

**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) April 20, 2004**

**UNION FINANCIAL BANCSHARES, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
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(State or other Jurisdiction of  
incorporation or organization)

1-5735  
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(Commission  
File Number)

57-1001177  
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(IRS Employer  
Identification No.)

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

29379-0886  
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(Zip Code)

Registrant's telephone number, including area code (864) 427-9000  
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Not Applicable

(Former name or former address, if changed since last report.)

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

**Exhibit 99.1 Press Release Dated April 20, 2004**

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

On April 20, 2004, Union Financial Bancshares, Inc. announced its financial results for the quarter ending March 31, 2004. The press release announcing financial results for the quarter ending March 31, 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: April 20, 2004*

*By: /s/ Dwight V. Neese*

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*Dwight V. Neese*

*President and Chief Executive Officer*

Exhibit 99.1

**Union Financial Bancshares, Inc. Announces First Quarter Earnings**

UNION, S.C.--(BUSINESS WIRE)--April 20, 2004--Union Financial Bancshares, Inc. (NASDAQ: UFBS) announced earnings of \$509,000 for the quarter ended March 31, 2004 compared to earnings of \$497,000 for the first quarter of 2003, a 2.41% increase. Earnings per share were \$.25 per share (dilutive) for the first quarter of 2004, versus \$.24 per share (dilutive) for the first quarter of 2003.

Net interest income before the loan loss provision for the current quarter increased \$132,000, or 6.20%, to \$2,260,000 compared to \$2,128,000 for the same period in the previous year. The increase was due primarily to higher average balances of investment securities over the previous year along with an increase in yield on investments. Provision for loan losses for the current quarter totaled \$135,000 compared to \$235,000 for the same period in the previous year. The decrease in provision for loan losses from the previous year quarter was primarily due to a reduction in non performing loans from the previous year. Non interest income for the current quarter decreased \$13,000, or 2.33%, to \$546,000 compared to \$559,000 for the same period in the previous year. The decrease was due to the previous year including \$182,000 from the gain on sale of securities compared to \$0 for the current year. In addition, bank and loan fees increased \$134,000, or 35.54%, to \$511,000 compared to \$377,000 for the same period in the previous year as a result of the development of new fee income programs that were recently implemented. Non interest expense for the current quarter increased \$209,000 or 11.68% to \$1,999,000 compared to \$1,791,000 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 that was opened in July, 2003.

At March 31, 2004, assets totaled \$359.9 million, an 8.83% increase from \$330.6 million at December 31, 2003. Net loans receivable increased \$1,900,000, or 1.24%, during the period to \$155.2 million at March 31, 2004, compared to

\$153.3 million at December 31, 2003. Investment and mortgage-backed securities at March 31, 2004, increased 39.60% to \$172.8 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 \$22.7 million. Deposits at March 31, 2004, increased 1.82% to \$227.2 million from \$223.1 million at December 31, 2003.

Commenting on the first quarter results, Dwight V. Neese, President and Chief Executive Officer, stated: "We are pleased with the results we have been able to achieve in the face of challenging local economic conditions and in the midst of repositioning the balance sheet after our charter conversion in the previous year. We continued to have positive growth on the balance sheet, marked by an increase in the consumer and commercial loan portfolios of 32.15% over the same period last year. We are continuing to focus on core earnings and building long-term value for our shareholders." The Company announced the declaration of a quarterly dividend of \$0.10 per share on its outstanding common stock, payable May 17, 2004 to shareholders of record on April 30, 2004.

Union Financial Bancshares is the holding company for Provident Community Bank, which operates seven banking locations in the upstate of South Carolina. At March 31, 2004, Union Financial had \$359.9 million in total assets and total stockholders' equity of \$26.3 million.

Union Financial Bancshares, Inc.

First Quarter - Year Ending December 31, 2004

### Financial Highlights

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

	Quarter Ended	Year Ended	\$	%
Balance Sheet	3/31/04	12/31/03	Change	Change
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Total assets	\$359,868	\$330,665	\$29,203	8.83%
Cash and interest-bearing deposits	6,851	28,702	(21,851)	-76.13%
Investments & mortgage-backed securities	172,804	123,789	49,015	39.60%
Loans receivable (net)	155,201	153,301	1,900	1.24%
Goodwill and intangible assets	4,689	4,848	(159)	-3.28%
Deposits	227,191	223,131	4,060	1.82%
Advances and other borrowings	96,225	73,500	22,725	30.92%
Trust preferred corporate obligations	8,000	8,000	0	0.00%
Stockholders' equity	26,333	25,508	825	3.23%
Outstanding shares	1,960,889	1,966,204	(5,315)	-0.27%
Book value per share	\$13.43	\$12.97	\$0.46	3.51%
Tangible book value per share	\$11.04	\$10.51	\$0.53	5.05%

Three Months Ended  
March 31,

			\$	%
Income Statement	2004	2003	Change	Change
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Net interest income	\$2,260	\$2,128	\$132	6.20%
Provision for loan losses	135	235	(100)	-42.55%
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Net interest income after loan provision	2,125	1,893	232	12.26%
Noninterest income	546	559	(13)	-2.33%
Noninterest expense	1,999	1,791	208	11.61%
Income tax	163	164	(1)	-0.61%
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Net income	\$509	\$497	\$12	2.41%
	=====	=====	=====	=====
Earnings per share: basic	\$0.26	\$0.25	\$0.01	4.00%
	=====	=====	=====	=====
Earnings per share: diluted	\$0.25	\$0.24	\$0.01	4.17%
	=====	=====	=====	=====

Three Months Ended  
March 31,

Key Financial Ratios

	2004	2003
	-----	-----
Return on average assets	0.59%	0.59%
Return on average stockholder equity	7.88%	7.14%
Operating expense to average assets	2.32%	2.12%
Capital to average assets	9.94%	10.63%

CONTACT: Union Financial Bancshares, Inc. Dwight V. Neese, 864-429-1863

End of Filing

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