

**HMN Financial, Inc.**  
**Governance and Nominating Committee Charter**  
(Readopted on November 23, 2010)

**1. Purposes**

The purposes of the Governance and Nominating Committee (the “Committee”) of the board of directors (the “Board”) of HMN Financial, Inc. (the “Company”) are to (a) oversee corporate governance matters; (b) approve director-nominees to be considered for election by shareholders and for election by the Board to fill any vacancy or newly created directorship; (c) make recommendations to the Board concerning the appropriate size and composition of the Board and each Board committee, and the establishment of new Board committees; (d) develop and administer a Board and committee evaluation process; and (e) develop and implement director orientation and continuing education policies.

**2. Organization and Composition**

The Committee shall consist of at least three directors appointed by, and serving at the discretion of, the Board, all of whom shall satisfy the applicable independence listing standards of the NASDAQ Stock Market and shall have no relationship with the Company which, in the opinion of the Board, would interfere with the exercise of independent judgment.

The Board shall designate one member of the Committee to serve as Chairman of the Committee. The Committee shall have the authority to delegate any of its responsibilities to subcommittees as the Committee may deem appropriate.

**3. Principal Responsibilities**

The principal responsibilities of the Committee shall be to:

- (a) develop and recommend to the Board for approval a set of corporate governance principles applicable to the Company and review the guidelines at least annually and recommend changes as necessary;
- (b) advise the Board on corporate governance matters;
- (c) develop and recommend to the Board for approval criteria for the selection of candidates to serve on the Board (such as independence, experience relevant to the needs of the Company, leadership qualities, and ability to represent Company shareholders);
- (d) establish procedures for shareholders to submit potential candidates for election to the Board;
- (e) establish procedures for the identification and evaluation of candidates for the Board, including any candidates recommended by shareholders;

- (f) review and evaluate potential candidates for election to the Board, including incumbent directors and director candidates properly submitted by shareholders, and comply with any requirements of the Securities and Exchange Commission to consider such candidates;
- (g) select and approve all nominees for Board membership, whether for the slate of director nominees to be presented for shareholder approval at the Company's annual meeting of shareholders or any director nominees to be elected by the Board to fill any interim director vacancy or newly created directorship;
- (h) make recommendations as necessary regarding changes in the size and composition of the Board and each Board committee;
- (i) make recommendations as necessary regarding the establishment of new Board committees (including ad-hoc committees);
- (j) select and recommend to the Board potential director candidates for each Board committee;
- (k) develop, make recommendations to the Board and administer an annual Board and committee evaluation process, including determining the appropriate evaluation form(s) and procedures to be used;
- (l) establish director orientation and continuing education policies;
- (m) review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval;
- (n) undertake such other responsibilities as may be delegated by the Board to the Committee from time to time; and
- (o) take any and all other actions as may be required by the federal securities laws or other applicable laws or regulations regarding the nomination of directors.

#### **4. Outside Advisers and Search Firms**

The Committee shall have the authority to retain such outside counsel, experts, and other advisers (including search firms to identify director candidates) as it determines appropriate to assist it in the full performance of its functions.

#### **5. Meetings**

The Committee shall meet as often as it deems necessary or appropriate. All meetings of the Committee shall be held pursuant to the Bylaws of the Company with regard to notice and waiver thereof, and written minutes of each meeting shall be duly filed in the Company's corporate records. A majority of the members of the Committee shall constitute a quorum of the Committee.