FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

Form 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2008

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to ___________

FDIC Certificate Number: **57854**

TRISTONE COMMUNITY BANK
(Exact name of registrant as specified in its charter)

NORTH CAROLINA	**20-1871171**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

312 JONESTOWN ROAD
WINSTON-SALEM, NORTH CAROLINA 27104
(Address of principal executive offices)

(336) 794-0811
(Issuer's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

[ ] Large accelerated filer [ ] Accelerated filer

[ ] Non-accelerated filer (Do not check if a smaller reporting company) [X] Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

As of October 31, 2008, there were 1,500,000 shares of the Registrant's common stock outstanding.

TriStone Community Bank
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Cautionary Note Regarding Forward-Looking Statements

Statements contained in this quarterly report, which are not historical facts, are forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. Amounts herein could vary as a result of market and other factors. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed in documents filed by the Bank with the Federal Deposit Insurance Corporation ("FDIC") from time to time. Such forward-looking statements may be identified by the use of such words as "believe," "expect," "anticipate," "should," "planned," "estimated," and "potential." Examples of forward-looking statements include, but are not limited to, estimates with respect to the financial condition, expected or anticipated revenue, results of operations, and business of the Bank that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to, general economic conditions, changes in interest rates, deposit flows, loan demand, real estate values, and competition; changes in accounting principles, policies, or guidelines; changes in legislation or regulation; the strength of the United States economy in general and the strength of the local economies in which the Bank conducts operations; and other economic, competitive, governmental, regulatory, and technological factors affecting the Bank's operations, pricing, products, and services.

Any forward-looking statements in this quarterly report represent views only as of the date of this quarterly report and should not be relied upon as representing its views as of any subsequent date. The Bank anticipates that subsequent events and developments may cause its views to change. Although the Bank may elect to update these forward-looking statements publicly at some point in the future, whether as a result of new information, future events or otherwise, the Bank specifically disclaims any obligation to do so, except as required by applicable law. The Bank's forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments it may make.

Part I. FINANCIAL INFORMATION
Item 1 - Financial Statements

TRISTONE COMMUNITY BANK
BALANCE SHEETS

	September 30, 2008 (Unaudited)	December 31, 2007*
ASSETS		
Cash and due from banks	$ 2,067,557	$ 2,046,125
Federal funds sold	7,250,207	5,598,111
Investment securities, available for sale, at fair value	12,212,970	8,491,697
Federal Home Loan Bank stock	909,000	145,600
Loans held for sale, at lower of cost or market	1,123,789	-
Loans	126,317,545	86,779,868
Allowance for loan losses	(1,260,780)	(867,798)
NET LOANS	125,056,765	85,912,070
Accrued interest receivable	585,280	578,890
Bank premises and equipment, net	2,045,599	2,041,100
Other assets	227,882	176,395
TOTAL ASSETS	$ 151,479,049	$ 104,989,988
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 6,449,804	$ 9,953,898
Savings	538,171	225,242
Money market and NOW	23,077,432	10,352,456
Time	91,033,091	69,749,548
TOTAL DEPOSITS	121,098,498	90,281,144
FHLB Advances	16,000,000	-
Accrued interest payable	181,129	156,914
Accrued expenses and other liabilities	73,568	136,370
TOTAL LIABILITIES	137,353,195	90,574,428
Stockholders' equity:		
Preferred stock, no par value, 5,000,000 shares authorized; no shares issued	-	-
Common stock, $5 par value, 20,000,000 shares authorized; 1,500,000 shares issued and outstanding	7,500,000	7,500,000
Additional paid-in capital	8,594,030	8,581,551
Accumulated deficit	(1,962,453)	(1,685,982)
Accumulated other comprehensive income (loss)	(5,723)	19,991
TOTAL STOCKHOLDERS' EQUITY	14,125,854	14,415,560
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 151,479,049	$ 104,989,988

* Derived from audited financial statements.

See accompanying notes.

TRISTONE COMMUNITY BANK
STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007
INTEREST INCOME		
Loans	$ 1,900,981	$ 1,489,081
Investment securities	105,336	89,186
Federal funds sold and due from banks	23,440	63,758
TOTAL INTEREST INCOME	2,029,757	1,642,025
INTEREST EXPENSE		
Money market, NOW and savings deposits	105,165	79,478
Time deposits	825,766	690,643
Borrowed money	91,172	2,601
TOTAL INTEREST EXPENSE	1,022,103	772,722
NET INTEREST INCOME	1,007,654	869,303
PROVISION FOR LOAN LOSSES	121,700	30,950
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	885,954	838,353
NON-INTEREST INCOME		
Deposit service charges	52,205	34,878
Mortgage operations	142,314	48,374
Other	17,879	23,657
TOTAL NON-INTEREST INCOME	212,398	106,909
NON-INTEREST EXPENSE		
Salaries and employee benefits	429,962	501,380
Occupancy and equipment	158,465	144,226
Advertising and promotion	44,309	30,859
Data processing and outside service fees	148,160	114,337
Office supplies, telephone and postage	40,217	40,603
Other	174,112	97,650
TOTAL NON-INTEREST EXPENSE	995,225	929,055
INCOME BEFORE INCOME TAXES	103,127	16,207
INCOME TAXES	-	-
NET INCOME	$ 103,127	$ 16,207
BASIC AND DILUTED NET INCOME PER COMMON SHARE	$ .07	$ .01
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	1,500,000	1,500,000

See accompanying notes.

TRISTONE COMMUNITY BANK
STATEMENTS OF OPERATIONS (Unaudited)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
INTEREST INCOME		
Loans	$ 5,259,995	$ 4,107,765
Investment securities	311,242	283,706
Federal funds sold and due from banks	72,297	248,643
TOTAL INTEREST INCOME	5,643,534	4,640,114
INTEREST EXPENSE		
Money market, NOW and savings deposits	223,998	234,656
Time deposits	2,475,433	1,926,124
Borrowed money	190,522	4,599
TOTAL INTEREST EXPENSE	2,889,953	2,165,379
NET INTEREST INCOME	2,753,581	2,474,735
PROVISION FOR LOAN LOSSES	536,750	166,350
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,216,831	2,308,385
NON-INTEREST INCOME		
Deposit service charges	135,828	87,324
Mortgage operations	260,033	140,308
Other	85,889	69,461
TOTAL NON-INTEREST INCOME	481,750	297,093
NON-INTEREST EXPENSE		
Salaries and employee benefits	1,406,702	1,515,223
Occupancy and equipment	465,047	385,188
Advertising and promotion	125,508	88,634
Data processing and outside service fees	401,170	324,869
Office supplies, telephone and postage	139,022	109,303
Other	437,602	262,394
TOTAL NON-INTEREST EXPENSE	2,975,051	2,685,611
LOSS BEFORE INCOME TAXES	(276,470)	(80,133)
INCOME TAXES	-	-
NET LOSS	$ (276,470)	$ (80,133)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (.18)	$ (.05)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	1,500,000	1,500,000

See accompanying notes.

TRISTONE COMMUNITY BANK
STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (276,470)	$ (80,133)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	218,573	184,466
Provision for loan losses	536,750	166,350
Stock option compensation expense	12,478	96,700
Net gain on sale of loans held for sale	(150,929)	-
Proceeds from loans held for sale	4,593,959	-
Originations of loans held for sale	(5,566,819)	-
Change in assets and liabilities:		
Increase in accrued interest receivable	(6,390)	(101,447)
Increase in other assets	(35,047)	(47,814)
Increase in accrued interest payable	24,215	28,255
Decrease in accrued expenses and other liabilities	(62,802)	(14,443)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(712,302)	231,934
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in loans	(39,681,445)	(16,526,637)
Purchase of investment securities	(8,450,658)	(4,000,000)
Purchase of FHLB stock	(763,400)	(32,800)
Proceeds from maturities of investment securities	4,000,000	5,500,000
Proceeds from mortgage-backed security paydowns	688,035	186,092
Purchases of bank premises and equipment	(223,876)	(1,072,695)
NET CASH USED BY INVESTING ACTIVITIES	(44,431,344)	(15,946,040)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from the FHLB of Atlanta	16,000,000	-
Net increase in deposit accounts	30,817,354	16,521,763
NET CASH PROVIDED BY FINANCING ACTIVITIES	46,817,354	16,521,763
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,673,528	807,657
CASH AND CASH EQUIVALENTS, BEGINNING	7,644,236	10,153,225
CASH AND CASH EQUIVALENTS, ENDING	$ 9,317,764	$ 10,960,882
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 2,865,738	$ 2,034,612
Net unrealized gain (loss) on securities available for sale	(25,714)	17,072

See accompanying notes.

NOTE A - BASIS OF PRESENTATION

The accompanying financial statements of TriStone Community Bank (the "Bank") are unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the financial position as of September 30, 2008 and the results of operations and cash flows for the three- and nine-month periods ended September 30, 2008 and September 30, 2007 have been made.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements, as well as the amounts of income and expense during the reporting period. Actual results could differ from those estimates. Operating results for the three- and nine-month periods ended September 30, 2008 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2008.

The organization and business of the Bank, accounting policies followed by the Bank and other information are contained in the notes to the financial statements filed as part of the Bank's 2007 annual report on Form 10-K. This quarterly report should be read in conjunction with such annual report.

NOTE B - COMMITMENTS

In the normal course of business there are various commitments and contingent liabilities, such as commitments to extend credit, which are not reflected in the financial statements. Management does not anticipate any significant losses to result from these transactions. The unfunded portion of loan commitments and standby letters of credit as of September 30, 2008 and December 31, 2007 were as follows:

	September 30, 2008	December 31, 2007
Unfunded commitments	$ 20,484,000	$ 18,304,000

NOTE C - PER SHARE RESULTS

Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Bank related solely to outstanding stock options and are determined using the treasury stock method. Outstanding stock options had no dilutive effect for the three-month and the nine-month periods ended September 30, 2008 and 2007.

NOTE D – LOANS HELD FOR SALE

The Bank originates certain single family, residential first mortgage loans for sale on a presold basis. Loans held for sale are carried at the lower of cost or estimated fair value in the aggregate as determined by outstanding commitments from investors. Upon closing, these loans, together with their servicing rights, are sold to other financial institutions under prearranged terms. The Bank recognizes certan origination and service fees as well as gains or losses upon the sale which are classified as mortgage operations on the statement of operations.

NOTE E – FAIR VALUE MEASUREMENT

On January 1, 2008, the Bank partially adopted SFAS No. 157, "Fair Value Measurement" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

The statement establishes a three-level fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following table summarizes the recorded amount of assets and liabilities measured at fair value on a recurring basis as of September 30, 2008.

Description	Fair Value September 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities, available for sale	$12,213,000	$ -	$12,213,000	$ -
Total assets measured at fair value	$12,213,000	$ -	$12,213,000	$ -

Investment securities, available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques. Level 1 securities include those traded on an active exchange, such as New York Stock Exchange, U.S. Treasury securities that are traded by dealers and brokers in active over-the-counter markets and money market funds. Level 2 securities include securities issued by government sponsored agencies, mortgage-backed securities, municipal bonds and corporate debt securities. Securities classified as level 3 include asset-backed securities in less liquid markets.

NOTE E – FAIR VALUE MEASUREMENT (Continued)

The Bank may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include loans held for sale which are carried at lower of cost or market value. The fair value of loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics. As such, the Bank classifies loans subjected to nonrecurring fair value adjustments as Level 2. At September 30, 2008, the cost of the Bank's loans held for sale was less than the market value. Accordingly, at quarter end the Bank's loans held for sale were carried at cost.

The Bank does not record loans at fair value on a recurring basis; however, from time to time, a loan is considered impaired, and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. The fair value of the impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Bank records the impaired loan as nonrecurring Level 3. Impaired loans totaled $741,000 at September 30, 2008 with specific loss allowances aggregating $74,100**.**

NOTE F – COMPREHENSIVE LOSS

A summary of comprehensive income (loss) is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Amounts in thousands)			
Net income (loss)	$ 103,127	$ 16,207	$ (276,470)	$ (80,133)
Other comprehensive income (loss):				
Net increase (decrease) in the fair value of investment securities available for sale, net of tax	22,094	13,216	(25,714)	17,082
Total comprehensive income (loss)	$ 125,221	$ 29,423	$ (302,184)	$ (73,051)

NOTE G – FHLB ADVANCES

Advances from the Federal Home Loan Bank of Atlanta at September 30, 2008 totaled $16,000,000, at a weighted average interest rate of 2.95%. Of these totals, $3,000,000 will mature on May 12, 2009, $3,000,000 will mature on March 29, 2010, $5,000,000 will mature on July 30, 2010 and $5,000,000 represents overnight borrowings.

At September 30, 2008, the Bank pledged all of its stock in the FHLB and entered into a security agreement with a blanket-floating lien pledging a substantial portion of its real estate loans to the FHLB to secure potential borrowings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Management's discussion and analysis is intended to assist readers in the understanding and evaluation of the financial condition and results of operations of the Bank. It should be read in conjunction with the unaudited financial statements and related notes included in this report and the supplemental financial data appearing throughout this discussion and analysis.

Comparison of Financial Condition at September 30, 2008 and December 31, 2007

Total Assets

Total assets increased $46.5 million from $105.0 million to $151.5 million, or 44.3%, from December 31, 2007 to September 30, 2008. The majority of this increase in total assets resulted in an increase in net loans of $39.2 million and to a lesser extent an increase of $3.7 in investment securities available for sale.

Loans

Net loans totaled $125.1 million at September 30, 2008, up $39.2 million, or 45.6%, from $85.9 million at December 31, 2007. The Bank added an additional commercial lender in 2008. The increase in loans results from the continued efforts of the Bank's loan officers.

Investments and FHLB Stock

Investment securities available-for-sale totaled $12.2 million at September 30, 2008, up approximately $3.7 million, or 43.5%, from $8.5 million at December 31, 2007. The Bank purchased additional securities in 2008 to provide additional liquidity for the Bank's growth in loans and deposits. Federal Home Loan Bank stock totaled $909,000 at the end of the third quarter 2008, up $763,400 from $145,600 at December 31, 2007. This increase was required to support new borrowings from the Federal Home Loan Bank.

Deposits

Deposits totaled $121.1 million at September 30, 2008, up $30.8 million, or 34.1%, from $90.3 million at December 31, 2007. Along with the normal deposit growth, the Bank continued in the brokered deposit arena in order to provide sufficient funding for the loan commitments outstanding and loan growth goals. The Bank held approximately $33.4 million in brokered and non-brokered third party deposits as of September 30, 2008.

Borrowed Money

The Bank borrowed $16.0 million from the Federal Home Loan Bank of Atlanta during 2008, as loan growth outpaced deposit growth and the Bank used lower costing short-term advances to improve its net interest margin. The Bank had no short-term or long-term borrowings at December 31, 2007.

Stockholders' Equity

Stockholders' equity decreased from December 31, 2007 to September 30, 2008, primarily as a result of net loss from operations during the nine-month period of operation ended September 30, 2008. Stockholders' equity totaled $14.1 million at September 30, 2008, down approximately $300,000, or 2.1% from $14.4 million at December 31, 2007.

Nonperforming Assets

The Bank had $753,000 in nonperforming assets as of September 30, 2008, which consisted of two unrelated non-accrual loans. Nonperforming assets represent 0.50% of total assets at September 30, 2008. The Bank had no nonperforming assets at December 31, 2007. Diversification within the loan portfolio is an important means of reducing inherent lending risks. At September 30, 2008, the Bank had no concentrations of ten percent or more of total loans in any single industry or in any geographical area outside the immediate market area of the Bank. As of September 30, 2008, the Bank had one impaired loan for $741,000 and had no other real estate owned. The impaired loan is secured by commercial real estate and is included in the nonperforming asset total.

Operating Results for the three months ended September 30, 2008 and September 30, 2007

Net Income

The Bank recorded net income of $103,000 for the three months ended September 30, 2008, up $87,000 from net income of $16,000 during the same three-month period of 2007. The improvement in net income between the third quarter 2008 and 2007 resulted in part from increased net interest income and increased non-interest income which were offset partially by increased non-interest expenses and increased provision for loan losses. The higher net interest income resulted from growth in the Bank's earning assets which was offset partially by lower interest margins.

Net Interest Income

The Bank's net interest income in the third quarter 2008 was $1.0 million, up $138,000, or 15.9% compared to the third quarter 2007 at $869,000. The annualized net interest margin as a percentage of average earning assets in the third quarter of 2008 was 2.94% compared to 4.15% in the third quarter of 2007. The increase in the net interest income between these periods was primarily a result of a $58 million increase in average earning assets which was offset partially by decreased interest margins. The decreased margins resulted primarily from interest rate cuts by the Federal Reserve which resulted in lower interest income from loans as most of the Bank's portfolio is comprised of prime based loans. The Bank's prime interest rate averaged 5.00% for the quarter ended September 30, 2008 compared to 8.18% in the prior year. The majority of the Bank's deposits are time deposits which repriced at lower rates as the time deposits matured but these rate reductions lagged the loan rate decreases.

Provision for Loan Losses

The provision for loan losses was $122,000 for the third quarter 2008, compared to $31,000 during the same period in 2007. The increased provision resulted from loan growth.

Non-Interest Income

Non-interest income totaled $212,000 for the third quarter 2008, up $105,000, from $107,000 over the same period in 2007. During the third three-month period of 2008, income from mortgage operations totaled $142,000, an increase of $94,000 compared to the third quarter of 2007 at $48,000. The Bank increased its mortgage lending staff in 2008 which resulted in an increased volume in mortgage loan originations and mortgage loan income. Income from deposit service charges increased to $52,000 from $35,000 in the prior year as a result of growth in the Bank's deposit base. Other non-interest income decreased to $18,000 from $24,000 in the prior year. A decrease in the sale of financial services products and the commissions on these products accounted for this decrease in other income.

Non-Interest Expense

Non-interest expense totaled $995,000 for the third quarter 2008, up $66,000, or 7.1%, from $929,000 during the same period in 2007. Salaries and benefits expense decreased to $430,000 during the third quarter 2008, down $71,000, or 14.2%, from $501,000 compared to the same period in 2007. This decrease in salaries and benefits was largely due to decreased stock option expense as most of the Bank's stock options were completely vested in 2007 and to a lesser degree reductions in staff in 2008 in an effort to reduce operating expenses. Data processing and other outside services increased $34,000 or 29.8%, from $114,000 in the third quarter 2007 to $148,000 in the third quarter 2008, mainly due to the Bank's asset loans and deposit growth and increased costs of compliance. Advertising and promotion expense increased to $44,309 from $30,859 in the prior year as the Bank advertised its new products to attract new customers. Other expenses totaled $174,112 for the third quarter of 2008, up $76,000 from the $97,650 reported in the prior year. The Bank incurred increases in its FDIC insurance premiums, network fees, CDARs expenses, other real estate expenses, software maintenance and franchise tax.

Operating Results for the nine months ended September 30, 2008 and September 30, 2007

Net Loss

The Bank recorded a net loss of $276,000 for the nine months ended September 30, 2008, an increase of $196,000 from a net loss of $80,000 during the first nine months of 2007. The increase in the loss was primarily the result of an increased loan loss provision and increased non-interest expense in 2008 compared to 2007, offset partially by increases in net interest income and non-interest income. Although interest rates dropped rapidly between September 2007 and April 2008 as the Federal Reserve cut interest rates seven times for a total drop in rate of 325 basis points, the Bank's $40 million growth in average earning assets offset its compressed interest margins in 2008 compared to 2007.

Net Interest Income

The Bank's net interest income in the first nine months of 2008 was $2.8 million, up $300,000, or 12.0%, compared to the first nine months of 2007 at $2.5 million. The Bank's average earning assets grew $40 million which increased the Bank's net interest income while the decreased net interest margins offset some of the net interest income growth. The net interest margin in the first nine months of 2008 was 3.03%, compared to 4.06% in the first nine months of 2007. The average prime rate was 5.43% for the nine months of 2008 compared to 8.18% for the first nine months of 2007.

Provision for Loan Losses

The provision for loan losses was $537,000 for the first nine months of 2008, compared to $166,000 during the same period in 2007. The increased provision related to growth and net charge offs of $144,000 during 2008. The allowance for loan losses of $1.3 million at September 30, 2008 was 1.0% of total loans and is considered by management to be adequate to cover incurred losses inherent in the loan portfolio. Management analyzes the adequacy of the allowance for loan losses quarterly and makes provisions for the loan losses quarterly based on this analysis of the loan portfolio.

Non-Interest Income

Non-interest income totaled $482,000 for the first nine months of 2008, up $185,000, from $297,000 over the same period in 2007. During the first nine months of 2008, non-interest income in service charges on deposit accounts, mortgage loan origination fees and other non-interest income were $136,000, $260,000 and $86,000, respectively. The increase in the non-interest income was due primarily to the Bank's growth in loans and deposits as well as the restructuring of its mortgage division..

Non-Interest Expense

Non-interest expense totaled $3.0 million for the first nine months of 2008, up $300,000, or 11.1%, from $2.7 million during the first nine months in 2007. Salaries and benefits expense decreased to $1.4 million during the first nine months of 2008, down $100,000, or 6.7%, from $1.5 million compared to the same period in 2007. This decrease in salaries and benefits was largely due to decreased stock option expense and to a lesser extent a decrease in staff to reduce operating expenses. Occupancy expense increased $80,000 to $465,000 for the nine months ended September 30, 2008 as the Jonestown branch opened in March 2007. The data processing and other professional fees expense totaled $401,000 for the first nine months of 2008, increased by $76,000, or 23.4%, from $325,000 in the same period in 2007. These expenses were higher because of the Bank's growth and higher costs of compliance. Other expenses totaled $438,000 for the first nine months in 2008, up $176,000 or 67.2%, from $262,000 in the first nine months of 2007 primarily due to growth in Bank operations and volume. The Bank saw increases in its FDIC premiums, network fees, CDARs expenses, other real estate expense, software maintenance, franchise tax, loan expenses and directors' fees.

Liquidity and Capital Resources

Maintaining adequate liquidity while managing interest rate risk is the primary goal of the Bank's asset and liability management strategy. Liquidity is the ability to fund the needs of the Bank's borrowers and depositors, pay operating expenses, and meet regulatory liquidity requirements. Maturing investments, loan and mortgage-backed security principal repayments, and deposit growth are presently the main sources of the Bank's liquidity. The Bank's primary uses of liquidity are to fund loans and to make investments. As of September 30, 2008, liquid assets (cash and due from banks, federal funds sold and investment securities available for sale) were approximately $21.5 million, representing 14.2% of total assets and 17.8% of total deposits. In addition, as of September 30, 2008, the Bank had established credit lines with other financial institutions to purchase up to $11.8 million in federal funds, of which no amounts were outstanding. The Bank also has total credit availability at the Federal Home Loan Bank of Atlanta of $22.7 million, of which $16.0 million was outstanding at September 30, 2008. Management believes that the combined aggregate liquidity position of the Bank is sufficient to meet the funding requirements of loan demand and deposit maturities and withdrawals in the near term. Under federal capital regulations, the Bank must satisfy certain minimum leverage ratio requirements and risk-based capital requirements. At September 30, 2008, the Bank's stockholders' equity was approximately $14.0 million and represented 10.1% of total assets. In addition, all regulatory capital ratios place the Bank in excess of the minimum at which institutions are considered well capitalized. The Bank's capital ratios as of September 30, 2008 were as follows:

Tier 1 leverage ratio	9.92%
Tier 1 risk-based capital	12.12%
Total risk-based capital ratio	13.20%

Recent Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"). The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial condition, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Bank does not expect SFAS No. 161 to have a material impact on its financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141R"), which replaces Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141") issued in 2001. Whereas its predecessor applied only to business combinations in which control was obtained by transferring consideration, the revised standard applies to all transactions or other events in which one entity obtains control over another. SFAS No. 141R defines the acquirer as the entity that obtains control over one or more other businesses and defines the acquisition date as the date the acquirer achieves control. SFAS No. 141R requires the acquirer to recognize assets acquired, liabilities assumed and any noncontrolling interest in the acquiree at their respective fair values as of the acquisition date. The revised standard changes the treatment of acquisition-related costs, restructuring costs related to an acquisition that the acquirer expects but is not obligated to incur, contingent consideration associated with the purchase price and pre-acquisition contingencies associated with acquired assets and liabilities. SFAS No. 141R retains the guidance in SFAS No. 141 for identifying and recognizing intangible assets apart from goodwill. The revised standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Bank will apply the provisions of SFAS No. 141R to any business acquisition which occurs on or after the date the standard becomes effective.

Also in December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS No. 160"). This statement amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements". SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the Consolidated Financial Statements.

SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Bank does not expect Statement No. 160 to have a material impact on its financial statements.

In November 2007, the SEC issued Staff Accounting Bulletin No. 109 ("SAB 109"), effective for fiscal quarters beginning after December 15, 2007. SAB 109 requires banks intending to sell a loan after it is funded to account for the written loan commitment as a derivative instrument and recorded at fair value through earnings under SFAS No. 156, "Accounting for Servicing of Financial Assets." The expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The Bank does not expect the provisions of SAB 109 to have a material impact on its financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"), effective for fiscal years beginning after November 15, 2007. SFAS No. 159 includes an amendment of FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities. SFAS No. 159 permits entities to choose, at specified election dates, to measure eligible items at fair value and requires unrealized gains and losses on items for which the fair value option has been elected to be reported in earnings. The Bank chose to not account for any financial assets or liabilities under the fair value option.

Regulatory and Legislative Matters

The Emergency Economic Stabilization Act of 2008 ("EESA") was passed by Congress and signed into law by the President on October 3, 2008. The purpose of this law is to restore liquidity and stability to the financial system, while minimizing any potential long term negative impact on taxpayers. The law authorizes the United States Department of the Treasury (the "Treasury") to spend up to $700 billion to purchase distressed assets, especially mortgage-backed securities, from the nation's banks. The program under which the asset purchase will be administered is referred to as the Troubled Asset Relief Program ("TARP").

On October 14, 2008, the Treasury announced the availability through TARP of the voluntary Capital Purchase Program ("CPP") to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. Through CPP, the Treasury will purchase up to $250 billion of senior preferred stock from qualifying institutions. The program will be available to qualifying U.S. controlled banks, savings associations, and certain bank and savings and loan holding companies that elect to participate. Applications for qualifying institutions to participate in CPP are due on November 14, 2008. The Treasury will determine eligibility and allocations for interested parties after consultation with the appropriate federal banking agency. The minimum subscription amount available to a participating institution is 1 percent of risk-weighted assets. The maximum subscription amount is the lesser of $25 billion or 3 percent of risk-weighted assets. Treasury will fund the senior preferred shares purchased under the program by year-end 2008. Only institutions deemed to be "healthy" will be eligible to participate in the CPP.

On November 6, 2008, the Bank filed an application to participate in CPP. The maximum amount of preferred shares to be sold to the Treasury would be $3.5 million. As a condition to participating in CPP, the Bank must agree to the Treasury's standards for executive compensation and corporate governance. Participation in CPP also requires certain restrictions on the Bank's dividend and stock repurchase activities for so long as the Treasury holds any equity or debt securities of the Bank.

The senior preferred shares sold through CPP will qualify as Tier 1 capital and will rank senior to common stock. The senior preferred shares will pay a cumulative dividend rate of 5 percent per annum for the first five years and will reset to a rate of 9 percent per annum after year five. The senior preferred shares will be non-voting, other than class voting rights on matters that could adversely affect the shares, including any merger, exchange or similar transaction that would adversely affect the rights of the preferred shares. The senior preferred shares will be callable at par plus any accrued and unpaid dividends after three years. Prior to the end of three years, the senior preferred may be redeemed with the proceeds from a qualifying equity offering of any Tier 1 perpetual preferred or common stock. Neither the senior preferred shares nor the warrants may be subject to any contractual restrictions on transfer. In conjunction with the purchase of senior preferred shares, the Treasury will receive warrants to purchase common stock with an aggregate market price equal to 15 percent of the senior preferred investment. The exercise price on the warrants will be the market price of the participating institution's common stock at the time of issuance, calculated on a 20-trading day trailing average.

EESA also temporarily raises the limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor. The higher insurance limits took effect immediately on October 3, 2008, with the enactment of EESA and will be in effect through December 31, 2009.

Also on October 14, 2008, the Federal Deposit Insurance Corporation (“FDIC”) announced a new program aimed at strengthening consumer confidence and encouraging liquidity in the banking system. The Temporary Liquidity Guarantee Program (“TLGP”) consists of two components: the Debt Guarantee Program, by which the FDIC will temporarily guarantee newly issued senior unsecured debt, and the Transaction Account Guarantee Program, by which the FDIC will provide a temporary unlimited guarantee of funds in noninterest-bearing transaction accounts at FDIC-insured institutions. The Bank is eligible to participate in either or both components of TLGP. As more fully detailed in the interim rule, under the Debt Guarantee Program the FDIC will temporarily guarantee (through June 12, 2012) all senior unsecured debt up to prescribed limits issued by participating financial institutions from October 14, 2008, through June 30, 2009. Under the Transaction Account Guarantee Program the FDIC will provide a full guarantee for noninterest-bearing transaction accounts in excess of the existing deposit insurance limit of $250,000 per account. Both components of coverage were effective on October 14, 2008, and will continue through December 31, 2009.

The guarantees provided by TLGP are provided at no cost to the Bank until December 5, 2008. For the Debt Guarantee Program, if the Bank elects to continue coverage after December 5, 2008, the Bank will be assessed fees, retroactive to November 13, 2008, equal to an annualized 75 basis points multiplied by the amount of debt covered by the program and the remaining term (in years) to the earlier of maturity or June 30, 2012, even if the maturity of the debt is after that date. With respect to the Transaction Account Guarantee Program, if the Bank elects to continue coverage after December 5, 2008, the Bank will be assessed on a quarterly basis a fee equal to an annualized 10 basis points on balances in noninterest-bearing transaction accounts that exceed the existing deposit insurance limit of $250,000. To date, the Bank has not determined whether it will participate in one or both of the Debt Guarantee Program or the Transaction Account Guarantee Program after December 5, 2008.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable to smaller reporting companies.

Item 4(T). Controls and Procedures

Bank management is responsible for maintaining a system of internal controls and procedures designed to provide reasonable assurance as to the reliability of the Bank’s published financial statements and other disclosures included in this report. The Bank’s Board of Directors, operating through its Audit Committee, which is composed entirely of independent outside directors, provides oversight to the Bank’s financial reporting process.

The Bank's management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer of the Bank (its principal executive officer and principal financial officer, respectively) have concluded based on their evaluation that the Bank's disclosure controls and procedures were effective as of the end of the period covered by this quarterly report to ensure that information required to be disclosed by the Bank in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, the Federal Deposit Insurance Act, and the rules and regulations of the FDIC is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms. In making this conclusion, the Bank's management considered several elements of the internal controls and procedures, including whether such controls and procedures are designed to ensure that information required to be disclosed by the Bank in such reports is accumulated and communicated to the Bank's management, including the Chief Executive Officer and the Chief Financial Officer of the Bank, as appropriate, to allow timely decisions regarding required disclosure.

There have been no significant changes in internal controls over financial reporting during the quarter ended September 30, 2008, that have materially affected, or are reasonably likely to materially affect, the Bank's internal controls over financial reporting.

Part II. OTHER INFORMATION

Item 6. Exhibits

3(i)	Articles of Incorporation, incorporated herein by reference to the Form 10-SB filed with the FDIC on April 29, 2005.
3(ii)	Bylaws, incorporated herein by reference to the Form 10-SB filed with the FDIC on April 29, 2005.
4	Specimen Stock Certificate, incorporated herein by reference to the Form 10-SB filed with the FDIC on April 29, 2005.
10(i)	Employment Agreement with Simpson O. Brown, Jr. dated November 29, 2004, incorporated herein by reference to the Form 10-SB filed with the FDIC on April 29, 2005.
10(ii)	Employment Agreement with Gordon H. T. Sheeran dated November 29, 2004, incorporated herein by reference to the Form 10-SB filed with the FDIC on April 29, 2005, and an Amendment to Employment Agreement with Gordon H. T. Sheeran dated December 19, 2006, incorporated herein by reference to the Form 8-K filed with the FDIC on December 22, 2006.
10(iii)	Employment Agreement with Mark R. Evans dated November 29, 2004, incorporated herein by reference to the Form 10-SB filed with the FDIC on April 29, 2005.
10(iv)	Lease Agreement with Highland Builders Supply, Inc. dated May 10, 2004, incorporated herein by reference to the Form 10-SB filed with the FDIC on April 29, 2005.
10(v)	TriStone Community Bank Employee Stock Option Plan, incorporated herein by reference to the Form 10-SB filed with the FDIC on April 29, 2005.
10(vi)	TriStone Community Bank Director Stock Option Plan, incorporated herein by reference to the Form 10-SB filed with the FDIC on April 29, 2005.
10(vii)	Lease agreement with Jonestown Properties, LLC dated July 25, 2006, incorporated herein by reference to the current report on Form 8-K filed with the FDIC on September, 19, 2006.
10.1	Ground Lease Agreement with Duncan Properties, LLC, dated as of March 18, 2008, incorporated herein by reference to the current report on Form 8-K filed with the FDIC on July 11, 2008.
31(i)	Certification – CEO
31(ii)	Certification – CFO
32	Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350

SIGNATURES

Under the requirements of the Securities Exchange Act of 1934, the Bank has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRISTONE COMMUNITY BANK

Date: November 12, 2008

By: ______________________________
Simpson O. Brown, Jr.
President and Chief Executive Officer

Date: November 12, 2008

By: ______________________________
A. Christine Baker
Interim Chief Financial Officer

EXHIBIT 31(i)

CERTIFICATION

I, Simpson O. Brown, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TriStone Community Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 12, 2008

By: ______________________________

Simpson O. Brown, Jr.
President and Chief Executive Officer

EXHIBIT 31(ii)

CERTIFICATION

I, A. Christine Baker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TriStone Community Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 12, 2008 By: ______________________________

A. Christine Baker
Interim Chief Financial Officer

EXHIBIT 32

TRISTONE COMMUNITY BANK

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of TriStone Community Bank (the "Bank") certify that the Quarterly Report on Form 10-Q of the Bank for the fiscal period ended September 30, 2008 fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Bank.

Date: November 12, 2008

By: ______________________________
Simpson O. Brown, Jr.
President and Chief Executive Officer

Date: November 12, 2008

By: ______________________________
A. Christine Baker
Interim Chief Financial Officer

*This certification is made solely for purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.