	1,244
Net change in unrealized appreciation on securities available for sale, net of related deferred taxes	-	-	-	93	-	-	-	93
Treasury stock purchases	-	-	-	-	-	-	(1,894)	(1,894)
Options exercised	-	(48)	-	-	-	-	169	121
Amortization of unearned compensation	-	-	-	-	-	61	-	61
Dividends on common stock	-	-	(374)	-	-	-	-	(374)
Allocated employee stock ownership plan shares	-	63	-	-	68	-	-	131
Balance June 30, 2001	$ 219	$ 17,026	$ 20,052	$ 791	$ (222)	$ (176)	$(15,967)	$ 21,723

</TABLE>

(See Notes to Consolidated Financial Statements)

WELLS FINANCIAL CORP. and SUBSIDIARY
Consolidated Statements of Cash Flow
Six Months Ended June 30, 2001 and 2000
(Dollars in Thousands)
(Unaudited)

<TABLE>
<CAPTION>

	2001	2000
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 1,244	$ 809

Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	60	-
(Gain) on the sale of loans originated for sale	(286)	14
Compensation on allocation of ESOP shares	131	98
Amortization of restricted stock awards	61	4
Loss on the sale of foreclosed real estate	-	5
Write-down of foreclosed real estate	-	3
Deferred income taxes	53	26
Depreciation and amortization on premises and equipment	126	136
Amortization of deferred loan origination fees	(31)	(38)
Amortization of excess servicing fees, mortgage servicing rights and bond premiums and discounts	148	78
Loans originated for sale	(38,688)	(6,253)
Proceeds from the sale of loans originated for sale	34,943	6,273
Changes in assets and liabilities:		
Accrued interest receivable	5	(458)
Other assets	(437)	(143)
Income taxes payable, current	(119)	-
Accrued expenses and other liabilities	185	55
Net cash provided by (used in) operating activities	(2,605)	609
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase) decrease in loans	$ 5,075	$(13,121)
Purchase of certificates of deposit	(1,300)	(100)
Purchase of securities available for sale	(2,249)	(1,234)
Proceeds from the maturities of certificates of deposit	1,300	400
Proceeds from the maturities of securities available for sale	6,326	-
Proceeds from the maturities of securities held to maturity	-	90
Proceeds from the sale and redemption of foreclosed real estate	-	35
Purchase of premises and equipment	(144)	(420)
Net cash provided by (used in) investment activities	9,008	(14,350)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	$ 6,896	$ 4,202
Net increase in advances from borrowers for taxes and insurance	69	(4)
Options exercised	121	-
Proceeds from borrowed funds	-	22,800
Repayments on borrowed funds	(10,500)	(11,300)
Purchase of treasury stock	(1,894)	(2,410)
Dividends on common stock	(374)	(414)
Net cash provided by (used in) financing activities	(5,682)	12,874
Net increase (decrease) in cash and cash equivalents	721	(867)
CASH:		
Beginning	7,606	4,200
Ending	$ 8,327	$ 3,333

</TABLE>

(See Notes to Consolidated Financial Statements)

WELLS FINANCIAL CORP. and SUBSIDIARY
Consolidated Statements of Cash Flow (continued)
Six Months Ended June 30, 2001 and 2000
(Dollars in Thousands)
(Unaudited)

<TABLE>
<CAPTION>

<S>	2001 <C>	2000 <C>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments for:		
Interest on deposits	$3,801	$3,858
Interest on borrowed funds	754	582
Income taxes	964	584

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND

FINANCING ACTIVITIES:		
Transfers from loans to foreclosed real estate	$ 26	$ 42
Allocation of ESOP shares to participants	68	72
Net change in unrealized appreciation on securities available for sale	93	92

</TABLE>

(See Notes to Consolidated Financial Statements)

WELLS FINANCIAL CORP. and SUBSIDIARY
Notes to Consolidated Financial Statements
(Dollars in thousands)
(Unaudited)

NOTE 1. BASIS OF PRESENTATION

The foregoing consolidated financial statements are unaudited. However, in the opinion of management, all adjustments (which consist of normal recurring accruals) necessary for a fair presentation of the consolidated financial statements have been included. Results for any interim period are not necessarily indicative of results to be expected for the year. The interim consolidated financial statements include the accounts of Wells Financial Corp. (Company), its subsidiary, Wells Federal Bank (Bank), and the Bank's subsidiaries, Greater Minnesota Mortgage, Inc. and Wells Insurance Agency, Inc.

NOTE 2. REGULATORY CAPITAL

The following table presents the Bank's regulatory capital amounts and percents at June 30, 2001 and December 31, 2000.

	June 30, 2001		December 31, 2000	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Tier 1 (Core) Capital				
Required	$ 8,590	4.00%	$ 8,715	4.00%
Actual	18,090	8.42%	17,812	8.17%
Excess	9,500	4.42%	9,097	4.17%
Risk-based Capital				
Required	11,683	8.00%	11,572	8.00%
Actual	18,970	13.00%	18,645	12.89%
Excess	7,287	5.00%	7,073	4.89%

WELLS FINANCIAL CORP. and SUBSIDIARY
Notes to consolidated Financial Statements Continued
(Unaudited)

NOTE 3. EARNINGS PER SHARE

Earnings per share are calculated and presented in accordance with FASB Statement No. 128, Earnings per Share. The Statement requires the presentation of earnings per share by all entities that have common stock or potential common stock, such as options, warrants and convertible securities, outstanding that trade in a public market. Those entities that have only common stock outstanding are required to present basic earnings per-share amounts. All other entities are required to present basic and diluted earnings per-share amounts. Diluted per-share amounts assume the conversion, exercise or issuance of all potential common stock instruments unless the effect is to reduce a loss or increase the income per common share from continuing operations.

A reconciliation of the common stock share amounts used in the calculation of basic and diluted earnings per share is presented in the following chart.

<TABLE>
<CAPTION>

	Number of Shares			
	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>

Basic EPS	1,135,847	1,247,470	1,161,299	1,300,191
Effect of dilutive securities:				
Stock options	47,289	7,351	47,878	8,015
Diluted EPS	1,183,136	1,254,821	1,209,177	1,308,206

</TABLE>

NOTE 4. SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

	For the six months ended June 30, 2001	2000
Return on assets		
<S>	<C>	<C>
(ratio of net income to average total assets) (1)	1.14%	0.79%
Return on equity		
(ratio of net income to average equity) (1)	11.45%	7.13%
Equity to assets ratio		
(ratio of average equity to average total assets)	9.93%	11.07%
Net interest margin		
(ratio of net interest income to average interest earning assets) (1)	3.48%	3.19%

(1) Net income and net interest income have been annualized.
</TABLE>

WELLS FINANCIAL CORP. and SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition
And Results of Operations

General:

Wells Financial Corp. (Company) was incorporated under the laws of the State of Minnesota in December 1994 for the purpose of owning all of the outstanding stock of Wells Federal Bank, fsb (Bank) issued in the mutual to stock conversion of the Bank. On April 11, 1995, the conversion was completed and $8.4 million of the net proceeds from the sale of the stock were provided to the Bank in exchange for all of the Bank's stock. The consolidated financial statements included herein are for the Company, the Bank and the Bank's wholly owned subsidiaries, Greater Minnesota Mortgage, Inc. and Wells Insurance Agency, Inc.

The income of the Company is derived primarily from the operations of the Bank and the Bank's subsidiaries, and to a lesser degree from interest income from securities and certificates of deposit with other banks. The Bank's net income is primarily dependent upon the difference (or spread) between the average yield earned on loans, investments and mortgage-backed securities and the average rate paid on deposits and borrowings, as well as the relative amounts of such assets and liabilities. The interest rate spread is affected by regulatory, economic and competitive factors that influence interest rates, loan demand and deposit flows. Net income is also affected by, among other things, provision for loan losses, gains on the sale of interest earning assets, service charges, servicing fees, subsidiary activities, operating expenses, and income taxes.

The Bank has eight full service offices located in Faribault, Martin, Blue Earth, Nicollet, Freeborn and Steele Counties, Minnesota.

The Company may from time to time make written or oral "forward-looking statements" including statements contained in this report and in other communications by the Company which are made in good faith pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, such as statements of the Company's plans, objectives, estimates and intentions, involve risks and uncertainties and are subject to change based on various important factors (some of which are beyond the Company's control). The following factors, among others, could cause the Company's financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements: the strength of the United States economy in general and the strength of the local economies in which the Company conducts operations; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System, inflation, interest rate, market and monetary fluctuations; the timely development of and acceptance of new products and services of the Company and the perceived overall value of the products and services by users, including the features, pricing and quality compared to competitor's products and services; the willingness of users to substitute competitors' products and services for the Company's products and services; the success of the Company in gaining regulatory approval of its products and services, when required; the impact of changes in financial services' laws and regulations (including laws concerning taxes, banking, securities and insurance); technological changes; acquisitions; changes in consumer spending and savings habits; and the success of the Company at managing the risks involved in the foregoing.

Comparison of Financial Condition at June 30, 2001 and December 31, 2000:

Total assets decreased by $3,903,000, from $221,848,000 at December 31, 2000 to $217,945,000 at June 30, 2001. Cash received during the first six months of 2001 from the maturities of securities was used to reduce borrowed funds. This is the primary reason for the decrease in assets from December 31, 2000 to June 30, 2001. Due to lower interest rates on residential mortgages, management elected to sell the majority of the residential loans originated during the first half of 2001 to the secondary market. Included in the loans that were originated and sold during the first half of 2001 were loans from the Company's mortgage loan portfolio that were refinanced. This resulted in a $1,099,000 decrease in the Company's loan portfolio, which also contributed to the decrease in total assets.

In accordance with the Bank's internal classification of assets policy, management evaluates the loan portfolio on a quarterly basis to identify and determine the adequacy of the allowance for loan losses. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. As of June 30, 2001 and December 31, 2000 the balances in the allowance for loan losses and the allowance for loan losses as a percentage of total loans were $880,000 and $833,000 and 0.46% and 0.43%, respectively.

Activity in the Company's allowance for loan losses for the six months ended June 30, 2001 and 2000 is summarized as follows:

	2001	2000
Balance on January 1,	$ 833,248	$ 856,692
Provision for loan losses	60,000	-
Charge-offs	(24,078)	(16,886)
Recoveries	10,363	6,677
Balance on June 30,	$ 879,533	$846,483

Loans on which the accrual of interest has been discontinued amounted to $1,011,000 and $363,000 at June 30, 2001 and December 31, 2000, respectively. The increase in nonaccrual loans was due to changes in local economic conditions. The effect of nonaccrual loans was not significant to the results of operations. The Company includes all loans considered impaired under FASB Statement No. 114 in nonaccrual loans. The amount of impaired loans was not material at June 30, 2001 and December 31, 2000.

Liabilities decreased by $3,285,000, from $199,507,000 at December 31, 2000 to $196,222,000 at June 30, 2001. This decrease is primarily due to a $6,896,000 increase in deposits being offset by a $10,500,000 decrease in borrowed funds.

Equity decreased by $618,000 from $22,341,000 at December 31, 2000 to $21,723,000 at June 30, 2001. The decrease in equity was primarily the result of net income for the first half of 2001 of $1,244,000 being offset by the payment of $374,000 in cash dividends and by the repurchase of 109,757 shares of treasury stock at a total cost of $1,893,667. On July 24, 2001, the Board of Directors of the Company declared a $0.16 per share cash dividend to be paid on August 13, 2001 to the stockholders of record on August 3, 2001. Subject to the Company's earnings and capital, it is the current intention of the Company to continue to pay regular quarterly cash dividends.

Comparison of Operating Results for the Three and Six-Month Periods Ended June 30, 2001 and June 30, 2000.

Net Income. Net income increased by $316,000 and $435,000, or 79.2% and

53.8% for the three and six-month periods ended June 30, 2001, respectively, when compared to the same periods during 2000. The increase in net income was primarily due to increases of $564,000 and $854,000 in noninterest income for the three and six-month periods ended June 30, 2001, respectively, when compared to the same periods in 2000. Also affecting net income were increases of $333,000 and $463,000 in net interest income for the quarter and six-month period ended June 30, 2001, respectively, when compared to the same periods in 2000. These increases were partially offset by increases of $276,000 and $471,000 in noninterest expense for the quarter and six month periods ended June 30, 2001, respectively, when compared to the same periods in 2000.

Interest Income. Interest income increased by $189,000 and $668,000, or 4.8% and 8.8%, for the three and six month periods ended June 30, 2001, respectively, when compared to the same periods in 2000 primarily due to increases in interest income from the Company's loan portfolio. The increase in interest income from the Company's loan portfolio resulted from an increase in the average amount of loans receivable during the first half of 2001 when compared to the same period in 2000. Partially offsetting the increase in interest income from the loan portfolio was a decrease in interest income from investments.

Interest Expense. Total interest expense decreased by $144,000, or 6.2%, for the quarter ended June 30, 2001 when compared to the same quarter in 2000 and increased by $205,000, or 4.6%, for the six months ended June 30, 2001 when compared to the same period in 2000. During the first half of 2001 the average balance of deposits and borrowed funds were greater than during the first half of 2000, which resulted in the increase in interest expense. Partially offsetting the increase in interest expense were decreases in the average interest rate paid on deposits and borrowed funds, especially during the second quarter of 2001.

Net Interest income. Net interest income increased by $333,000 and $463,000, or 21.3% and 14.5%, for the three and six-month periods ended June 30, 2001, respectively, when compared to the same periods in 2000 due to the changes in interest income and interest expense described above.

Provision for loan losses. The provision for loan losses increased by $45,000 for the quarter ended June 30, 2001 when compared to the same period in 2000 and increased by $60,000 for the six months ended June 30, 2001 when compared to the same period in 2000. Management evaluates the quality of the loan portfolio on a quarterly basis to identify and determine the adequacy of the allowance for loan loss. During the first half of 2001 management elected to increase the provision for loan loss due to changes in local economic conditions and the increase in the amount of commercial loans in the Company's loan portfolio. While the Company maintains its allowance for loan losses at a level that is considered to be adequate to provide for potential losses, there can be no assurance that further additions will not be made to the loss allowance and that losses will not exceed estimated amounts.

Noninterest Income. Noninterest income increased by $564,000 and $854,000, or 163% and 130%, for the three and six-month periods ended June 30, 2001, respectively, when compared to the same periods in 2000 primarily due to increases in the gain on sale of loans originated for sale and loan origination and commitment fees. Due to low interest rates on residential mortgage loans during the first half of 2001, the Company sold to the secondary market a larger volume of loans during that period when compared to the same period in 2000, resulting in increases in the gain on sale of loans originated for sale and loan origination and commitment fees.

Noninterest Expense. Noninterest expense increased by $276,000 and $471,000, or 22.0% and 18.9%, for the three and six-months ended June 30, 2001, respectively, when compared same periods during 2000 primarily due to increases in other noninterest expense and in compensation and benefits. The increase in other noninterest expense was primarily due to an increase in the amortization of mortgage servicing rights and an increase in professional fees which the Company incurred in connection with its annual meeting of shareholders. The increase in compensation and benefits resulted from annual compensation adjustments and increases in commissions paid to loan officers for the origination of loans. Also affecting compensation and benefits was an increase in the Employee Stock Ownership Plan expense that resulted from the appreciation of the Company's stock and an increase in the amortization of Management Stock Bonus Plan awards.

Income Tax Expense. Income tax expense increased by $260,000 and $351,000 for the three and six- month period ended June 30, 2001 when compared to the same periods in 2000. These increases were the result of an increase in income before income taxes for the quarter and six month period ended June 30, 2001 when compared to the same periods in 2000.

Non-performing Assets. The following table sets forth the amounts and categories of non-performing assets at June 30, 2001 and December 31, 2000.

<TABLE>
<CAPTION>

	June 30, 2001	December 31, 2000
	(Dollars in Thousands)	
Non-accruing loans		
One to four family real estate	$ 359	$ 108
Agricultural real estate	195	195
Commercial	294	-
Consumer	163	60
Total	$1,011	$ 363
Accruing loans which are contractually past due 90 days or more		
One to four family real estate	$ 131	$ 258
Commercial real estate	-	-
Total	$ 131	$ 258
Total non-accrual and accruing loans past due 90 days or more	$1,142	$ 621
Repossessed and non-performing assets		
Repossessed property	$ 80	$ 54
Other non-performing assets	-	-
Total repossessed and non-performing assets	$ 80	$ 54
Total non-performing assets	$1,222	$ 675
Total non-accrual and accruing loans past due 90 days or more to net loans	0.61%	0.32%
Total non-accrual and accruing loans past due 90 days or more to total assets	0.52%	0.28%
Total nonperforming assets to total assets	0.56%	0.30%

</TABLE>

Financial Standards Board Statement No. 114, Accounting by Creditors for Impairment of a Loan, and Statement No. 118, Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures, require that impaired loans within the scope of these Statements be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate; or as a practical expedient, either at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. At June 30, 2001 and December 31, 2000, the value of loans that would be classified as impaired under these Statements is considered to be immaterial.

Liquidity and Capital Resources:

The Bank's primary sources of funds are deposits, borrowed funds, amortization and prepayment of loans, maturities of investment securities and funds provided from operations. While scheduled loan repayments are a relatively predictable source of funds, deposit flows and loan prepayments are significantly influenced by general interest rates, economic conditions and competition. If needed, the Bank's source of funds can be supplemented by wholesale funds obtained through additional advances from the Federal Home Loan Bank system. The Bank invests excess funds in overnight deposits, which not only serve as liquidity, but also earn interest income until funds are needed to meet required loan funding.

In 1996, 1998, 1999 and 2000, the Company approved stock buy back programs in which up to 955,606 shares of common stock of the Company could be acquired. During 1998, 1999 and 2000, the Company bought 307,200 shares, 223,003 shares and 198,100 shares, respectively, which completed these buy back programs. On December 21, 2000, the Company approved a stock buy back program in which up to 125,000 shares of the common stock of the Company could be acquired. During the first six months of 2001 the Company bought 109,757 shares of its common stock under this buy back program.

The Company paid a cash dividend of $0.16 per share on February 12, 2001 and May 14, 2001. On July 24, 2001 the Company declared a cash dividend of $0.16 per share payable on August 13, 2001 to stockholders of record on August 3, 2001. Subject to the Company's earnings and capital, it is the current intention of the Company to continue to pay regular quarterly cash dividends.

Savings institutions like the Bank are required to meet prescribed regulatory capital requirements. If a requirement is not met, regulatory authorities may take legal or administrative actions, including restrictions on growth or operations or, in extreme cases, seizure. Institutions not in compliance may apply for an exemption from the requirements and submit a recapitalization plan. At June 30, 2001, the Bank exceeded all current capital requirements.

The Office of Thrift Supervision (OTS) has adopted a core capital requirement for savings institutions comparable to the requirement for national banks. The OTS core capital requirement for the Bank is 4% of adjusted assets for thrifts that receive the highest supervisory rating for safety and soundness. The Bank had core capital of 8.42% at June 30, 2001.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of the Company was held on April 18, 2001 at 4:00 p.m. and reconvened on May 3, 2001 at 4:00 p.m. The Meeting was for the purpose of the election of two directors for terms to expire in 2004 and for consideration of a dissident stockholder proposal that called for the sale of the Company.

The following is a record of the votes cast in the election of directors of the Company:

	For	Withhold
Richard Mueller (1)	548,691	7,662
David Buesing (1)	549,691	6,662
Gary Pihlstrom (2)	466,236	1,102

(1) Incumbent
(2) Nominee of dissident shareholder group

Accordingly, Richard Mueller and David Buesing were declared to be duly elected directors of the Company for terms to expire as stated above.

The following Directors continued in office - Lawrence H. Kruse, Gerald D. Bastian, Randel I. Bichler and Dale E. Stallkamp.

The following is a record of the votes cast in respect to the dissident shareholder proposal calling for the sale of the Company.

	Number of votes	Percentage of votes actually cast
FOR	484,337	47.3%
AGAINST	536,675	52.4%
ABSTAIN	2,679	0.3%

Accordingly, the dissident shareholder proposal calling for the sale of the Company was declared to have been rejected.

Item 5. Other information

None

Item 6. Exhibits and Reports of Form 8-K

a. Exhibits:

b. No reports on Form 8-K were filed

No other information is required to be filed under Part II of the form

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WELLS FINANCIAL CORP.

<TABLE>
<CAPTION>

<S>	<C>	
By: /s/ Lawrence H. Kruse Lawrence H. Kruse President and Chief Executive Officer	Date:	August 3, 2001
By: /s/ James D. Moll James D. Moll Treasurer and Principal Financial & Accounting Officer	Date:	August 3, 2001

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