

**For Immediate Release**  
**November 9, 2004**

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### **Wells Financial Corp. Announces Third Quarter Earnings**

#### **Selected Financial Data**

	Three months ended		Nine months ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Net Income	\$471,000	\$1,135,000	\$1,513,000	\$3,027,000
Basic earnings per share	\$0.40	\$1.00	\$1.30	\$2.68
Diluted earnings per share	\$0.40	\$0.98	\$1.28	\$2.62
Return on average equity (1)	6.6%	16.8%	7.1%	15.3%
Return on average assets (1)	0.8%	2.0%	0.9%	1.8%
Net interest rate spread	3.8%	2.9%	3.7%	2.8%
Net interest rate margin	4.0%	3.2%	3.9%	3.0%
Book value per share at September 30	\$24.88	\$24.18	\$24.88	\$24.18

(1) annualized

Wells, Minnesota – November 9, 2004 – Lonnie R. Trasamar, President of Wells Financial Corp. (the “Company”), the holding company of Wells Federal Bank (the “Bank”), announced earnings of \$471,000 for the quarter ended September 30, 2004, down 58.5% when compared to the same period in 2003. Basic and diluted earnings per share for the quarter were \$0.40 and \$0.40. This compares to basic and diluted earnings per share of \$1.00 and \$0.98, respectively, for the quarter ended September 30, 2003.

Net income for the nine-months ended September 30, 2004 was \$1,513,000, down 50.0% when compared to the same period in 2003. Basic and diluted earnings per share were \$1.30 and \$1.28, respectively. Basic and diluted earnings per share for the nine-months ended September 30, 2003 were \$2.68 and \$2.62, respectively.

The decrease in net income for the three and nine months ended September 30, 2004 when compared to the same periods in 2003 was primarily the result of decreases of \$1,371,000 and \$3,540,000, respectively, in the gain on sale of loans originated for sale. During the first nine months of 2004 fewer mortgage loans were originated for sale when compared to the first nine 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 \$542,000 and \$1,200,000 in net interest income for the three and nine months ended September 30, 2004, respectively, when compared to the same periods in 2003.

Total assets increased by \$8,671,000 during the first nine months of 2004 due primarily to an increase of \$32,500,000 in loans receivable. The increase in loans receivable resulted, primarily, from increases in commercial and agricultural real estate loans. . Cash and securities available for sale decreased by \$13,753,000 and \$11,254,000, respectively.

Liabilities increased by \$7,618,000 during the first nine months of 2004 primarily due to a \$10,640,000 increase in borrowed funds being partially offset by a \$4,580,000 decrease in deposits.

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

**ASSETS**

	2004	2003
Cash, including interest-bearing accounts		
September 30, 2004 \$5,844; December 31, 2003 \$17,655	\$ 11,565	\$ 25,318
Certificates of deposit	200	200
Securities available for sale, at fair value	16,156	27,410
Federal Home Loan Bank Stock, at cost	1,777	1,303
Loans held for sale	1,549	1,997
Loans receivable, net	192,549	160,049
Prepaid income taxes	92	-
Accrued interest receivable	1,613	1,209
Premises and equipment, net	4,140	3,585
Mortgage servicing rights, net	2,573	2,681
Other assets	262	53
<b>TOTAL ASSETS</b>	<b>\$ 232,476</b>	<b>\$ 223,805</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**LIABILITIES**

Deposits	\$ 165,082	\$ 169,662
Borrowed funds	33,640	23,000
Advances from borrowers for taxes and insurance	2,555	1,585
Deferred income taxes	1,506	1,456
Accrued interest payable	291	34
Accrued expenses and other liabilities	481	200
<b>TOTAL LIABILITIES</b>	<b>203,555</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	17,142	17,154
Retained earnings, substantially restricted	27,669	26,922
Accumulated other comprehensive income	554	525
Unearned compensation restricted stock awards	(396)	(561)
Treasury stock, at cost, shares at September 30, 2004, 1,024,849 and 1,033,673 shares at December 31, 2003	(16,267)	(16,391)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>28,921</b>	<b>27,868</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 232,476</b>	<b>\$ 223,805</b>

**WELLS FINANCIAL CORP. and SUBSIDIARY**

*Consolidated Statements of Income  
(Dollars in thousands, except per share data)  
(Unaudited)*

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Interest and dividend income</b>				
Loans receivable:				
First mortgage loans	\$ 1,754	\$ 1,674	\$ 5,187	\$ 5,489
Consumer and other loans	1,163	698	3,260	2,117
Investment securities and other interest bearing deposits	189	275	634	928
Total interest income	<u>3,106</u>	<u>2,647</u>	<u>9,081</u>	<u>8,534</u>
<b>Interest Expense</b>				
Deposits	637	763	1,933	2,643
Borrowed funds	357	314	988	931
Total interest expense	<u>994</u>	<u>1,077</u>	<u>2,921</u>	<u>3,574</u>
Net interest income	2,112	1,570	6,160	4,960
<b>Provision for loan losses</b>	-	-	-	-
Net interest income after provision for loan losses	<u>2,112</u>	<u>1,570</u>	<u>6,160</u>	<u>4,960</u>
<b>Noninterest income</b>				
Gain on sale of loans originated for sale	273	1,644	1,102	4,642
Loan servicing fees	241	242	722	691
Insurance commissions	165	135	505	346
Fees and service charges	161	404	464	820
Other	33	66	93	135
Total noninterest income	<u>873</u>	<u>2,491</u>	<u>2,886</u>	<u>6,634</u>
<b>Noninterest expense</b>				
Compensation and benefits	1,091	1,068	3,388	3,034
Occupancy and equipment	260	298	794	830
Data processing	102	106	369	358
Advertising	84	73	236	206
Amortization and valuation adjustments for mortgage servicing rights	209	250	473	854
Other	509	439	1,389	1,359
Total noninterest expense	<u>2,255</u>	<u>2,234</u>	<u>6,649</u>	<u>6,641</u>
Income before taxes	730	1,827	2,397	4,953
<b>Income tax expense</b>	259	692	884	1,926
<b>Net income</b>	<u>\$ 471</u>	<u>\$ 1,135</u>	<u>\$ 1,513</u>	<u>\$ 3,027</u>
<b>Cash dividends declared per share</b>	<u>\$ 0.22</u>	<u>\$ 0.20</u>	<u>\$ 0.66</u>	<u>\$ 0.60</u>
<b>Earnings per share</b>				
Basic	<u>\$ 0.40</u>	<u>\$ 1.00</u>	<u>\$ 1.30</u>	<u>\$ 2.68</u>
Diluted	<u>\$ 0.40</u>	<u>\$ 0.98</u>	<u>\$ 1.28</u>	<u>\$ 2.62</u>
<b>Weighted average number of common shares outstanding:</b>				
Basic	<u>1,161,706</u>	<u>1,132,939</u>	<u>1,160,848</u>	<u>1,129,989</u>
Diluted	<u>1,186,586</u>	<u>1,157,877</u>	<u>1,185,728</u>	<u>1,154,927</u>