

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) October 14, 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.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

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 October 14, 2004, Union Financial Bancshares, Inc. announced its financial results for the quarter ending September 30, 2004. The press release announcing financial results for the quarter ending September 30, 2004 is filed as Exhibit 99.1 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

Exhibit 99.1 Press Release Dated October 14, 2004

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: October 14, 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 THIRD QUARTER EARNINGS

Union, South Carolina - October 14, 2004: Union Financial Bancshares, Inc. (NASDAQ: UFBS) today reported earnings for the three and nine months ending September 30, 2004. The company also declared a quarterly cash dividend of \$0.10 per share payable on November 17, 2004 to shareholders of record on October 29, 2004.

Net income for the three months ended September 30, 2004 was \$508,000 compared to net income of \$426,000 for the third quarter of 2003, a 19.25% increase. Earnings per share were \$0.25 per share (dilutive) for the third quarter of 2004, versus \$0.21 per share (dilutive) for the third quarter of 2003.

Income for the nine months ended September 30, 2004 was \$1,565,000 compared to net income of \$1,407,000 for the third quarter of 2003, an 11.23% increase. Earnings per share were \$0.76 per share (dilutive) for the third quarter of 2004, versus \$0.68 per share (dilutive) for the third quarter of 2003.

Net interest income before the loan loss provision for the third quarter increased \$403,000, or 19.51%, to \$2,469,000 compared to \$2,066,000 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 \$390,000 compared to \$120,000 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 9.62% that was driven by a 26.46% increase in the consumer/commercial loan sector. Non interest income for the third quarter decreased \$56,000, or 9.67%, to \$523,000 compared to \$579,000 for the same period in the previous year. The decrease was due to \$189,000 from the gain on sale of securities in the previous year compared to a loss on sale of securities of \$8,000 for the current year. This decrease was offset by an increase in bank and loan fees of \$141,000, or 36.15%, to \$531,000 compared to \$390,000 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 third quarter decreased \$63,000, or 3.15%, to \$1,935,000 compared to \$1,998,000 for the same period in the previous year. The decrease from the previous year was due to an overall reduction in operating expenses to improve the efficiency level of the Bank.

At September 30, 2004, assets totaled \$350.6 million, a 6.04% increase from \$330.6 million at December 31, 2003. Net loans receivable increased \$14,325,000, or 9.34%, during the period to \$167.6 million at September 30, 2004, compared to \$153.3 million at December 31, 2003. Investment and mortgage-backed securities at September 30, 2004, increased 25.15% to \$154.9 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 \$16.5 million. Deposits at September 30, 2004, increased 0.60% to \$224.5 million from \$223.1 million at December 31, 2003.

Commenting on the third quarter results, Dwight V. Neese, President and Chief Executive Officer, stated: "We are delighted to report improved earnings over the comparable period in the previous year. We continue to have positive growth on our balance sheet, marked by an increase in the consumer and commercial loan portfolios of 26%. The improvement in earnings over the previous year was driven by solid revenue growth. Our core non-interest income, excluding gain on sale of loans and investments, increased at a very healthy rate of 11%, while net interest income increased 19%. Overall, we are very pleased with the results of the quarter."

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 September 30, 2004, Union Financial had \$350.6 million in total assets and total stockholders' equity of \$26.1 million.

NEWS RELEASE

Union Financial Bancshares, Inc.

Third Quarter - Year Ending December 31, 2004

Financial Highlights

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

<u>Balance Sheet</u>	Quarter Ended		Year Ended	\$ Change	% Change
	9/30/04	12/31/03			
Total assets	\$350,641	\$330,665	\$19,976		6.04%
Cash and interest-bearing deposits	4,958	28,702	(23,744)		-82.73%
Investments & mortgage-backed securit	154,921	123,789	31,132		25.15%
Loans receivable (net)	167,626	153,301	14,325		9.34%
Goodwill and intangible assets	4,371	4,848	(477)		-9.84%
Deposits	224,459	223,131	1,328		0.60%
Advances and other borrowings	90,000	73,500	16,500		22.45%
Trust preferred corporate obligations	8,000	8,000	0		0.00%
Stockholders' equity	26,051	25,507	544		2.13%
Outstanding shares	1,967,261	1,969,770	(2,509)		-0.13%
Book value per share	\$13.24	\$12.95	\$0.29		2.26%
Tangible book value per share	\$11.02	\$10.49	\$0.53		5.08%

<u>Income Statement</u>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
Net interest income	\$2,469	\$2,066	\$7,145	\$6,178
Provision for loan losses	390	120	775	545
Net interest income after loan loss prov:	2,079	1,946	6,370	5,633
Noninterest income	523	579	1,620	1,771
Noninterest expense	1,935	1,998	5,915	5,584
Income tax	159	101	510	413
Net income	\$508	\$426	\$1,565	\$1,407
Earnings per share: basic	\$0.26	\$0.22	\$0.80	\$0.72
Earnings per share: diluted	\$0.25	\$0.21	\$0.76	\$0.68

<u>Key Financial Ratios</u>	Nine Months Ended	
	September 30,	
	2004	2003
Return on average assets	0.59%	0.56%
Return on average stockholders' equity	8.21%	6.94%
Operating expense to average assets	2.24%	2.02%
Capital to average assets	9.69%	10.17%