

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): February 15, 2005

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

<u>Delaware</u> (State or other Jurisdiction of incorporation or organization)	<u>1-5735</u> (Commission File Number)	<u>57-1001177</u> (IRS Employer Identification No.)
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<u>203 West Main Street, Union, South Carolina</u> (Address of principal executive offices)	<u>29379-0886</u> (Zip Code)
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Registrant's telephone number, including area code: (864) 427-9000

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02      Results of Operations and Financial Condition.**

On February 15, 2005, Union Financial Bancshares, Inc., the holding company for Provident Community Bank, N.A., announced its financial results for the quarter and year ended December 31, 2004. The press release announcing financial results for the quarter and year ended December 31, 2004 is included as Exhibit 99.1 and incorporated herein by reference.

**Item 8.01      Other Events.**

The February 15, 2005 press release also announced that the Company's Board of Directors had approved a stock repurchase program authorizing the Company to repurchase up to an additional 98,000 shares of the Company's common stock. A copy of the press release announcing the stock repurchase program is included as Exhibit 99.1 and incorporated herein by reference.

**Item 9.01      Financial Statements and Exhibits.**

- (a) Financial Statements of Businesses Acquired: Not applicable
- (b) Pro Forma Financial Information: Not applicable
- (c) Exhibits

<u>Number</u>	<u>Description</u>
99.1	Press Release Dated February 15, 2005

## 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: February 15, 2005

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

**FOR IMMEDIATE RELEASE**



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

**UNION FINANCIAL BANCSHARES, INC. REPORTS EARNINGS  
AND ANNOUNCES QUARTERLY CASH DIVIDEND**

**Union, South Carolina** - February 15, 2005: Union Financial Bancshares, Inc. (NASDAQ: UFBS) today announced a 16% increase in earnings over the previous fiscal year. Net income for the twelve months ended December 31, 2004 was \$2,156,000, or \$1.05 per share (diluted) compared to \$1,859,000, or \$.90 per share (diluted), for the twelve month period ending September 30, 2003. The Company also declared a quarterly dividend of \$0.10 per share on its outstanding common stock, payable on February 15, 2005 to shareholders of record January 28, 2005.

Net income for the three months ended December 31, 2004 was \$592,000 compared to a net loss of (\$1,210,000) for the three months ended December 31, 2003. Earnings per share were \$.29 per share (diluted) for the fourth quarter of fiscal 2004 versus a loss per share of (\$.62) (diluted) for the fourth quarter of 2003.

On October 21, 2003, the Board of Directors of Union Financial Bancshares, Inc. changed the fiscal year end of the Corporation from September 30 to December 31, effective December 31, 2003. During the quarter ending December 31, 2003, the Corporation initiated a balance sheet restructuring that was designed to increase the net interest margin and enhance future earnings. The restructuring included the sale of \$31.3 million in low yielding mortgage backed securities that resulted in a pretax loss of \$700,000 and the prepayment of a \$5 million 6.25% Federal Home Loan Bank advance with two years remaining that carried a \$381,000 penalty. The purpose of the restructuring was to lessen exposure to interest rate risk. As a result of the Bank's balance sheet restructuring, the Corporation recorded a net loss for the quarter ended December 31, 2003.

At December 31, 2004, assets totaled \$351.6 million, a 2.94% increase from \$341.5 million at September 30, 2003. Net loans receivable increased \$18.2 million or 11.88% to \$171.1 million at December 31, 2004, compared to \$152.9 million at September 30, 2003. Investment and mortgage-backed securities at December 31, 2004, decreased 8.86% to \$143.5 million from \$157.4 million at September 30, 2003. The increase in loans was funded with the reduction in securities along with an increase in borrowings of \$2.5 million and deposits of \$7.4 million.

Commenting on the earnings results, Dwight V. Neese, President and Chief Executive Officer, stated: "We are pleased with the results we have achieved 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. Not only did our twelve month results show an earnings increase of 16% over the previous fiscal year, our earnings per share also rose 16%. We continue to have positive growth on our balance sheet, marked by an increase in the consumer and commercial loan portfolios of 29.4% over the previous fiscal year. We look forward to focusing on our core operations over the coming quarters and building long-term value for our shareholders."

Union Financial also announced that the Corporation's board of directors has approved the repurchase of an additional 98,000 shares, or approximately 5% of the Corporation's outstanding common stock. Repurchases, which will be conducted through open market purchases or privately negotiated transactions, will be made from time to time depending on market conditions and other factors. Repurchased shares will be held in treasury.

Union Financial Bancshares was founded in Union, South Carolina, in 1934 and is celebrating its 70<sup>th</sup> anniversary. Union Financial is the holding company for Provident Community Bank, which operates seven banking locations in four counties of South Carolina-Union, Laurens, Fairfield, and York. At December 31, 2004, Union Financial had \$351.6 million in total assets and stockholders' equity of \$26.0 million.

# Union Financial Bancshares, Inc.

*Fourth Quarter - Year Ending December 31, 2004*

## Financial Highlights

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

<u>Balance Sheet</u>	As of December 31, 2004	As of September 30, 2003	\$ Change	% Change
Total assets	\$351,598	\$341,552	\$10,046	2.94%
Cash and interest-bearing deposits	13,197	5,017	8,180	163.05%
Investments & mortgage-backed securities	143,494	157,438	(13,944)	-8.86%
Loans receivable (net)	171,094	152,921	18,173	11.88%
Goodwill & intangible assets	4,212	5,007	(795)	-15.88%
Deposits	227,589	220,232	7,357	3.34%
Advances & other borrowings	87,500	85,000	2,500	2.94%
Stockholders' equity	26,019	26,216	(197)	-0.75%
Number of outstanding shares	1,957,989	1,965,103	(7,114)	-0.36%
Book value per share	\$13.29	\$13.34	(\$0.05)	-0.39%
Tangible book value per share	\$11.14	\$10.79	\$0.34	3.19%

<u>Income Statement</u>	For the Quarter Ended December 31, 2004	For the Three Months Ended December 31, 2003	For the Twelve Months Ended December 31, 2004	For the Twelve Months Ended September 30, 2003
Net interest income	\$2,561	\$1,482	\$9,706	\$8,222
Provision for loan losses	475	725	1,250	725
Net interest income after loan loss provision	2,086	757	8,456	7,497
Noninterest income	681	(283)	2,583	2,534
Noninterest expense	1,964	2,326	8,162	7,601
Income tax	211	(642)	721	571
Net income	\$592	(\$1,210)	\$2,156	\$1,859
Earnings per share: Basic	\$0.30	(\$0.62)	\$1.10	\$0.95
Earnings per share: Dilutive	\$0.29	(\$0.62)	\$1.05	\$0.90

<u>Key Financial Ratios</u>	For the Twelve Months Ended December 31, 2004	For the Twelve Months Ended September 30, 2003
Return on average assets	0.61%	0.55%
Return on average stockholders' equity	8.40%	6.64%
Operating expense to average assets	2.14%	2.17%
Capital to average assets	9.64%	10.20%