

For Immediate Release
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Wells Financial Corp. Announces Second Quarter Earnings

Selected Financial Data

	Three months ended		Six months ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Net Income	\$430,000	\$565,000	\$951,000	\$1,042,000
Basic earnings per share	\$0.42	\$0.49	\$0.91	\$0.90
Diluted earnings per share	\$0.41	\$0.47	\$0.89	\$0.88
Return on average equity (1)	6.9%	8.0%	7.4%	7.4%
Return on average assets (1)	0.7%	1.0%	0.8%	0.9%
Net interest rate spread	3.6%	3.8%	3.6%	3.7%
Net interest rate margin	3.7%	4.0%	3.8%	3.9%
Book value per share at June 30	\$24.41	\$24.39	\$24.41	\$24.39

(1) annualized

Wells, Minnesota – August 2, 2005 – Lonnie R. Trasamar, President of Wells Financial Corp. (the “Company”), the holding company of Wells Federal Bank (the “Bank”), announced earnings of \$430,000 for the quarter ended June 30, 2005, down 23.9% when compared to the same period in 2004. Basic and diluted earnings per share for the quarter were \$0.42 and \$0.41. This compares to basic and diluted earnings per share of \$0.49 and \$0.47, respectively, for the quarter ended June 30, 2004.

Net income for the six-months ended June 30, 2005 was \$951,000, down 8.7% when compared to the same period in 2004. Basic and diluted earnings per share were \$0.91 and \$0.89, respectively. Basic and diluted earnings per share for the six-months ended June 30, 2004 were \$0.90 and \$0.88, respectively.

The decrease in net income for the three and six months ended June 30, 2005 when compared to the same periods in 2004 was primarily the result of decreases of \$284,000 and \$323,000, respectively, in the gain on sale of loans originated for sale. During the first six months of 2005 fewer mortgage loans were originated for sale when compared to the first six months of 2004 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 \$36,000 and \$223,000 in net interest income after provision for loan losses for the three and six months ended June 30, 2005, respectively, when compared to the same periods in 2004.

Total assets increased by \$5,952,000 during the first six months of 2005 due primarily to an increase of \$5,240,000 in loans receivable. The increase in loans receivable resulted, primarily, from increases in commercial and agricultural real estate loans.

Liabilities increased by \$7,388,000 during the first six months of 2005 primarily due to a \$6,000,000 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, Owatonna, Minnesota and Mason City, Iowa and a loan origination office located in Farmington, Minnesota. 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, 2005 and December 31, 2004**(Dollars in Thousands)**(Unaudited)***ASSETS**

	2005	2004
Cash, including interest-bearing accounts June 30, 2005 \$2,362; December 31, 2004 \$1,383	\$ 7,617	\$ 5,605
Certificates of deposit	200	100
Securities available for sale, at fair value	12,221	13,945
Federal Home Loan Bank Stock, at cost	2,673	2,133
Loans held for sale	2,650	3,454
Loans receivable, net	219,157	205,662
Accrued interest receivable	1,874	1,533
Premises and equipment, net	4,211	4,212
Mortgage servicing rights, net	2,281	2,515
Other assets	462	236
TOTAL ASSETS	\$ 253,346	\$ 239,395

LIABILITIES AND STOCKHOLDERS' EQUITY**LIABILITIES**

Deposits	\$ 171,374	\$ 167,495
Borrowed funds	52,640	41,640
Advances from borrowers for taxes and insurance	1,957	1,877
Deferred income taxes	1,251	1,494
Accrued interest payable	224	38
Accrued expenses and other liabilities	830	261
TOTAL LIABILITIES	228,276	212,805

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	17,124	17,177
Retained earnings, substantially restricted	28,504	28,063
Accumulated other comprehensive income	482	600
Unearned compensation restricted stock awards	(269)	(329)
Treasury stock, at cost, shares at June 30, 2005, 1,160,320 and 1,105,852 shares at December 31, 2004	(20,990)	(19,140)
TOTAL STOCKHOLDERS' EQUITY	25,070	26,590
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 253,346	\$ 239,395

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,	
	2005	2004	2005	2004
Interest and dividend income				
Loans receivable:				
First mortgage loans	\$ 1,883	\$ 1,703	\$ 3,676	\$ 3,433
Consumer and other loans	1,509	1,121	2,893	2,097
Investment securities and other interest bearing deposits	160	219	323	445
Total interest income	<u>3,552</u>	<u>3,043</u>	<u>6,892</u>	<u>5,975</u>
Interest Expense				
Deposits	828	635	1,533	1,296
Borrowed funds	541	321	993	631
Total interest expense	<u>1,369</u>	<u>956</u>	<u>2,526</u>	<u>1,927</u>
Net interest income	2,183	2,087	4,366	4,048
Provision for loan losses	60	-	95	-
Net interest income after provision for loan losses	<u>2,123</u>	<u>2,087</u>	<u>4,271</u>	<u>4,048</u>
Noninterest income				
Gain on sale of loans originated for sale	266	550	506	829
Loan servicing fees	238	240	477	481
Insurance commissions	132	152	299	340
Fees and service charges	154	122	287	303
Other	35	30	76	60
Total noninterest income	<u>825</u>	<u>1,094</u>	<u>1,645</u>	<u>2,013</u>
Noninterest expense				
Compensation and benefits	1,130	1,275	2,167	2,297
Occupancy and equipment	267	270	558	534
Data processing	121	127	251	267
Advertising	70	71	146	152
Amortization and valuation adjustments for mortgage servicing rights	203	24	396	264
Other	412	493	820	880
Total noninterest expense	<u>2,203</u>	<u>2,260</u>	<u>4,338</u>	<u>4,394</u>
Income before taxes	745	921	1,578	1,667
Income tax expense	315	356	627	625
Net income	<u>\$ 430</u>	<u>\$ 565</u>	<u>\$ 951</u>	<u>\$ 1,042</u>
Cash dividends declared per share	<u>\$ 0.24</u>	<u>\$ 0.22</u>	<u>\$ 0.48</u>	<u>\$ 0.44</u>
Earnings per share				
Basic	<u>\$ 0.42</u>	<u>\$ 0.49</u>	<u>\$ 0.91</u>	<u>\$ 0.90</u>
Diluted	<u>\$ 0.41</u>	<u>\$ 0.47</u>	<u>\$ 0.89</u>	<u>\$ 0.88</u>
Weighted average number of common shares outstanding:				
Basic	<u>1,032,580</u>	<u>1,162,283</u>	<u>1,049,719</u>	<u>1,160,414</u>
Diluted	<u>1,051,748</u>	<u>1,190,265</u>	<u>1,068,887</u>	<u>1,188,396</u>