



1016 Civic Center Drive NW PO Box 6057 Rochester, MN 55903-6057 Phone (507) 535-1200 FAX (507) 535-1301

NEWS RELEASE

For Immediate Release

**Contact: Bradley Krehbiel,
Principal Executive Officer
HMN Financial, Inc. (507) 252-7169**

HMN Financial, Inc. Announces Election Results, Appointment of New Chairman and Deferral of Preferred Dividend

ROCHESTER, MN - April 27, 2011 - HMN Financial, Inc. (HMN or the Company) (Nasdaq:HMNF - news) today announced the re-election of Karen Himle and the election of Allen Berning and Bernard Nigon as directors.

HMN also announced that its Board elected Dr. Hugh C. Smith as Board Chair. Dr. Smith will replace Timothy Geisler, who has reached board term limits after serving as an outside director of HMN since 1996 and as Chair since 2001.

Dr. Smith has served as an outside director of HMN since 2009. He was also elected Chair of the Board of Home Federal Savings Bank.

In recognizing the service of Mr. Geisler, Mr. Krehbiel, President of HMN and Home Federal Savings Bank, said "We would like to thank Tim for the superb guidance and insight he has provided as a director of HMN and the Bank for the past 15 years. We also thank him for his leadership as Chair of HMN during the past 10 years. We wish him well in his future endeavors."

The Company also announced that it has determined to defer the payment of the regular quarterly cash dividend on its Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the "TARP Preferred Stock") issued to the Treasury as part of the TARP Capital Purchase Program due May 15, 2011 in the amount of \$325,000. Under the Company's agreement with the OTS, the Company may not declare or pay any cash dividends without the consent of the OTS, which includes the quarterly dividend payments on the TARP Preferred Stock. It is the current expectation of the Company that it will defer the remaining quarterly dividend payments due in 2011. The Company intends to re-evaluate the deferral of these dividend payments periodically in consultation with the OTS taking into account the Company's financial condition, applicable legal restrictions and other relevant factors.

HMN Financial, Inc. and Home Federal Savings Bank are headquartered in Rochester, Minnesota. Home Federal Savings Bank operates eleven full service offices in Minnesota located in Albert Lea, Austin, Eagan, Edina, La Crescent, Rochester, Spring Valley and Winona, Minnesota and two full service offices located in Marshalltown and Toledo, Iowa. Home Federal Private Banking operates branches in Rochester, Minnesota. Home Federal Savings Bank also operates a loan origination office in Sartell, Minnesota.

This press release may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, including statements regarding the payment or deferral of dividends. A number of factors could cause actual results to differ from the Company's assumptions and expectations. These factors include, but are not limited to, possible legislative changes, including changes in the degree and manner of regulatory supervision; the Company's and the Bank's compliance with the supervisory agreements with the Office of Thrift Supervision; and adverse business, economic, and competitive developments, including related cash flows, or other significant uncertainties. All forward looking statements are qualified by, and should be considered in conjunction with, such cautionary statements. All forward-looking statements included in this press release are based upon information available to the Company as of the date hereof, and the Company assumes no obligation to update or revise any such forward-looking statement. For additional discussion of the risks and uncertainties generally applicable to the Company, see the "Risk Factors" section of the Company's Form 10-K for the fiscal year ended December 31, 2010.

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