

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 8-K**  
**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) July 20, 2004

UNION FINANCIAL BANCSHARES, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other Jurisdiction of  
incorporation or organization)

1-5735  
(Commission  
File Number)

57-1001177  
(IRS Employer  
Identification No.)

203 West Main Street, Union, South Carolina  
(Address of principal executive offices)

29379-0886  
(Zip Code)

Registrant's telephone number, including area code

(864) 427-9000

Not Applicable  
(Former name or former address, if changed since last report.)

**Item 7. Financial Statements and Other Exhibits**

Exhibit 99.1      Press Release Dated July 20, 2004

**Item 12. Results of Operation and Financial Condition**

On July 20, 2004, Union Financial Bancshares, Inc. announced its financial results for the quarter ending June 30, 2004. The press release announcing financial results for the quarter ending June 30, 2004 is filed as Exhibit 99.1 and incorporated herein by reference.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

UNION FINANCIAL BANCSHARES, INC.

Dated: July 20, 2004

By: /s/ Dwight V. Neese  
Dwight V. Neese  
President and Chief Executive Officer

**Contact: Dwight V. Neese  
President  
203 West Main Street  
Union, SC 29379-0866  
(864) 429-1863**

**UNION FINANCIAL BANCSHARES, INC.  
ANNOUNCES SECOND QUARTER EARNINGS**

**Union, South Carolina** - July 20, 2004: Union Financial Bancshares, Inc. (NASDAQ: UFBS) announced earnings of \$548,000 for the quarter ended June 30, 2004 compared to earnings of \$484,000 for the second quarter of 2003, a 13.22% increase. Earnings per share were \$.27 per share (dilutive) for the second quarter of 2004, versus \$.23 per share (dilutive) for the second quarter of 2003.

Net interest income before the loan loss provision for the current quarter increased \$432,000, or 21.77%, to \$2,416,000 compared to \$1,984,000 for the same period in the previous year. The increase was due primarily to loan growth over the previous year along with an increase in yield on investments. Provision for loan losses for the current quarter totaled \$250,000 compared to \$190,000 for the same period in the previous year. The increase in provision for loan losses from the previous year quarter was primarily due to the net growth in the loan portfolio of 5.38% that was driven by a 28.27% increase in the consumer/commercial loan sector. Non interest income for the current quarter decreased \$82,000, or 12.95%, to \$551,000 compared to \$633,000 for the same period in the previous year. The decrease was due to \$220,000 from the gain on sale of securities in the previous year compared to \$0 for the current year. This decrease was offset by an increase in bank and loan fees of \$132,000, or 31.96%, to \$545,000 compared to \$413,000 for the same period in the previous year as a result of the growth in loans and deposits from the new Rock Hill office that was opened in July, 2003. Non interest expense for the current quarter increased \$185,000 or 10.30% to \$1,981,000 compared to \$1,796,000 for the same period in the previous year. The increase over the previous year was due to additional operating expenses for the new Rock Hill office.

At June 30, 2004, assets totaled \$353.1 million, an 6.79% increase from \$330.6 million at December 31, 2003. Net loans receivable increased \$8,247,000, or 5.38%, during the period to \$161.5 million at June 30, 2004, compared to \$153.3 million at December 31, 2003. Investment and mortgage-backed securities at June 30, 2004, increased 28.78% to \$159.4 million from \$123.8 million at December 31, 2003. The increase in securities was funded with cash on hand and an increase in borrowings of \$18.7 million. Deposits at June 30, 2004, increased 1.68% to \$226.9 million from \$223.1 million at December 31, 2003.

Commenting on the second quarter results, Dwight V. Neese, President and Chief Executive Officer, stated: "We are pleased to report our earnings performance improvement over the comparable period in the previous year. Not only did our second quarter results show an earnings increase of 13% over the previous year quarter, our earnings per share also rose 17%. We continued to have positive growth on our balance sheet, marked by an increase in the consumer and commercial loan portfolios of 28% over the same period last year. Overall, we are pleased with the results of the quarter."

The Company announced the declaration of a quarterly dividend of \$0.10 per share on its outstanding common stock, payable August 16, 2004 to shareholders of record on July 30, 2004.

Union Financial Bancshares is the holding company for Provident Community Bank, N.A., which operates seven banking locations in the upstate of South Carolina. At June 30, 2004, Union Financial had \$353.1 million in total assets and total stockholders' equity of \$23.6 million.

---

**Union Financial Bancshares, Inc.**  
**Second Quarter - Year Ending December 31, 2004**

---

**Financial Highlights**

*(Unaudited) (\$ in thousands, except share data)*

<b>Balance Sheet</b>	<b>Quarter Ended</b>	<b>Year Ended</b>	<b>\$ Change</b>	<b>% Change</b>
	<b>6/30/04</b>	<b>12/31/03</b>		
Total assets	\$353,124	\$330,665	\$22,459	6.79%
Cash and interest-bearing deposits	7,285	28,702	-21,417	-74.62%
Investments & mortgage-backed securities	159,419	123,789	35,630	28.78%
Loans receivable (net)	161,548	153,301	8,247	5.38%
Goodwill and intangible assets	4,530	4,848	-318	-6.56%
Deposits	226,871	223,131	3,740	1.68%
Advances and other borrowings	92,250	73,500	18,750	25.51%
Trust preferred corporate obligations	8,000	8,000	0	0.00%
Stockholders' equity	23,614	25,508	-1,894	-7.43%
Outstanding shares	1,948,109	1,966,204	-18,095	-0.92%
Book value per share	\$12.12	\$12.97	-\$0.85	-6.57%
Tangible book value per share	\$9.80	\$10.51	-\$0.71	-6.77%

<b>Income Statement</b>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Net interest income	\$2,416	\$1,984	\$4,676	\$4,112
Provision for loan losses	250	190	385	425
Net interest income after loan loss provision	2,166	1,794	4,291	3,687
Noninterest income	551	633	1,097	1,192
Noninterest expense	1,981	1,796	3,980	3,585
Income tax	188	147	351	312
Net income	\$548	\$484	\$1,057	\$982
Earnings per share: basic	\$0.28	\$0.25	\$0.54	\$0.50
Earnings per share: diluted	\$0.27	\$0.23	\$0.51	\$0.47

<b>Key Financial Ratios</b>	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2004</b>	<b>2003</b>
Return on average assets	0.60%	0.58%
Return on average stockholders' equity	8.08%	7.08%
Operating expense to average assets	2.26%	2.12%
Capital to average assets	9.25%	10.56%

---