

# 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 15, 2004

## CORNERSTONE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Tennessee  
-----  
(State of Incorporation)

000-30497  
-----  
(Commission File No.)

62-1175427  
-----  
(IRS Employer  
Identification No.)

5319 Highway 153,  
Chattanooga, Tennessee 37343  
(Address of principal executive offices)

(423) 385-3000  
(Registrant's telephone number, including area code)

-----  
(Former name or former address, if changed since last report.)

**Item 9. Regulation FD Disclosure.**

This information furnished under "Item 9. Regulation FD Disclosure" is provided under "Item 12. Results of Operation and Financial Condition" in accordance with SEC Release No. 33-8216.

On April 15, 2004, the Registrant issued a press release reporting earnings results for the fiscal quarter ending on March 31, 2004.

**Item 7. Financial Statements and Exhibits.**

(c) Exhibits

99.1 Press release dated April 15, 2004 reporting earnings results for the fiscal quarter ending on March 31, 2004.

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.**

*Date: April 15, 2004*

*By: \s\ Nathaniel F. Hughes*

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*Nathaniel F. Hughes,  
President and Chief Financial Officer*

## EXHIBIT INDEX

Exhibit No. -----	Description -----
99.1	Press release dated April 15, 2004 reporting earnings results for the fiscal quarter ending on March 31, 2004.

## Exhibit 99.1

Cornerstone Bancshares, Inc. Announces 1st Quarter 2004 Financial Results April 15, 2004

HIXSON, Tenn., April 15 /PRNewswire-FirstCall/ -- The first quarter of 2004 started out much like 2003 with strong loan growth as actual loans grew \$12 million or 7.7%. Another area of exceptional growth was the Bank's actual demand deposit accounts, which grew \$5.0 million or 22.5% during the first quarter. These two areas are important to the overall profitability of the Company and their strong growth bodes well for the remainder of 2004. The Corporation earned \$523 thousand for the first quarter of 2004, a 30% increase over the same time period in 2003. The Bank has been able to reach out and attract business customers who need the high level of expertise available at Cornerstone, especially in asset-based lending and Small Business Administration loan origination. The Bank was able to build on this strength by adding two more relationship managers with a high level of experience in business consulting and should help continue the above average peer asset growth rate the Bank has enjoyed the last two years. Other objectives for 2004, include the opening of our fifth branch in Ooltewah, Tennessee in May, renovating the East Ridge branch to give it additional drive thru capability, and finally locating and purchasing the property for the Bank's sixth branch location.

The asset quality remained at the superior level during the first quarter of 2004 as non-performing loans as a percentage of average total loans remained at .02%. The Bank experienced normal charge off level for the quarter but was able to recover the majority of the charge off which is unusual and allowed the Bank to fund the exceptional loan growth with a very normal provision and keep the allowance at a 1.25% level.

Cornerstone Bancshares, Inc. (OTC Bulletin Board: CSBQ) 1st quarter 2004 earnings of \$523 thousand represents an 30.1% increase over the 1st quarter in 2003 earnings of \$402 thousand. Earnings per share for the 1st quarter 2004 was \$0.42 compared to \$0.33 per share for the 1st quarter of 2003. Cornerstone is confident this earnings growth will continue throughout 2004 and anticipate earnings per share to grow to \$1.88 a share an increase of 24% over 2003.

Cornerstone Bancshares, Inc. is a one-bank holding company serving the Chattanooga, Tennessee MSA with 4 branches and \$207 million in assets specializing in business financial services.

### CORNERSTONE BANCSHARES, INC.

Selected Financial Information  
as of March 31, 2004  
(in thousands)

	Three Months		%
	Ending Mar 31		
EARNINGS SUMMARY	2004	2003	Change
Interest income	\$3,078	\$2,640	16.6%
Interest expense	808	812	-0.5%
Net interest income	2,270	1,828	24.2%
Provision for loan loss	160	105	52.4%
Net interest income after provision	2,110	1,723	22.5%
Noninterest income	348	286	21.5%
Noninterest expense	1,604	1,354	18.5%
Pretax income	854	655	30.3%
Income taxes	331	253	30.6%
Net income	\$523	\$402	30.1%
Earnings per common share	\$0.42	\$0.33	
Weighted average common shares outstanding	1,243,464	1,233,167	

CORNERSTONE BANCSHARES, INC.  
Selected Financial Information  
as of March 31, 2004  
(in thousands)

	Year-to-Date		%
	Ending Mar 31		
EARNINGS SUMMARY	2004	2003	Change
Interest income	\$3,078	\$2,640	16.6%
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AVERAGE BALANCE SHEET SUMMARY	Three Months		%	Year-to-Date		%
	Ending Mar 31			Ending Mar 31		
	2004	2003	Change	2004	2003	Change
Loans, net of						

unearned income	\$162,773	\$127,171	28.0%	\$162,773	\$127,171	28.0%
Investment securities	25,409	26,727	-4.9%	25,409	26,727	-4.9%
Earning assets	188,182	153,898	22.3%	188,182	153,898	22.3%
Total assets	200,440	164,807	21.6%	200,440	164,807	21.6%
Noninterest bearing deposits	21,898	16,486	32.8%	21,898	16,486	32.8%
Interest bearing transaction deposits	55,680	44,209	25.9%	55,680	44,209	25.9%
Certificates of deposit	79,607	71,567	11.2%	79,607	71,567	11.2%
Total deposits	157,185	132,262	18.8%	157,185	132,262	18.8%
Other interest bearing liabilities	24,629	16,097	53.0%	24,629	16,097	53.0%
Shareholder's equity	17,284	15,383	12.4%	17,284	15,383	12.4%

SELECTED RATIOS	Three Months		Year-to-Date	
	Ending Mar 31	Ending Mar 31	Ending Mar 31	Ending Mar 31
	2004	2003	2004	2003
Average equity to average assets	8.62%	9.33%	8.62%	9.33%
Average net loans to average total assets	81.21%	77.16%	81.21%	77.16%
Return on average assets	1.04%	0.98%	1.04%	0.98%
Return on average total equity	12.11%	10.45%	12.11%	10.45%
Actual Book value per common share	\$14.04	\$12.57		

SOURCE Cornerstone Bancshares, Inc.

-0- 04/15/2004 /CONTACT: Frank Hughes, President & Treasurer of Cornerstone Bancshares, Inc., +1-423-385-3009, or fax, +1-423-385-3100/

**CSBQ)**

CO: Cornerstone Bancshares, Inc.

ST: Tennessee

IN: FIN OTC

SU: ERN