

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 18, 2008

CORNERSTONE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Tennessee

(State or other jurisdiction
of incorporation)

000-30497

(Commission
File Number)

62-1175427

(I.R.S. Employer
Identification No.)

835 Georgia Avenue, Chattanooga, Tennessee

(Address of principal executive offices)

37343

(Zip Code)

Registrant's telephone number, including area code

(423) 385-3000

(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 (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 April 18, 2008, the Registrant issued a press release reporting earnings results for the fiscal quarter ended March 31, 2008.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

99.1 Press release dated April 18, 2008 reporting earnings results for the fiscal quarter ended March 31, 2008.

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.

CORNERSTONE BANCSHARES, INC.
(Registrant)

Date: April 22, 2008

By: /s/ Nathaniel F. Hughes

Nathaniel F. Hughes,
President and Chief Operating Officer

Cornerstone Bancshares, Inc. Announces First Quarter 2008 Financial Results

Friday , April 17, 2008 8:00 PM

- PR Newswire

Chattanooga, Tenn., April 17, 2008 /PRNewswire-FirstCall via COMTEX/ -- Cornerstone Bancshares, Inc. (OTC Bulletin Board: CSBQ) today announced the following:

Cornerstone Bancshares, Inc. experienced an earnings contraction for the first quarter 2008 as a result of margin compression brought on by the Federal Reserve's 300 basis point reduction in the federal funds rate and the corresponding reduction in the banking industry's prime rate. Cornerstone's net interest margin decreased 135 basis points from 5.68% for the first quarter of 2007 to 4.33% for the first quarter of 2008. This decrease was due primarily to the timing in repricing of loans which are tied to the Cornerstone Community Bank's prime rate and the majority of the bank's certificates of deposit which are generally fixed for a one-year period of time. The lag in repricing will take approximately six months to catch up and within that time frame the net interest margin level should reach the low that the Bank will experience. Cornerstone saw its first quarter 2008 earnings decrease to \$1.01 million versus \$1.65 million, a decrease of 38.6% from first quarter 2007 while book earnings per share decreased in the first quarter of 2008 to \$0.16 versus \$0.25, a decrease of 36.9% over first quarter 2007. The Bank continued to increase its loan portfolio during the first quarter of 2008, which increased to \$386 million an improvement of 20.5% over the first quarter of 2007. Notably, commercial real estate loans, lead all loan classifications. The Company's performance metrics pulled back to normal peer levels, Return on assets was 0.91% for the first quarter of 2008 compared to 1.75% during the first quarter in 2007. Return on equity was 10.93% during the first quarter in 2008 compared to 16.83% in 2007.

Presently the Company is operating at an 8.32% leverage ratio and has the ability to continue to grow, but will spend the remainder of 2008 building capital until the economic environment improves.

Asset quality declined from the superior level during first quarter of 2008. Non-performing loans as a percentage of average total loans increased to 0.63% while loans over 30 days past due as a percentage of total loans increased to 1.88%.

Cornerstone Bancshares, Inc. is a one-bank holding company with \$450 million in assets which serves the Chattanooga, Tennessee MSA with 5 branches. It also has loan production offices in Dalton, Georgia and Knoxville, Tennessee. The company specializes in business financial services.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which contains a safe harbor for forward-looking statements. The Company relies on this safe harbor in making such disclosures. The statements are based on management's current beliefs and assumptions about expectations, estimates, strategies and projections. These statements are not guarantees of future performance or results and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements.

Media Contact: Frank Hughes, President & COO of Cornerstone Bancshares, Inc.
Phone number: 423-385-3009

CORNERSTONE BANCSHARES, INC.
Selected Financial Information
as of March 31, 2008
(in thousands)

EARNINGS SUMMARY	Three Months			Year-to-Date		
	Ending March 31		%	Ending March 31		%
	2008	2007	Change	2008	2007	Change
Interest income	\$ 8,060	\$ 8,107	-0.6%	\$ 8,060	\$ 8,107	-0.6%
Interest expense	3,470	3,133	10.7%	3,470	3,133	10.7%
Net interest income	4,590	4,974	-7.7%	4,590	4,974	-7.7%
Provision for loan loss	317	2	15750.0%	317	2	15750.0%
Net interest income after provision	4,273	4,972	-14.1%	4,273	4,972	-14.1%
Noninterest income	394	375	5.2%	394	375	5.2%
Noninterest expense	3,097	2,747	12.7%	3,097	2,747	12.7%
Pretax income	1,571	2,600	-39.6%	1,571	2,600	-39.6%
Income taxes	556	948	-41.4%	556	948	-41.4%
Net income	\$ 1,015	\$ 1,652	-38.6%	\$ 1,015	\$ 1,652	-38.6%
Earnings per common share	\$ 0.16	\$ 0.25	-36.9%	\$ 0.16	\$ 0.25	-36.9%
Weighted average common shares outstanding (1)	6,336,202	6,511,951		6,336,202	6,511,951	

AVERAGE BALANCE SHEET SUMMARY	Three Months			Year-to-Date		
	Ending March 31		%	Ending March 31		%
	2008	2007	Change	2008	2007	Change
Loans, net of unearned income	\$ 386,056	\$ 320,296	20.5%	\$ 386,056	\$ 320,296	20.5%
Investment securities & Other	42,456	37,111	14.4%	42,456	37,111	14.4%
Earning assets	428,512	357,407	19.9%	428,512	357,407	19.9%
Total assets	446,473	378,146	18.1%	446,473	378,146	18.1%
Noninterest bearing deposits	44,503	38,315	16.2%	44,503	38,315	16.2%
Interest bearing transaction deposits	93,410	90,466	3.3%	93,410	90,466	3.3%
Certificates of deposit	182,539	147,624	23.7%	182,539	147,624	23.7%
Total deposits	320,452	276,405	15.9%	320,452	276,405	15.9%
Other interest bearing liabilities	86,642	60,080	44.2%	86,642	60,080	44.2%
Shareholder's equity	37,131	39,252	-5.4%	37,131	39,252	-5.4%

SELECTED RATIOS	Three Months		Year-to-Date	
	Ending March 31		Ending March 31	
	2008	2007	2008	2007
Average equity to average assets	8.32%	10.38%	8.32%	10.38%
Average net loans to average total assets	86.47%	84.70%	86.47%	84.70%
Return on average assets	0.91%	1.75%	0.91%	1.75%
Return on average total equity	10.93%	16.83%	10.93%	16.83%
Actual Equity on Mar. 31,	\$ 36,754,223	\$ 39,578,839		
Actual # shares outstanding on Mar. 31,	6,319,718	6,515,118		
Book value per common share	\$ 5.82	\$ 6.07		

