

**For Immediate Release**  
**April 30, 2004**

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**Wells Financial Corp. Announces First Quarter Results**

**Selected Financial Data**

	Three months ended March 31, 2004	Three months ended March 31, 2003
Net Income	\$ 477,000	\$ 888,000
Basic earnings per share	\$ 0.41	\$ 0.79
Diluted earnings per share	\$ 0.40	\$ 0.77
Return on average equity	6.80%	13.86%
Return on average assets	0.85%	1.59%
Book value per share	\$ 24.33	\$ 22.89
Net interest rate spread	3.59%	2.89%
Net interest margin	3.76%	3.17%
Allowance for loan loss to total loans	0.51%	0.61%

Wells, Minnesota – April 30, 2004 – Lonnie R. Trasamar, President of Wells Financial Corp. (the “Company”), the holding company of Wells Federal Bank (the “Bank”), announced earnings of \$477,000 for the quarter ended March 31, 2004, down \$411,000 or 46.3% when compared to the quarter ended March 31, 2003. Basic and diluted earnings per share were \$0.41 and \$0.40, respectively, for the quarter ended March 31, 2004. This compares to basic and diluted earnings per share of \$0.79 and \$0.77, respectively for the quarter ended March 31, 2003. The decrease in net income was primarily the result of a decrease in gain on sale of loans originated for sale. During the first quarter of 2004 fewer loans were originated for sale when compared to the first quarter of 2003 resulting in a decrease in the gain on sale of loans originated for sale. Partially offsetting the decrease in gain on sale of loans originated for sale was a \$254,000 increase in net interest income. Trasamar stated that while the residential mortgage originations have decreased when compared to last year, he is encouraged by increases in the Company’s net interest margin, net interest spread and the increase in the Company’s loan portfolio.

Total assets increased by \$2.9 million from \$223,805,000 at December 31, 2003 to \$226,704,000 at March 31, 2004 primarily due to cash that was received from increases in deposits and advances from borrowers for taxes and insurance being used to fund loan growth. The Company also used cash and cash received from a decrease in securities available for sale to fund the increases in loans receivable and loans held for sale of \$7.5 million and \$4.4 million, respectively, during the first quarter of 2004.

Liabilities increased by \$2,472,000 from \$195,937,000 at December 31, 2003 to \$198,409,000 at March 31, 2004. This increase is primarily due to a \$1,240,000 increase in deposits and a \$973,000 increase in advances from borrowers for taxes and insurance.

Wells Financial Corp. and Wells Federal Bank are headquartered in Wells, Minnesota. The Bank operates eight full service offices located in Wells, Blue Earth, Mankato, Fairmont, North Mankato, Albert Lea, St. Peter and Owatonna Minnesota and loan origination offices located in Farmington, Minnesota and Mason City, Iowa. The Bank is a community oriented, full service savings bank offering traditional mortgage, consumer, commercial and agricultural loan products. The Bank offers insurance, mutual funds and variable rate annuity products through its subsidiary, Wells Insurance Agency.

### **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.

**WELLS FINANCIAL CORP. and SUBSIDIARY**  
*Consolidated Statements of Financial Condition*  
*March 31, 2004 and December 31, 2003*  
*(Dollars in Thousands)*  
*(Unaudited)*

**ASSETS**

	2004	2003
Cash, including interest-bearing accounts March 31, 2004 \$9,268; December 31, 2003 \$17,655	\$ 17,567	\$ 25,318
Certificates of deposit	125	200
Securities available for sale, at fair value	26,005	27,410
Federal Home Loan Bank Stock, at cost	1,304	1,303
Loans held for sale	6,393	1,997
Loans receivable, net	167,562	160,049
Accrued interest receivable	1,239	1,209
Premises and equipment, net	3,798	3,585
Mortgage servicing rights, net	2,518	2,681
Other assets	193	53
<b>TOTAL ASSETS</b>	<b>\$ 226,704</b>	<b>\$ 223,805</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**LIABILITIES**

Deposits	\$ 170,902	\$ 169,662
Borrowed funds	23,000	23,000
Advances from borrowers for taxes and insurance	2,558	1,585
Deferred income taxes	1,507	1,456
Accrued interest payable	126	34
Accrued expenses and other liabilities	316	200
<b>TOTAL LIABILITIES</b>	<b>198,409</b>	<b>195,937</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	17,146	17,154
Retained earnings, substantially restricted	27,145	26,922
Accumulated other comprehensive income	614	525
Unearned compensation restricted stock awards	(583)	(561)
Treasury stock, at cost, 1,024,549 shares at March 31, 2004, and 1,033,673 shares at December 31, 2003	(16,246)	(16,391)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>28,295</b>	<b>27,868</b>

<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 226,704</b>	<b>\$ 223,805</b>
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WELLS FINANCIAL CORP. and SUBSIDIARY  
*Consolidated Statements of Income*  
*Three Months Ended March 31, 2004 and 2003*  
*(Dollars in thousands, except per share data)*  
*(Unaudited)*

	2004	2003
<b>Interest and dividend income</b>		
Loans receivable:		
First mortgage loans	\$ 1,730	\$ 1,939
Consumer and other loans	976	721
Investment securities and other interest bearing deposits	226	340
Total interest income	<u>2,932</u>	<u>3,000</u>
<b>Interest expense</b>		
Deposits	661	986
Borrowed funds	310	307
Total interest expense	<u>971</u>	<u>1,293</u>
Net interest income	1,961	1,707
<b>Provision for loan losses</b>	-	-
Net interest income after provision for loan losses	<u>1,961</u>	<u>1,707</u>
<b>Noninterest income</b>		
Gain on sale of loans originated for sale	279	1,407
Loan servicing fees	241	218
Insurance commissions	188	94
Fees and service charges	181	220
Other	30	30
Total noninterest income	<u>919</u>	<u>1,969</u>
<b>Noninterest expense</b>		
Compensation and benefits	1,022	911
Occupancy and equipment	264	261
Data processing	140	125
Advertising	81	59
Amortization and valuation adjustments for mortgage servicing rights	240	519
Other	387	341
Total noninterest expense	<u>2,134</u>	<u>2,216</u>
Income before income taxes	746	1,460
<b>Income tax expense</b>	269	572
<b>Net Income</b>	<u>\$ 477</u>	<u>\$ 888</u>
Cash dividend declared per common share	<u>\$ 0.22</u>	<u>\$ 0.20</u>
Earnings per share		
Basic	<u>\$ 0.41</u>	<u>\$ 0.79</u>
Diluted	<u>\$ 0.40</u>	<u>\$ 0.77</u>
Weighted average number of common shares outstanding:		
Basic	<u>1,158,546</u>	<u>1,125,866</u>
Diluted	<u>1,196,291</u>	<u>1,147,342</u>