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NEWS RELEASE

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FOR IMMEDIATE RELEASE

HMN FINANCIAL, INC. ANNOUNCES DEFINITIVE AGREEMENT RELATING TO THE TOLEDO, IOWA BRANCH OF HOME FEDERAL SAVINGS BANK

ROCHESTER, MINNESOTA, November 7, 2011 - HMN Financial, Inc. (HMN or the Company) (NASDAQ:HMNF), the \$818 million holding company for Home Federal Savings Bank (Home Federal or Bank), today announced that the Bank has entered into a definitive purchase and assumption agreement (Agreement) with Pinnacle Bank of Marshalltown, Iowa (Pinnacle) which provides for the sale to Pinnacle of substantially all of the assets associated with the Toledo, Iowa branch (the Branch) of Home Federal and the assumption by Pinnacle of all deposit liabilities of the Branch. Home Federal will continue to own and operate its other Iowa and Minnesota branches. The transaction is subject to regulatory approval and scheduling of the required Branch data processing conversion. Subject to the foregoing and other customary terms and conditions, the transaction is anticipated to be consummated in the first quarter of 2012. Home Federal anticipates that the transaction will be funded with available assets and that the sale will result in a one time gain in the first quarter of 2012 and a decrease in the Bank's overall assets of approximately \$43 million.

"We are pleased to announce the sale of our Toledo Branch to a local bank," said Bradley Krehbiel, President of Home Federal Savings Bank. "The sale and the related gain will improve the Bank's core capital position and allow us to focus our efforts in the other markets that we serve."

Safe Harbor Statement

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the anticipated timing of consummation of the Branch transaction and anticipated gain on sale and decrease in assets therefrom. These statements may be identified by such forward-looking terminology as expect, intent, look, believe, anticipate, estimate, project, seek, may, will, would, could, should, trend, target and goal or similar statements or variations of such terms. A number of factors could cause actual results to differ materially from the Company's assumptions and expectations. These include but are not limited to the satisfactory completion of the approval process to be undertaken by Pinnacle with the Iowa Division of Banking and the Federal Deposit Insurance Corporation, the timing of Branch data conversion by a third party provider, the failure of either party to fulfill the terms and conditions of the Agreement required to be satisfied prior to a closing, changes in assets and liabilities at the Branch prior to closing and federal regulation and enforcement affecting HMN or Home Federal, including restrictions set forth in the supervisory agreements between each of the Company and the Federal Reserve Board and Home Federal and the Office of the Comptroller of the Currency.