

Sandler O'Neil Financial Services Conference

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Forward Looking Statements

This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including certain plans, expectations, goals, and projections and including statements about growing our commercial lending business and deposits, growing CapitalSource Bank's operations, our position to make investments and loans, risk adjusted returns, margins, profits and cost of funds, credit standards and performance, charge offs and delinquencies, economic and market conditions for our business, securitization markets, loan yields and structures, industry dynamics, the strength of our balance sheet and liquidity, our strategy of converting to a commercial bank and becoming a bank holding company and the products and services we could then provide, paydown of the "A" Participation Interest, our intentions regarding our REIT status, our dividends, our intention to sell assets, pro forma financial information, our structure and leverage, and our intentions regarding our healthcare net lease business and possible acquisitions, all which are subject to numerous assumptions, risks, and uncertainties. All statements contained in this presentation that are not clearly historical in nature are forward-looking, and the words "anticipate," "assume," "intend," "believe," "expect," "estimate," "plan," "will," "look forward," and similar expressions are generally intended to identify forward-looking statements. All forward-looking statements (including statements regarding future financial and operating results and future transactions and their results) involve risks, uncertainties and contingencies, many of which are beyond our control which may cause actual results, performance, or achievements to differ materially from anticipated results, performance or achievements. Actual results could differ materially from those contained or implied by such statements for a variety of factors, including without limitation: our recently completed bank transaction; changes in economic or market conditions or investment or lending opportunities; continued or worsening disruptions in the overall economy and credit and other markets; movements in interest rates and lending spreads; continued or worsening charge offs and delinquencies; our ability to successfully and cost effectively operate CapitalSource Bank; our ability to successfully grow CapitalSource Bank's deposits or deploy its capital in favorable lending transactions or acquire assets in accordance with our strategic plan; competitive and other market pressures on product pricing and services; we may not receive all approvals needed to convert to a commercial bank or become a bank holding company or realize opportunities under the Federal Stabilization Act; success and timing of other business strategies; the nature, extent, and timing of governmental actions and reforms; changes in tax laws or regulations affecting REITs or our business otherwise, extended disruption of vital infrastructure; the impact of our dividend policy; our ability to successfully operate after revoking our REIT election and to sell certain assets; our ability to successfully convert into a commercial bank and become a bank holding company and thereafter to successfully and cost effectively operate as such; our ability to successfully consummate a transaction with respect to our healthcare net lease business; and other factors described in CapitalSource's 2007 Annual Report on Form 10-K and documents subsequently filed by CapitalSource with the Securities and Exchange Commission. All forward-looking statements included in this presentation are based on information available at the time of the presentation. We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

CapitalSource Overview

- **Leading commercial lending franchise focused on the middle market**
 - Large scale, broad-based middle market lending platform
 - Diverse portfolio of over \$12.1 billion in commercial loans and lease assets
 - Loan portfolio includes 1,085 loans to 684 clients
- **Successful public company in the midst of a strategic transformation to a commercial banking model**
 - Commenced operations of CapitalSource Bank
 - Announced intention to revoke REIT election in 2009
- **Focused asset strategy**
 - Multiple lending groups compete on service, expertise and industry insight
 - Non-commodity products and national, direct origination capability
 - Proprietary in-house audit and due diligence resources
 - Superior risk-adjusted returns and credit outcomes
- **Well capitalized**
 - Diversified funding platform, including \$5 Billion of bank deposits and \$3.7 billion in match-funded commercial loan securitizations
 - Investment grade ratings
- **Seasoned, proven management team**
- **Strong shareholder alignment**
 - Management, directors and certain of their affiliates beneficially own approximately 32% of outstanding shares

Our Three Reporting Segments

Commercial Banking

- Lending to middle-market companies is our core business
- Direct origination platform, national presence, proprietary in-house diligence and audit resources
- Portfolio is anchored in defensive sectors, particularly healthcare finance
- Diverse funding sources including a large depository
- Providing liquidity for middle-market businesses which are the backbone of the U.S. economy

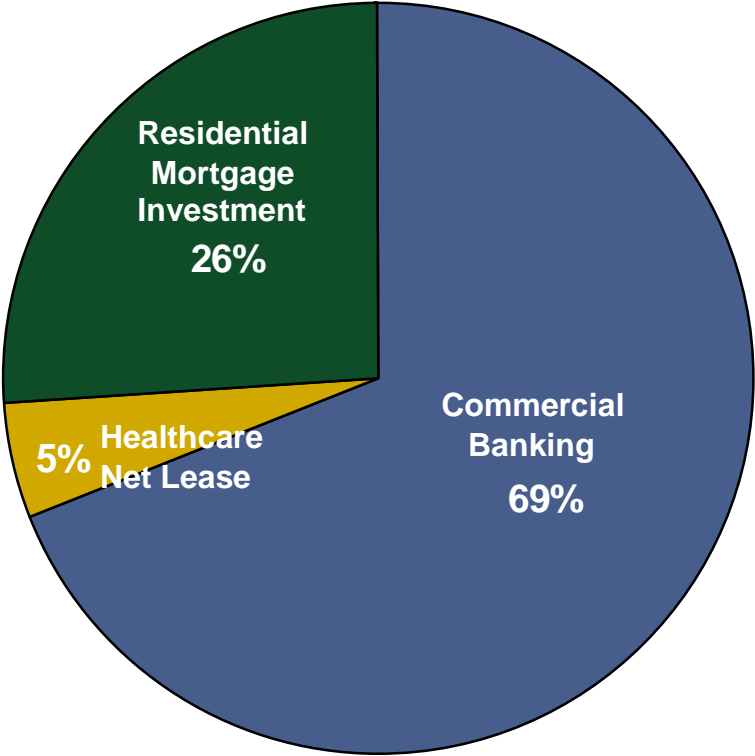
Healthcare Net Lease

- Investing in income-producing healthcare facilities subject to long-term lease
- ~98% of portfolio is skilled nursing facilities (“SNF”), which have highly favorable industry dynamics
- At ~\$1 billion, among the largest SNF portfolios in U.S.
- With government reimbursement as primary revenue source, SNFs provide an attractive and stable revenue stream
- Significant barriers to entry limit new SNFs
- Diverse operator base and geographic distribution
- CapitalSource is a recognized leader in the industry; synergies with our healthcare lending practice

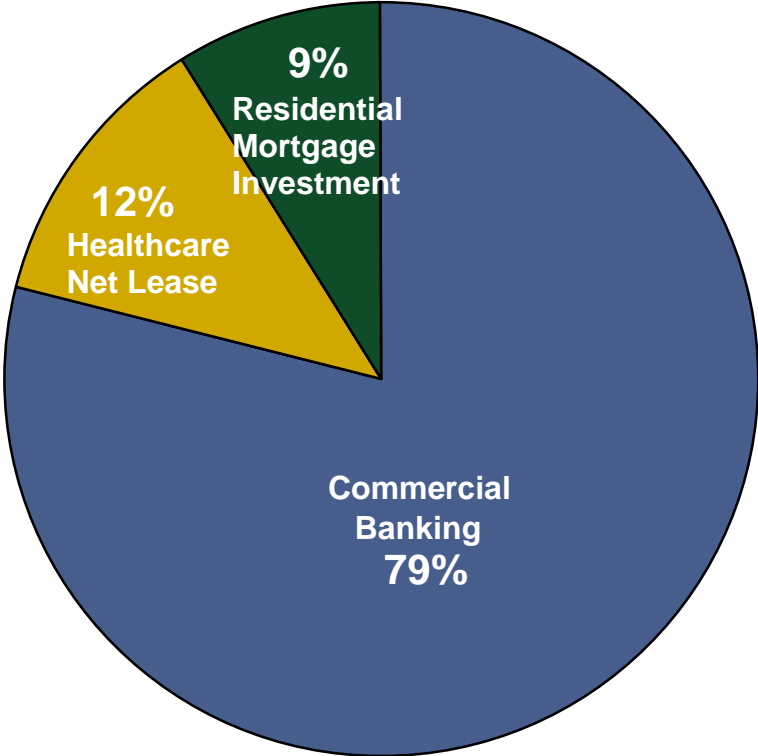
Residential Mortgage Investment

- Invested in high-quality residential mortgage assets to facilitate compliance with REIT rules
- CapitalSource has announced intent to revoke REIT status in 2009
- Residential mortgage investment portfolio (RMIP) will be sold after 2009 and the segment eliminated

Asset Distribution and Capital Allocation

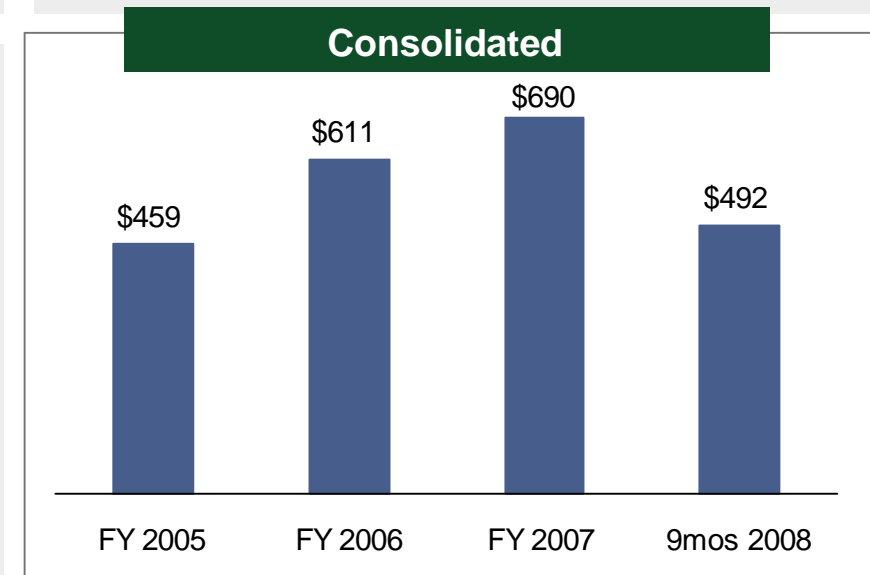
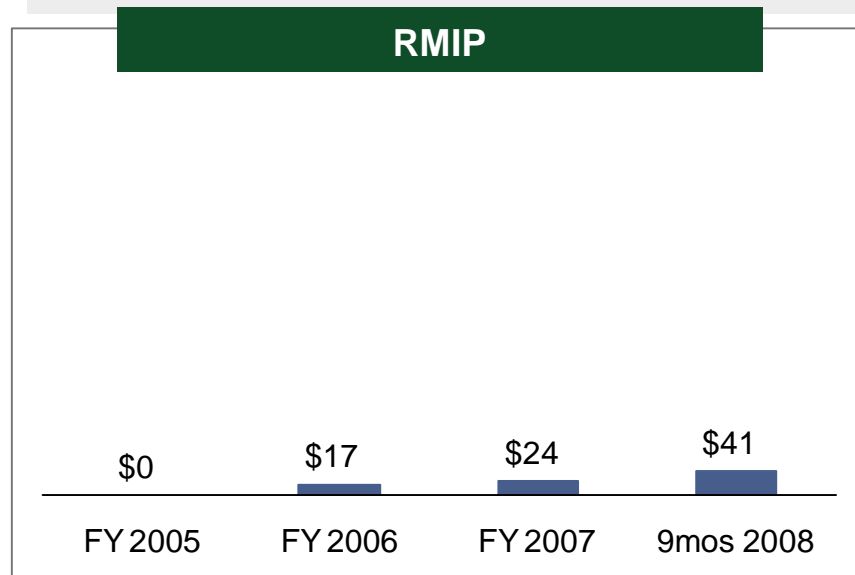
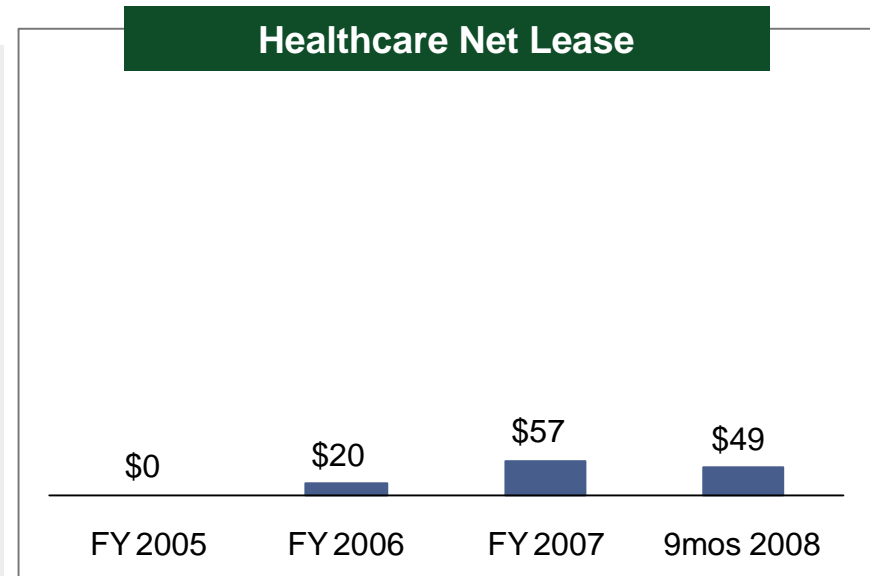
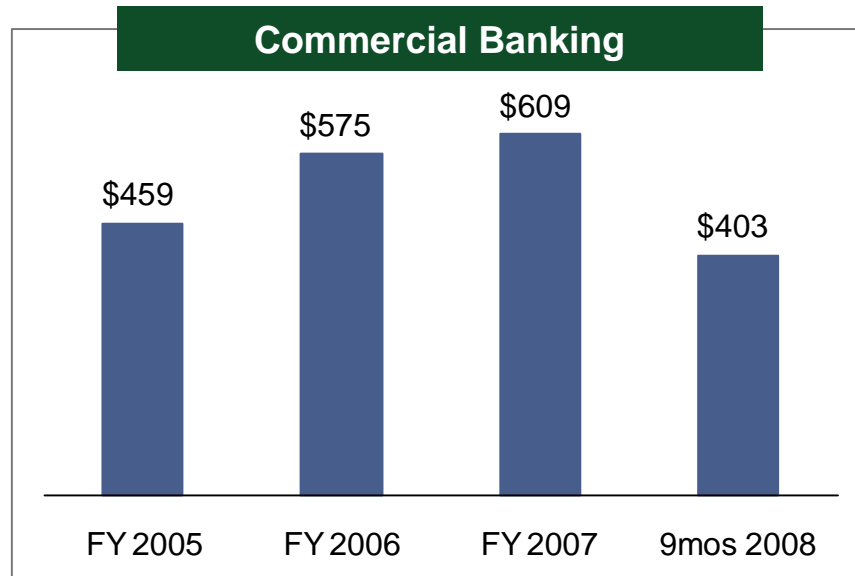


\$19.9 Billion in Assets
CapitalSource Inc. Consolidated

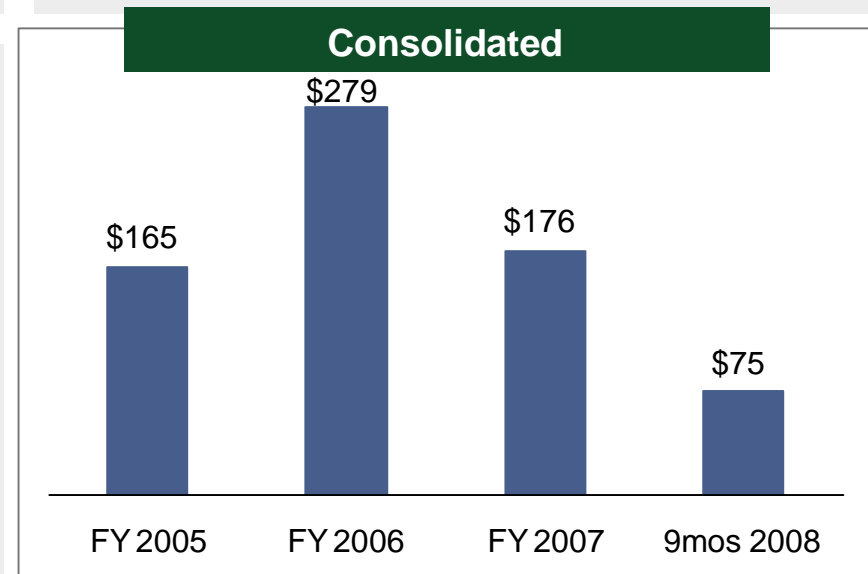
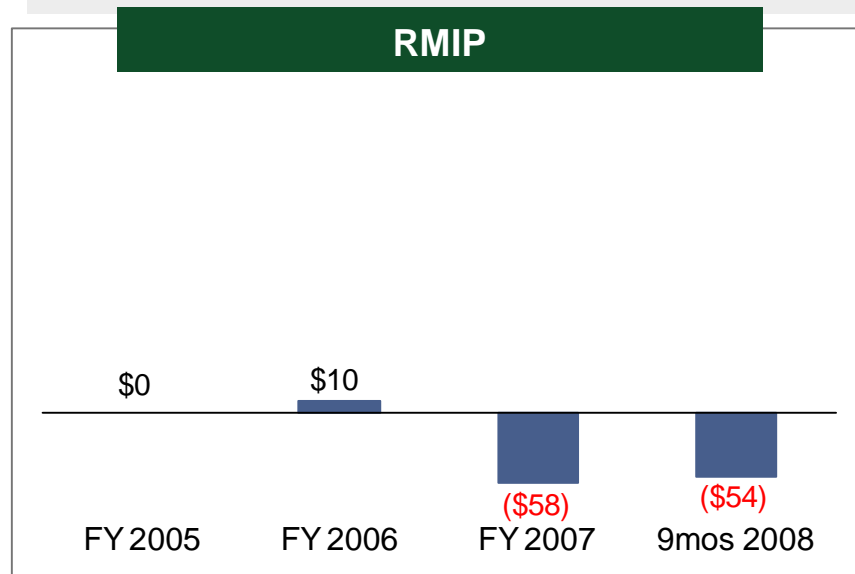
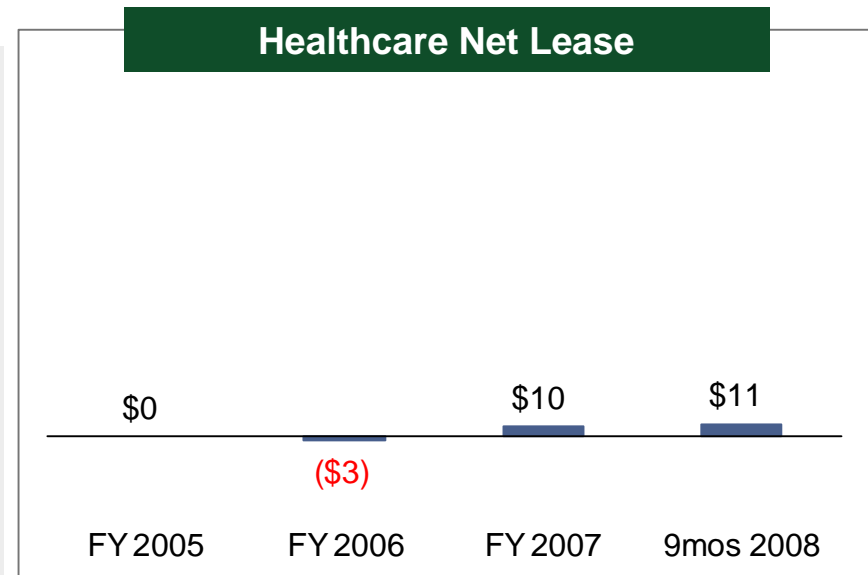
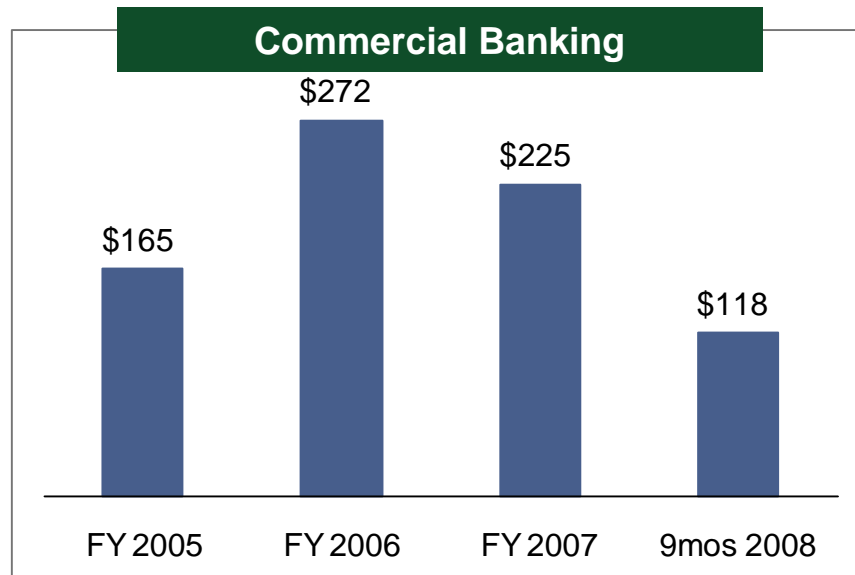


\$3.1 Billion in Equity
CapitalSource Inc. Consolidated

Results by Segment – Net Investment Income



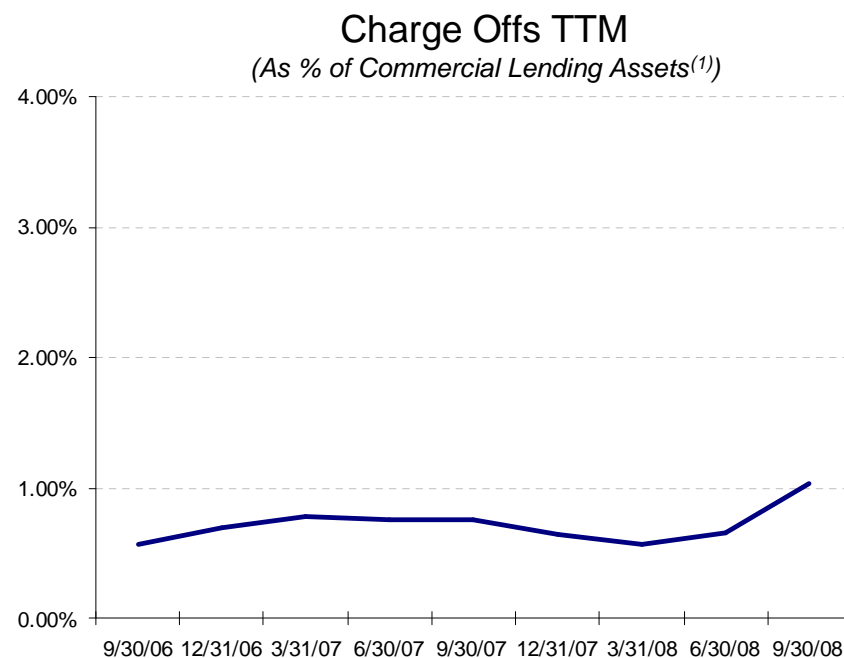
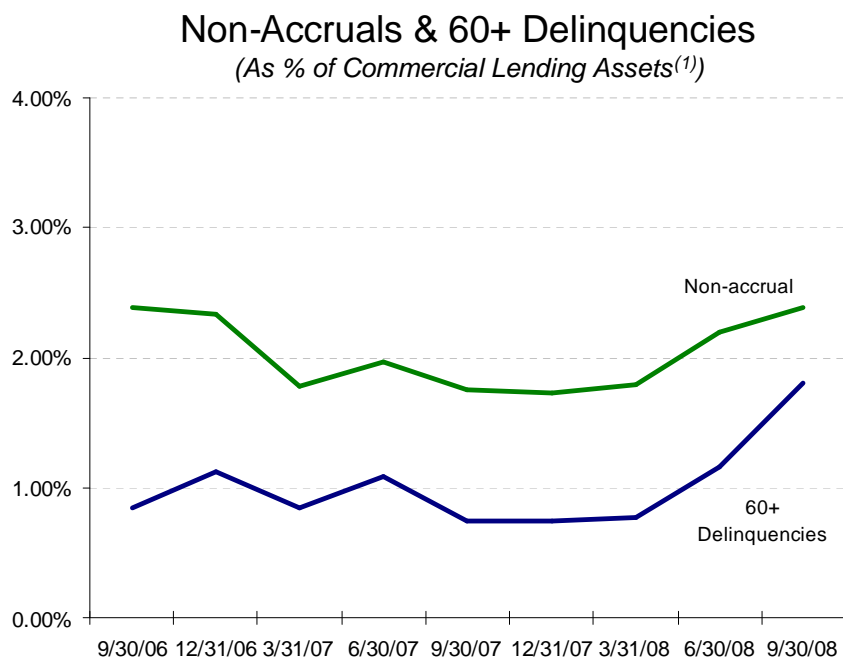
Results by Segment – Net Income



3Q'08 Results

- **Profitable quarter in spite of higher provision and charge-offs**
 - Diluted GAAP EPS of \$8 million (\$0.03 per share)
 - Adjusted EPS of \$82 million (\$0.30 per share)
- **Initial quarter with CapitalSource Bank**
 - Significant growth in balance sheet (\$5 billion)
 - Resumed growth in commercial loan portfolio (\$295 million new loans originated)
 - Yield and Cost of Funds declined with the addition of lower-yielding Bank assets (incl. cash and marketable securities) and deposits (average cost of 3.37%)
 - Commercial loan yield remained strong (9.54%)
- **Results impacted by**
 - \$82 million in charge offs
 - \$78 million increase in provision for loan losses
- **Volatility in “Other Income”**
 - Loss of \$27 million in the RMIP
 - \$70 million gain on retirement of debt

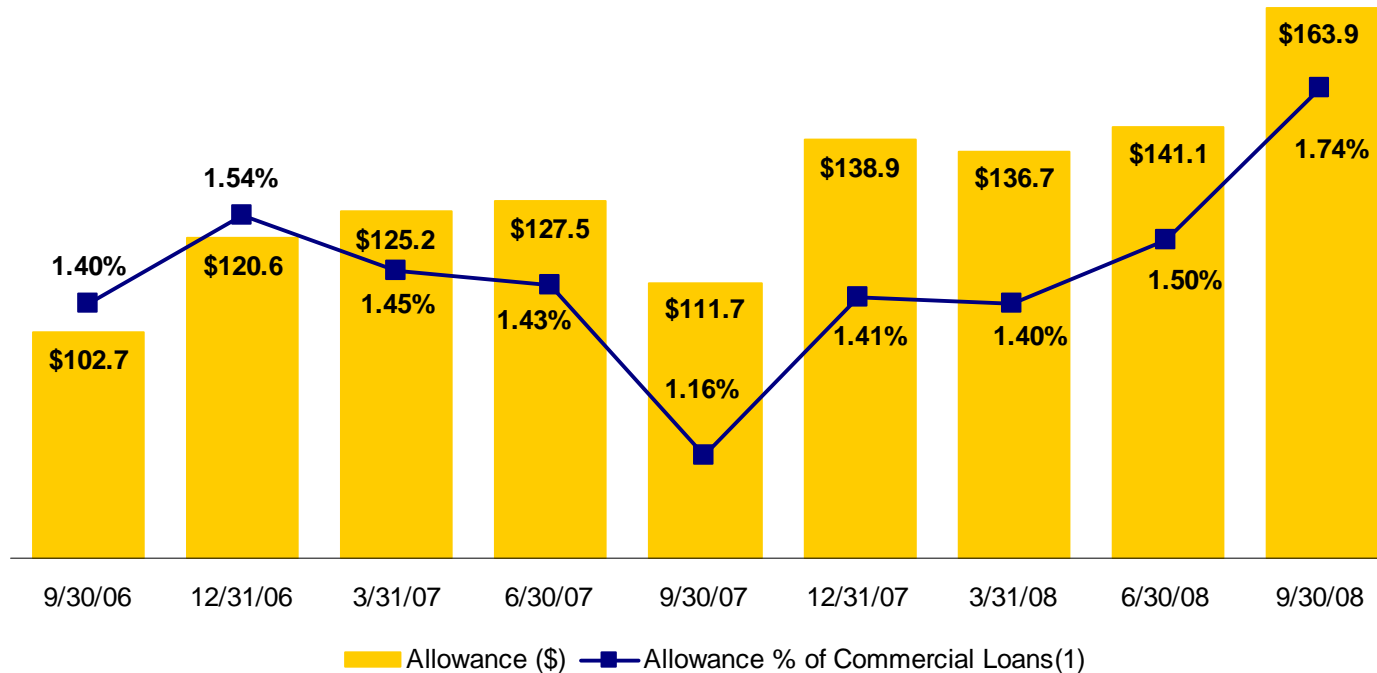
Credit Update – 3Q08



- **Credit metrics increased in 3Q'08, in large part due to macro economic conditions and market dislocation**
- **Credit performance was consistent with previously issued credit guidance**
- **Expect charge off levels will be manageable because of defensive nature of portfolio, including healthcare concentration**

⁽¹⁾ Commercial Lending Assets includes: commercial loans, loans held for sale, receivables under reverse-repurchase agreements, commercial real estate "A" Participation Interest and related accrued interest.

Allowance for Loan Losses

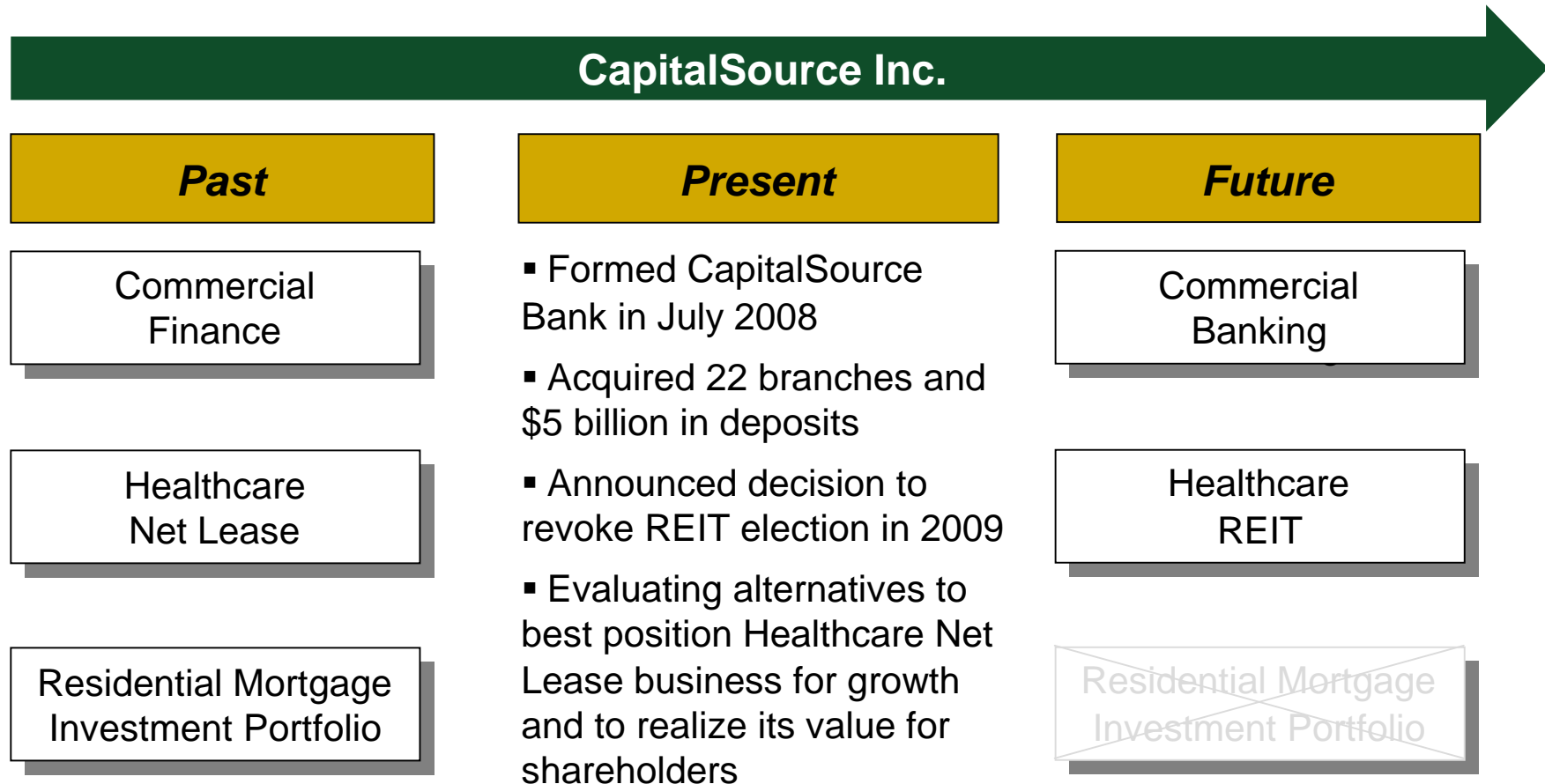


- Increased allowance for loan losses in 3Q'08 to account for current and projected economic conditions, consistent with reserving policy and quarterly portfolio review**

Note: Data as of 9/30/08

(1) Commercial loans include: commercial loans, loans held for sale, receivables under reverse-repurchase agreements, and related accrued interest (no reserve for "A" Participation)

Strategic Transformation Underway



Diverse Lending Platform and Focused Asset Strategy

Healthcare Real Estate	Healthcare Credit	Security Finance
First Mortgage Debt, Mezzanine Debt and Sale Leasebacks on Healthcare Properties	Asset-Based & Corporate Lending to Healthcare Companies	Asset-Based & Corporate Lending to Security, Homeland Defense & Public Safety Companies
Commercial Real Estate	Rediscount Finance	Corporate Finance
First Mortgage Debt Secured by All Real Estate Asset Types	Asset-Based Lending to Middle Market Finance Companies	Senior Secured Debt to Finance Leveraged Buy-Outs

Our Successful Business Model

- **“In-Sourced” credit process**
 - Origination
 - Forensic accounting/underwriting
 - Credit approval
 - Syndication
 - Loan servicing
 - Audit
 - Loan management
 - **Senior debt orientation**
 - High asset quality – approximately 87% of loan assets are senior loans
 - **Operational scale and expertise**
 - Focused direct origination teams with deep experience
 - Fully built infrastructure
- “End-to-End” control

Proprietary Diligence, Audit Resources & Portfolio Management

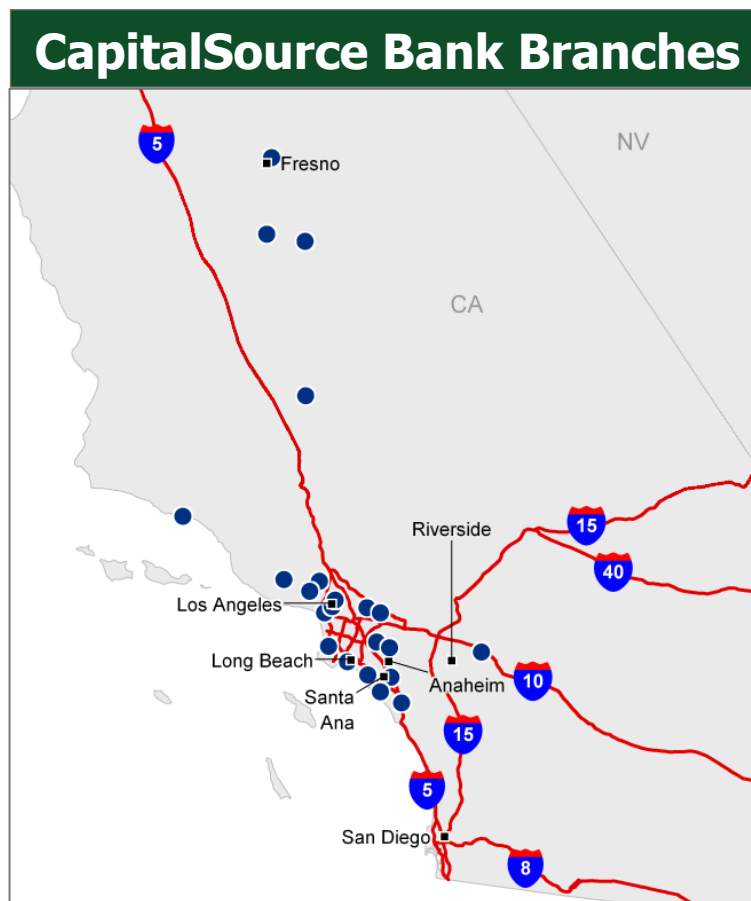
- **CapitalSource has a dedicated, in-house forensic accounting group**
 - Team of approximately 50, largely CPA's with specific industry experience
- **CapitalSource has strict underwriting and monitoring standards**
 - Maintaining prudent LTV's in all loan structuring
 - High-touch portfolio management leads to early detection of issues
 - Average just over 12 relationships per loan officer/portfolio manager
 - Dedicated restructuring group to pursue active problem resolution strategies
- **Specific portfolio metrics for performance monitoring lead to the quick detection of problems**
 - Thorough, recurring loan/portfolio review processes
 - Problems, issues and outliers are quickly identified and discussed
 - Specific problem warning signs include:
 - Technical defaults under covenants, underperformance relative to projections or business plan hurdles, "matured but unpaid" status / loans maturing in the next 60 days, unpaid property taxes or payroll taxes, poor state survey results (Healthcare), significant "buzz" in the industry or within our extensive contact network

CapitalSource is Well Capitalized

- **Strong capital ratios**
 - Commercial Banking segment capital ratio: 17.5%
 - Healthcare Net Lease segment capital ratio: 35.6%
- **Diversified funding sources**
 - Historically have been a capital markets funded business
 - \$3.7 billion in match funded term debt for our commercial loans
 - Significant deposit funding capability with CapitalSource Bank
 - \$5.0 billion deposits currently
 - Branch network historically had over \$8.4 billion
 - \$2.7 billion in committed credit facilities with \$1.1 billion undrawn
 - Manageable near-term maturities
- **Investment grade ratings**
 - BBB- from S&P and Fitch
- **We expect most of our loan growth going forward will be at CapitalSource Bank**

CapitalSource Bank

- **Realization of a well-planned strategy to pair our high-performing commercial lending business with a robust depository**
 - Commenced operations on July 25, 2008 as a *de novo* California Industrial Bank
 - Acquired bank branches and deposits from Fremont Investment & Loan
 - A clean asset purchase transaction
- **Meaningful scale without legacy asset quality issues⁽¹⁾**
 - \$5.0 billion in retail deposits
 - 22 bank branches with 65,000 customers throughout southern California
 - Approximately 350 employees, including ~200 legacy hires and ~150 from CapitalSource
- **Talented and experienced banking management and distinguished, independent Board of Directors**



CapitalSource is now well positioned to maximize unparalleled investment and lending opportunities

⁽¹⁾ All data as of September 30, 2008

Significant Liquidity and a Clean Balance Sheet

CapitalSource Bank

Cash and Marketable Securities	\$ 1.8	Deposits	\$ 5.0
Commercial Lending Assets ⁽¹⁾	4.0	Goodwill	0.2
Intangibles & Other Assets	0.3	Other Liabilities	0.1
Total	\$ 6.1	Equity	0.8
		Total	\$ 6.1

- \$2.4 billion commercial loans
- \$1.6 billion Commercial Real Estate “A” Participation Interest which is:
 - Highly secured by \$4.7 billion diverse portfolio
 - Represents 36% of underlying loan balance
 - Receives 70% of total monthly principal collections on underlying loans
 - Projected to completely repay over ~ next 12 months

Interest-Bearing Account Type	Amount (\$000's)	Weighted Average Interest Rate
Money Market	\$ 317,725	2.69%
Savings	\$ 290,904	2.69%
Certificates of Deposit	\$ 4,391,970	3.58%
Brokered Certificates of Deposit	\$ 47,652	3.58%
Total Interest-Bearing Deposits	\$ 5,048,251	3.48%

Note: Data as of 9/30/08

(1) Commercial Lending Assets includes Loans, Loans Held for Sale, “A” Participation Interest, and related accrued interest

CapitalSource Bank Going Forward

- **CapitalSource Bank is a significant and growing part of our Commercial Banking segment**
 - Currently ~ 44% of Commercial Lending Assets, cash and marketable securities are in the Bank
 - Deposits currently fund approximately 45% of commercial lending.
- **We expect CapitalSource Bank to increase in its significance**
 - Cost of funds currently 150-200 bps lower than cost of funds outside the bank
 - Retail deposits can grow as needed to support new lending
 - Conversion to commercial bank charter, when achieved, will broaden the variety of deposit products, services and customer base
 - Will consider taking advantage of well capitalized, highly liquid balance sheet to acquire other depositories at attractive prices

Note: Data as of 9/30/08

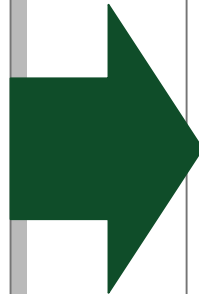
Status Of “TARP” Funding

- **CapitalSource Bank operates and is chartered as an industrial bank in the State of California**
 - Pursuing conversion to commercial bank and bank holding company
 - Commercial bank charter application recently approved by the State of California
 - Bank holding company approvals pending with the FDIC and Federal Reserve
 - Actively pursuing opportunities for CapitalSource under the Federal Stabilization Act

The Market Opportunity - Commercial Lending

Current Market Situation

- The U.S. is in the midst of the most serious financial crisis since the Depression
- Credit deterioration has gone beyond the residential sector and is effecting commercial properties and businesses
- There is an unprecedented lack of liquidity in all markets
- Most banks and financial service companies world-wide are under-capitalized, de-leveraging and on the defensive



CapitalSource's Positioning

- As expected, the economic downturn is having a negative impact on credit performance
- CapitalSource is able to combine lending expertise, capital and liquidity to take advantage of "once in a lifetime" lending opportunities
- New loans are being written with conservative structures and at very high yields
- Secondary purchases, portfolio and business acquisitions are also very attractive

Our Macro Investment Thesis - Lending

- **Economic downturns have historically been good times to make new loans as higher spreads more than offset higher credit costs**
- **We expect securitization markets to remain closed or impaired for all but the most commodity-like asset classes, perhaps for years**
- **“Clean” depositories will be the only dependable source of balance sheet liquidity, but many incumbent banks have asset quality challenges or lack effective lending infrastructures**
- **Managing a proprietary and proven asset origination platform, in combination with a sound depository, provides CapitalSource with a sustainable competitive advantage and significant profit opportunity**

Key Financial Drivers of Future CapitalSource Performance

- **Asset growth**
 - Very attractive lending and loan purchase environment should allow CapitalSource to grow its balance sheet in a highly profitable way
 - Originating new, senior loans underwritten to 600-800 bps over LIBOR
- **Utilization of CapitalSource Bank**
 - Increasing both the percentage of commercial loans in the Bank and percentage of funding from deposits will drive higher returns
- **Cost of Funds**
 - Migration of the balance sheet to CapitalSource Bank will drive down the cost of funds thereby increasing margins
- **Operating Expenses**
 - Balance sheet growth will leverage fixed cost investments in lending and retail banking platforms to drive efficiencies
- **Credit**
 - Higher than normal charge offs, though manageable, are expected to continue due to macro economic conditions and market dislocation
 - Balance sheet growth should contribute to relative stability in credit metrics

Questions & Answers

