

For Immediate Release
July 30, 2003

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**Wells Financial Corp. Announces Results for the
Quarter Ended June 30, 2003**

Second Quarter Summary:

Net income increased by \$320,000, or 46.8%, when compared to the second quarter of 2002

Diluted earnings per share increased by \$0.31, or 55.4%, when compared to the second quarter of 2002

Net interest income decreased by \$229,000, or 11.9%, when compared to the second quarter of 2002

Year to Date Summary:

Net income increased by \$355,000, or 23.1%, when compared to the first six months of 2002

Diluted earnings per share increased by \$0.37, or 29.1%, when compared to the first six months of 2002

Net interest income decreased by \$389,000, or 10.3%, when compared to the first six months of 2002

Wells, Minnesota – July 30, 2003 – Lonnie R. Trasamar, President of Wells Financial Corp. (the Company), the holding company of Wells Federal Bank (the Bank), announced earnings of \$1,004,000 for the quarter ended June 30, 2003, up \$320,000 or 46.8%, when compared to the quarter ended June 30, 2002. Diluted earnings per share for the second quarter of 2003 were \$0.87, up \$0.31 or 55.4%, when compared to the second quarter of 2002.

Net income for the six months ended June 30, 2003 was \$1,892,000, up \$355,000, or 23.1% when compared to the six months ended June 30, 2002. Diluted earnings per share were \$1.64 for the six months ended June 30, 2003, up \$0.37, or 29.1%, when compared to the first six months of 2002.

Trasamar stated that the increase in net income and earnings per share for the three and six months ended June 30, 2003 when compared to the same periods in 2002 resulted from an increase in the gain on sale of loans originated for sale and in loan origination and commitment fees during 2003. Partially offsetting these increases was a decrease in net interest income that primarily resulted from a decrease in the average balance of interest earning assets and, to a lesser extent, to a decrease in the average yield on interest earning assets.

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 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.

Dividend

On July 18, 2003, the Company announced a cash dividend of \$0.20 per share payable on August 15, 2003 to shareholders of record on August 1, 2003.

Forward-looking Statements

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 after the date of such statements.

Selected Financial Information

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2003	2002	2003	2002
Return on average assets (1)	1.79%	1.20%	1.69%	1.34%
Return on average equity (1)	15.26%	11.02%	14.57%	12.57%
Net interest margin	3.13%	3.48%	3.14%	3.48%
Book value per share	\$23.58	\$21.05	\$23.58	\$21.05

(1) annualized

(A balance sheet and income statement are included with this release)

WELLS FINANCIAL CORP. and SUBSIDIARY
Consolidated Statements of Financial Condition
June 30, 2003 and December 31, 2002
(Dollars in Thousands)
(Unaudited)

ASSETS

	2003	2002
Cash, including interest-bearing accounts June 30, 2003 \$38,376; December 31, 2002 \$35,178	\$ 39,439	\$ 36,571
Certificates of deposit	200	200
Securities available for sale, at fair value	23,157	19,856
Federal Home Bank Stock	1,875	1,875
Loans held for sale	13,445	9,695
Loans receivable, net	138,362	145,586
Accrued interest receivable	1,342	1,387
Foreclosed real estate	330	209
Premises and equipment	3,421	2,975
Mortgage servicing rights	2,505	2,179
Other assets	106	83
TOTAL ASSETS	\$ 224,182	\$ 220,616

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Deposits	\$ 171,257	\$ 169,126
Borrowed funds	23,000	23,000
Advances from borrowers for taxes and insurance	1,434	1,347
Deferred Income taxes	1,384	1,376
Accrued interest payable	198	50
Accrued expenses and other liabilities	232	494
TOTAL LIABILITIES	197,505	195,393

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	16,970	16,985
Retained earnings, substantially restricted	25,728	24,287
Accumulated other comprehensive income	602	746
Unearned ESOP shares	-	(29)
Unearned compensation restricted stock awards	(96)	(138)
Treasury stock, at cost, 1,056,064 shares at June 30, 2003, and 1,062,435 shares at December 31, 2002	(16,746)	(16,847)
TOTAL STOCKHOLDERS' EQUITY	26,677	25,223

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 224,182	\$ 220,616
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WELLS FINANCIAL CORP. and SUBSIDIARY

Consolidated Statements of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Interest and dividend income				
Loans receivable:				
First mortgage loans	\$ 1,876	\$ 2,323	\$ 3,815	\$ 4,698
Consumer and other loans	709	780	1,419	1,566
Investment securities and other interest bearing deposits	316	420	653	811
Total interest income	<u>2,901</u>	<u>3,523</u>	<u>5,887</u>	<u>7,075</u>
Interest Expense				
Deposits	897	1,290	1,880	2,679
Borrowed funds	310	310	617	617
Total interest expense	<u>1,207</u>	<u>1,600</u>	<u>2,497</u>	<u>3,296</u>
Net interest income	1,694	1,923	3,390	3,779
Provision for loan losses	-	-	-	23
Net interest income after provision for loan losses	<u>1,694</u>	<u>1,923</u>	<u>3,390</u>	<u>3,756</u>
Noninterest income				
Gain on sale of loans originated for sale	777	268	1,597	755
Loan origination and commitment fees	814	195	1,401	500
Loan servicing fees	231	165	449	319
Insurance commissions	117	100	211	180
Fees and service charges	196	201	416	402
Other	41	26	69	34
Total noninterest income	<u>2,176</u>	<u>955</u>	<u>4,143</u>	<u>2,190</u>
Noninterest expense				
Compensation and benefits	1,054	882	1,966	1,669
Occupancy and equipment	271	215	532	448
Data processing	127	101	252	237
Advertising	74	54	133	100
Amortization & valuation adjustments for mortgage servicing rights	85	130	604	249
Other	593	298	920	596
Total noninterest expense	<u>2,204</u>	<u>1,680</u>	<u>4,407</u>	<u>3,299</u>
Income before taxes	1,666	1,198	3,126	2,647
Income tax expense	662	514	1,234	1,110
Net Income	<u>\$ 1,004</u>	<u>\$ 684</u>	<u>\$ 1,892</u>	<u>\$ 1,537</u>
Cash dividends declared per share	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.40</u>	<u>\$ 0.36</u>
Earnings per share				
Basic earnings per share	<u>\$ 0.89</u>	<u>\$ 0.58</u>	<u>\$ 1.68</u>	<u>\$ 1.31</u>
Diluted earnings per share	<u>\$ 0.87</u>	<u>\$ 0.56</u>	<u>\$ 1.64</u>	<u>\$ 1.27</u>
Weighted average number of common shares outstanding:				
Basic	<u>1,131,085</u>	<u>1,179,732</u>	<u>1,128,490</u>	<u>1,172,861</u>
Diluted	<u>1,159,797</u>	<u>1,214,891</u>	<u>1,153,604</u>	<u>1,210,548</u>