

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, 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 April 20, 2005, Union Financial Bancshares, Inc., the holding company for Provident Community Bank, N.A., announced its financial results for the quarter ending March 31, 2005. The press release announcing financial results for the quarter ending March 31, 2005 is included as Exhibit 99.1 and incorporated herein by reference.

**Item 9.01      Financial Statements and Exhibits.**

(a) Exhibits

<u>Number</u>	<u>Description</u>
99.1	Press Release Dated April 20, 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: April 20, 2005

By: s/s 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.  
ANNOUNCES FIRST QUARTER EARNINGS**

**Union, South Carolina** - April 20, 2005: Union Financial Bancshares, Inc. (NASDAQ: UFBS) today reported earnings for the three months ended March 31, 2005 of \$539,000 compared to net income of \$509,000 for the first quarter of 2004, a 5.89% increase. Earnings per share were \$0.27 per share (dilutive) for the first quarter of 2005, versus \$0.25 per share (dilutive) for the first quarter of 2004.

The company also declared a quarterly cash dividend of \$0.10 per share payable on May 16, 2005 to shareholders of record on April 29, 2005.

Net interest income before the loan loss provision for the current quarter increased \$190,000, or 8.41%, to \$2.5 million compared to \$2.3 million for the same period in the previous year. The increase was due primarily to higher average loan balances over the previous year along with an increase in yield on loans that resulted from a higher concentration of commercial lending. Provision for loan losses for the current quarter totaled \$208,000 compared to \$135,000 for the same period in the previous year. The increase in provision for loan losses as compared to the previous year was primarily due to the 13.6% increase in net loans over the previous year that was offset by an improvement in asset quality.

Non interest income for the current quarter decreased \$50,000, or 7.97%, to \$577,000 compared to \$627,000 for the same period in the previous year. The decrease was due to lower fees generated from third party investment brokerage and financing receivables programs due to a reduction in product volumes. Non interest expense for the current quarter increased \$22,000 or 1.06% to \$2.10 million compared to \$2.08 million for the same period in the previous year.

At March 31, 2005, assets totaled \$354.4 million, an 0.80% increase from \$351.6 million at December 31, 2004. Net loans receivable increased \$5.2 million, or 3.06%, during the period to \$176.3 million at March 31, 2005, compared to \$171.1 million at December 31, 2004. Investment and mortgage-backed securities at March 31, 2005, increased 0.14% to \$143.7 million from \$143.5 million at December 31, 2004. Growth in transaction accounts resulted in deposits increasing 3.75% to \$236.1 million at March 31, 2005 compared to \$227.6 million at December 31, 2004. The increase in loans was funded with cash on hand and an increase in deposits.

Commenting on the first quarter results, Dwight V. Neese, President and Chief Executive Officer, stated: "We are delighted to be able to continue to report very positive loan and deposit trends along with higher quarterly income increases. Not only were we able to increase our year to year income by approximately 6%, we continue to make significant progress in restructuring our balance sheet to become a stronger core bank. During the last two years, we have increased our consumer and commercial loan portfolios by 63% while decreasing our residential loan portfolio by 31%. Clearly, we continue to make changes to transform the way we do business."

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, 2005, Union Financial had \$354.4 million in total assets and total stockholders' equity of \$24.5 million.

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# Union Financial Bancshares, Inc.

First Quarter - Year Ending December 31, 2005

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## Financial Highlights

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

<b>Balance Sheet</b>	At	At	<b>\$ Change</b>	<b>% Change</b>
	3/31/05	12/31/04		
Total assets	\$354,419	\$351,598	\$2,821	0.80%
Cash and interest-bearing deposits	10,714	13,197	-2,483	-18.81%
Investments & mortgage-backed securities	143,702	143,494	208	0.14%
Loans receivable (net)	176,332	171,094	5,238	3.06%
Goodwill and intangible assets	4,053	4,212	-159	-3.77%
Deposits	236,131	227,589	8,542	3.75%
Advances and other borrowings	83,500	87,500	-4,000	-4.57%
Stockholders' equity	24,552	26,019	-1,467	-5.64%
Outstanding shares	1,913,069	1,957,989	-44,920	-2.29%
Book value per share	\$12.83	\$13.29	-\$0.45	-3.42%
Tangible book value per share	\$10.72	\$11.14	-\$0.42	-3.79%

<b>Income Statement</b>	<b>Three Months Ended</b>			
	<b>March 31,</b>			
	<b>2005</b>	<b>2004</b>	<b>\$ Change</b>	<b>% Change</b>
Net interest income	\$2,450	\$2,260	\$190	8.41%
Provision for loan losses	208	135	73	54.07%
Net interest income after loan loss provision	2,242	2,125	117	5.51%
Noninterest income	577	627	-50	-7.97%
Noninterest expense	2,102	2,080	22	1.06%
Income tax	178	163	15	9.20%
Net income	\$539	\$509	\$30	5.89%
Earnings per share: basic	\$0.28	\$0.26	\$0.02	7.69%
Earnings per share: diluted	\$0.27	\$0.25	\$0.02	8.00%

<b>Key Financial Ratios</b>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2005</b>	<b>2004</b>
Return on average assets	0.61%	0.59%
Return on average stockholders' equity	8.43%	7.88%
Operating expense to average assets	2.19%	2.32%
Capital to average assets	9.16%	9.94%

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