

For Immediate Release
August 5, 2004

Contact: Lonnie R. Trasamar
(507) 553-3151

Wells Financial Corp. Announces Second Quarter Earnings

Selected Financial Data

	Three months ended		Six months ended	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Net Income	\$565,000	\$1,004,000	\$1,042,000	\$1,892,000
Basic earnings per share	\$0.49	\$0.89	\$0.90	\$1.68
Diluted earnings per share	\$0.47	\$0.87	\$0.88	\$1.64
Return on average equity (1)	8.0%	15.3%	7.4%	14.6%
Return on average assets (1)	1.0%	1.8%	0.9%	1.7%
Net interest rate spread	3.8%	3.1%	3.7%	2.9%
Net interest rate margin	4.0%	3.2%	3.9%	3.1%
Book value per share at June 30	\$24.39	\$23.58	\$24.39	\$23.58

(1) annualized

Wells, Minnesota – August 5, 2004 – Lonnie R. Trasamar, President of Wells Financial Corp. (the “Company”), the holding company of Wells Federal Bank (the “Bank”), announced earnings of \$565,000 for the quarter ended June 30, 2004, down 43.7% when compared to the same period in 2003. Basic and diluted earnings per share for the quarter were \$0.49 and \$0.47, respectively. This compares to basic and diluted earnings per share of \$0.89 and \$0.87 for the quarter ended June 30, 2003.

Net income for the six-months ended June 30, 2004 was \$1,042,000, down 44.9% when compared to the same period in 2003. Basic and diluted earnings per share were \$0.90 and \$0.88, respectively. Basic and diluted earnings per share for the six-months ended June 30, 2003 were \$1.68 and \$1.64, respectively.

The decrease in net income for the three and six months ended June 30, 2004 when compared to the same periods in 2003 was primarily the result of a decrease in the gain on sale of loans originated for sale. During the first six months of 2004 fewer mortgage loans were originated for sale when compared to the first six months of 2003 resulting in a decrease in gain on sale of loans originated for sale. Partially offsetting the decrease in gain on sale of loans originated for sale were increases of \$393,000 and \$658,000 in net interest income for the three and six months ended June 30, 2004, respectively, when compared to the same periods in 2003.

Total assets decreased by \$452,000 during the first six months of 2004 due primarily from a reduction in customer deposits. Cash and securities available for sale decreased by \$18,588,000 and \$5,747,000, respectively, while loans held for sale and loans receivable increased by \$1,525,000 and \$21,433,000, respectively. The increase in loans receivable resulted, primarily, from increases in commercial and agricultural real estate loans.

Liabilities decreased by \$912,000 during the first six months of 2004 primarily due to a \$4,300,000 decrease in deposits being partially offset by a \$3,140,000 increase in borrowed funds.

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
June 30, 2004 and December 31, 2003
(Dollars in Thousands)
(Unaudited)

ASSETS

	2004	2003
Cash, including interest-bearing accounts		
June 30, 2004 \$2,397; December 31, 2003 \$17,655	\$ 6,730	\$ 25,318
Certificates of deposit	126	200
Securities available for sale, at fair value	21,663	27,410
Federal Home Loan Bank Stock, at cost	1,444	1,303
Loans held for sale	3,522	1,997
Loans receivable, net	181,482	160,049
Accrued interest receivable	1,502	1,209
Premises and equipment, net	4,016	3,585
Mortgage servicing rights, net	2,680	2,681
Other assets	188	53
TOTAL ASSETS	\$223,353	\$223,805

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Deposits	\$165,362	\$169,662
Borrowed funds	26,140	23,000
Advances from borrowers for taxes and insurance	1,736	1,585
Deferred income taxes	1,327	1,456
Accrued interest payable	208	34
Accrued expenses and other liabilities	252	200
TOTAL LIABILITIES	195,025	195,937

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	27,453	26,922
Accumulated other comprehensive income	287	525
Unearned compensation restricted stock awards	(488)	(561)
Treasury stock, at cost, 1,026,274 shares at June 30, 2004, and 1,033,673 shares at December 31, 2003	(16,289)	(16,391)
TOTAL STOCKHOLDERS' EQUITY	28,328	27,868

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$223,353	\$223,805
---	------------------	------------------

WELLS FINANCIAL CORP. and SUBSIDIARY

Consolidated Statements of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Interest and dividend income				
Loans receivable:				
First mortgage loans	\$ 1,703	\$ 1,876	\$ 3,433	\$ 3,815
Consumer and other loans	1,121	709	2,097	1,419
Investment securities and other interest bearing deposits	219	316	445	653
Total interest income	<u>3,043</u>	<u>2,901</u>	<u>5,975</u>	<u>5,887</u>
Interest Expense				
Deposits	635	897	1,296	1,880
Borrowed funds	321	310	631	617
Total interest expense	<u>956</u>	<u>1,207</u>	<u>1,927</u>	<u>2,497</u>
Net interest income	2,087	1,694	4,048	3,390
Provision for loan losses				
Net interest income after provision for loan losses	<u>2,087</u>	<u>1,694</u>	<u>4,048</u>	<u>3,390</u>
Noninterest income				
Gain on sale of loans originated for sale	550	1,591	829	2,998
Loan servicing fees	240	231	481	449
Insurance commissions	152	117	340	211
Fees and service charges	122	196	303	416
Other	30	41	60	69
Total noninterest income	<u>1,094</u>	<u>2,176</u>	<u>2,013</u>	<u>4,143</u>
Noninterest expense				
Compensation and benefits	1,275	1,054	2,297	1,966
Occupancy and equipment	270	271	534	532
Data processing	127	127	267	252
Advertising	71	74	152	133
Amortization and valuation adjustments for mortgage servicing rights	24	85	264	604
Other	493	593	880	920
Total noninterest expense	<u>2,260</u>	<u>2,204</u>	<u>4,394</u>	<u>4,407</u>
Income before taxes	921	1,666	1,667	3,126
Income tax expense				
	<u>356</u>	<u>662</u>	<u>625</u>	<u>1,234</u>
Net income	<u>\$ 565</u>	<u>\$ 1,004</u>	<u>\$ 1,042</u>	<u>\$ 1,892</u>
Cash dividends declared per share	<u>\$ 0.22</u>	<u>\$ 0.20</u>	<u>\$ 0.44</u>	<u>\$ 0.40</u>
Earnings per share				
Basic	<u>\$ 0.49</u>	<u>\$ 0.89</u>	<u>\$ 0.90</u>	<u>\$ 1.68</u>
Diluted	<u>\$ 0.47</u>	<u>\$ 0.87</u>	<u>\$ 0.88</u>	<u>\$ 1.64</u>
Weighted average number of common shares outstanding:				
Basic	<u>1,162,283</u>	<u>1,131,085</u>	<u>1,160,414</u>	<u>1,128,490</u>
Diluted	<u>1,190,265</u>	<u>1,159,797</u>	<u>1,188,396</u>	<u>1,153,604</u>

