Wachovia Securities
Nantucket Equity Conference

June 28, 2005

Forward Looking Statements

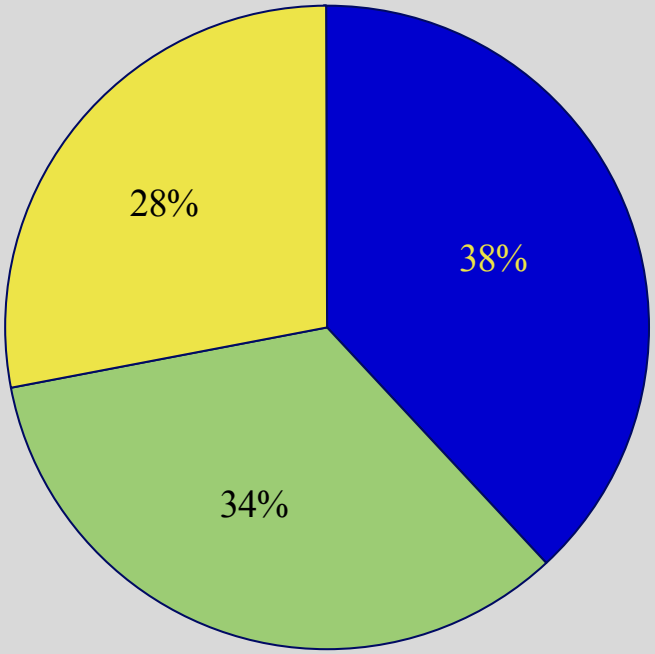
Certain information included in this presentation and other statements or materials published or to be published by the Company are not historical facts but are forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new and existing products, expectations for market segment and growth, and similar matters. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary remarks regarding important factors which, among others, could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. The risks and uncertainties that may affect the operations, performance, development, results of the Company's business, and the other matters referred to above include, but are not limited to: (i) changes in the business environment in which the Company operates, including inflation and interest rates; (ii) changes in taxes, governmental laws, and regulations; (iii) competitive product and pricing activity; (iv) difficulties of managing growth profitably; and (v) the loss of one or more members of the Company's management team. More detailed information about these factors is contained in CapitalSource's filings with the SEC, including the sections captioned "Risk Factors" and "Business" in our Form 10-K. CapitalSource is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

Who We Are

- The Leading Lender to Small to Medium-Sized Businesses that Require Highly Customized and Sophisticated Debt Financing
- Formed September 2000 by John Delaney and Jason Fish, Initial Capitalization of Over $500M (Largest Private Capitalization at the Time)
  - John Delaney was the Founder and CEO of HealthCare Financial Partners (NYSE: HCF); Sold to Heller Financial in 1999 (46% IRR to Original IPO Investors)
  - Jason Fish was a Partner at Farallon Capital Responsible for Real Estate and Credit Investing
- Original Investors Still Own Approximately 60% of the Company, with Approx. 45% Held by Management and Affiliates of the Board of Directors
- In Four+ Years, CapitalSource has Grown to Approximately 425 Employees in 20 Offices and $4.7B in Loans, as of March 31, 2005
- CapitalSource and HCF Met or Exceeded Street Estimates Every Quarter as Public Companies

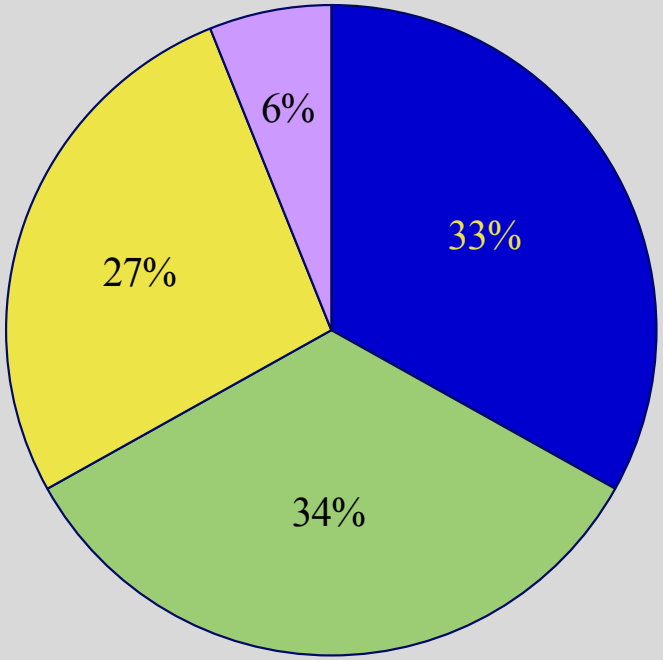
Business Profile

Portfolio by Lending Groups



- Corporate Finance
- HealthCare & Specialty Finance
- Structured Finance

Portfolio by Product Mix



- Senior Secured Asset Based
- Senior Secured Cash Flow
- First Mortgage
- Mezzanine

Note: Portfolio data as of March 31, 2005

CapitalSource Value Creation

Where We Focus

- Financing Value Added Situations
- Along Industry Lines
- Underserved Niches
- Non-Commodity Lending

What We Bring to Clients

- Focus
- Speed
- Flexibility
- Expertise
- Service

What We Bring to Investors

- Deep Credit Experience
- Disciplined Pricing
- A Leading Brand
- A Growth Platform

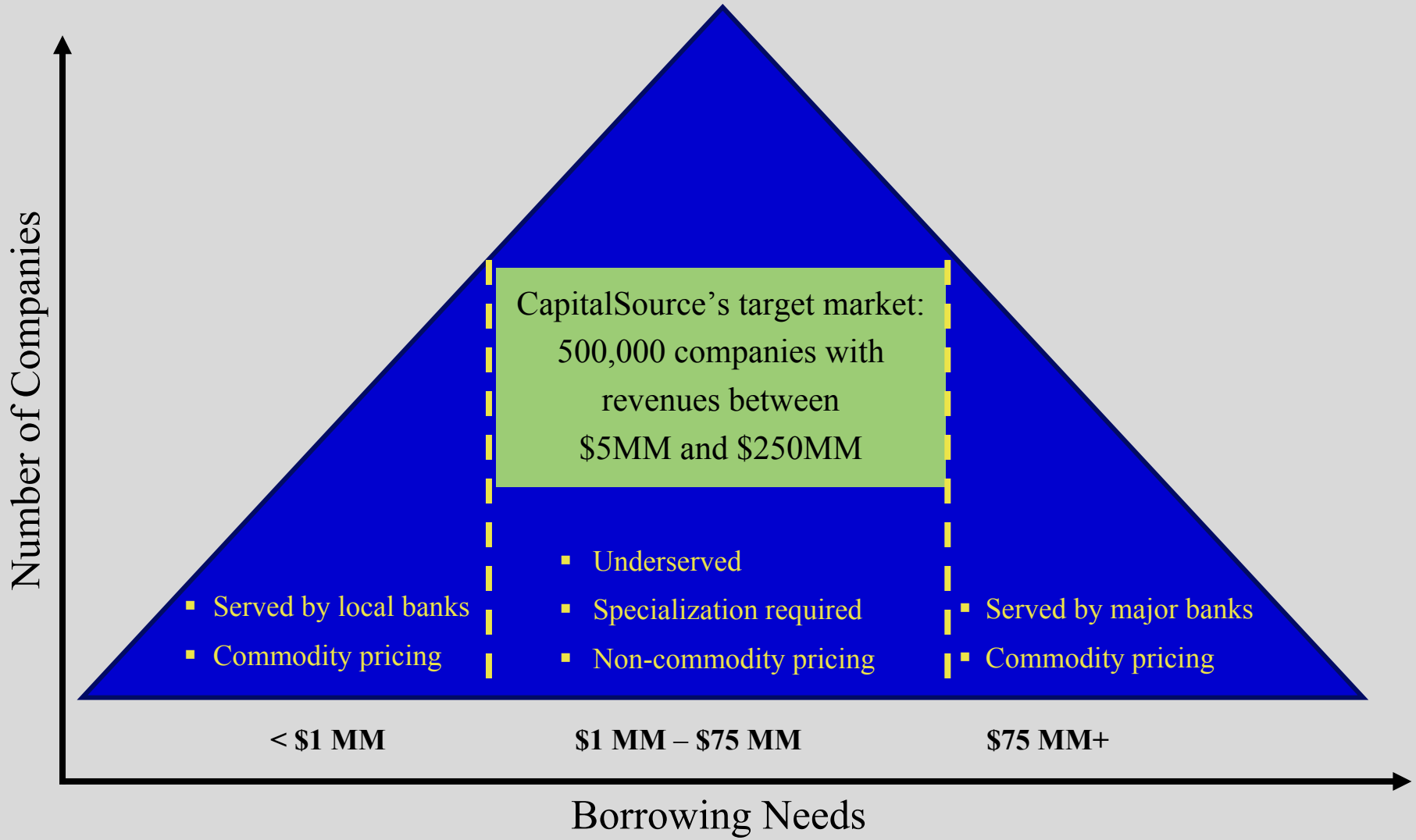
What We Can Deliver

- Top Tier Financial Performance
- ROA*: 3.3% (2005 Guidance)
- ROE*: 16.5% (2005 Guidance)
- ROE*: Growing to 17% - 19%

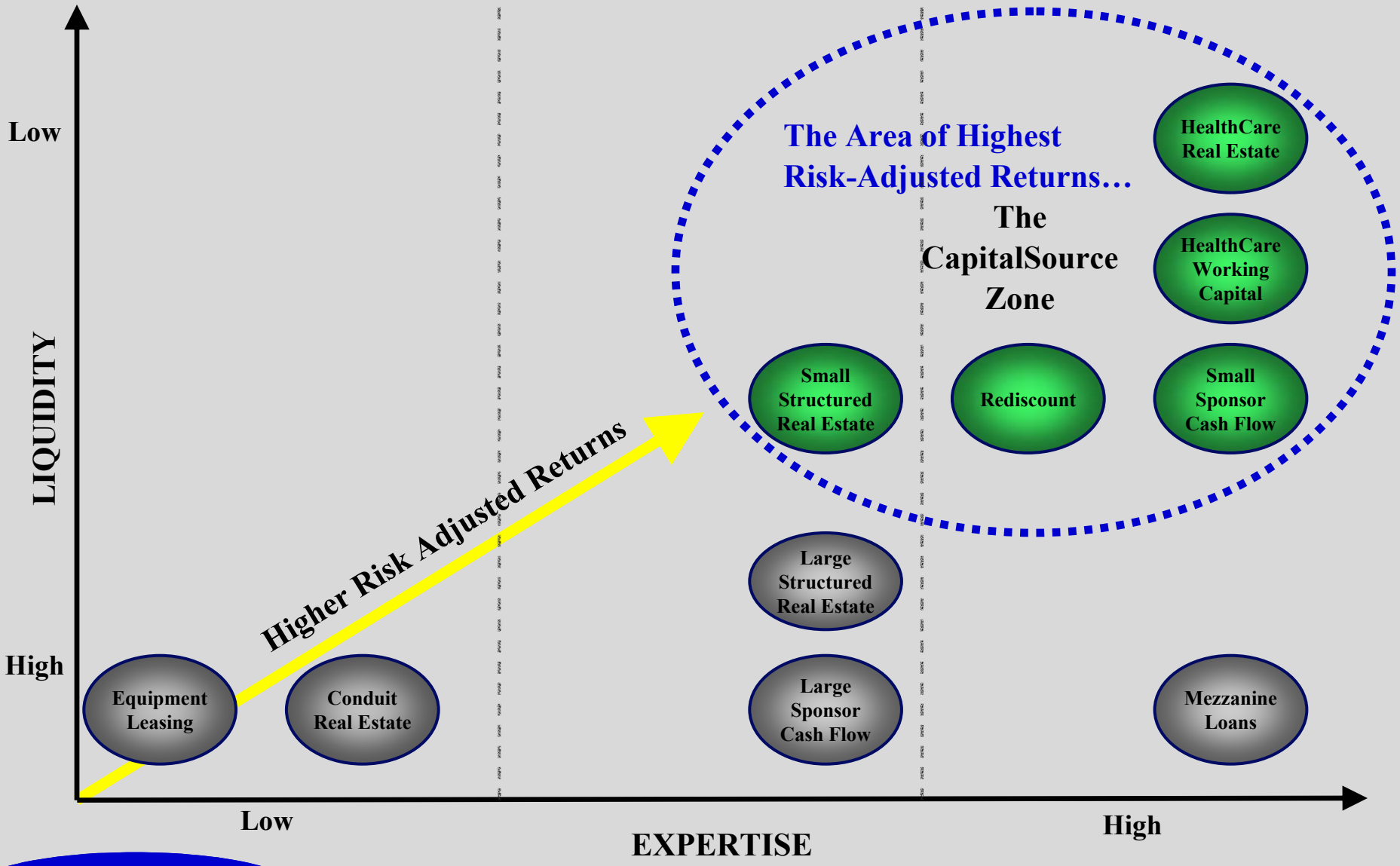
* After tax

Source: 2005 Financial Performance Per Annual Investor Conference Presentation and Press Releases

Large, Underserved Market



Our Strategy – Attractive, Defensible, High Margin Niches



CapitalSource

Corporate Finance – $1,766 MM / 38% Of Portfolio

Customers

- Small to Medium-Sized Private Equity Firms (Approx. 500 Primary Sponsors and 1,000 Secondary Sponsors)
- Industries:
  - Business Services
  - Consumer Products & Services
  - Retail, Media
  - Value Added Manufacturing

Borrower Characteristics

- Strong Historical and Prospective Cash Flows
- Experienced Management Teams and Sponsors
- Limited Operating Leverage and Event Risk
- Leadership in Market Niches

Products

- Senior Secured Cash Flow Loans
- Term B, Second Lien and Mezzanine Loans; Limited Equity
- Asset-Based Revolvers

Underwriting & Structuring

- Cash Flow Loans Underwritten to Enterprise Value
- Senior Loans at 40-60% of Enterprise Value
- Mezzanine Loans at 60-75% of Enterprise Value

Competitive Advantages

- Flexibility
- Speed
- Expertise
- "One-Stop" Shop
- Creativity
- Reputation as Reliable Lender/Brand

Competition

- "Core": <$25MM Borrowings (~75% of CFB Loans)
  - Foothill
  - BDC/RICS
  - Regional Banks

  Larger Deals: >$25MM Borrowings (~25% of Loans)
  - Commercial Banks
  - GE Capital
  - Merrill Lynch
  - CIT
  - Antares
  - Foothill
  - Hedge Funds
  - Abelco Finance

Note: Portfolio data as of March 31, 2005

HealthCare & Specialty Finance – $1,620 MM / 34% of Portfolio

Product Groups

- HealthCare Credit Group (HealthCare asset-based lending)
- HealthCare Real Estate Group
- Business Credit Services Group (generic asset-based lending)
- Security Alarm Lending Group
- CapitalSource Mortgage Finance (FHA/HUD lending and advisory subsidiary)

Market Opportunity

- HealthCare is 1/6th of U.S. Economy
- Dominated by small and mid-sized borrowers
- Underserved by traditional lenders
- Unaffected by general economic conditions
- Undergoing rapid growth and change
- Asset-based lending expertise allows broadening to larger asset-based market

Competitive Advantages

- Expertise
- Relationship
- Brand
- Speed
- "One-Stop" Shop
- Systems

Specialized Credit Skills

- Intense collateral review; daily borrowing base
- In-house reimbursement and clinical expertise
- Proprietary loan management capabilities

Competition

- GE Capital
- Merrill Lynch
- HealthCare Business Credit
- GMAC

Note: Portfolio data as of March 31, 2005

Structured Finance – $1,331 MM / 28% Of Portfolio

Customers

- Specialty Lenders:
  - Mortgage Companies
  - Consumer and Commercial Lenders
- Real Estate Developers/Investors

Market Opportunity

- Market Segments that Require Highly Specialized Lending Expertise
- Fragmented and Underserved
- Need for Highly Customized Solutions

Products

- Asset-Based Lending Practice
- Lender Finance: Senior Asset-Based Revolvers
- Real Estate: Predominately First Mortgage Debt
- Enhanced Mezzanine Debt

Specialized Credit Skills

- Lender Finance: Intense Collateral Analysis
- Real Estate: Property and Market Specific Analysis
- Portfolio Acquisition Experience/Expertise

Competitive Advantages

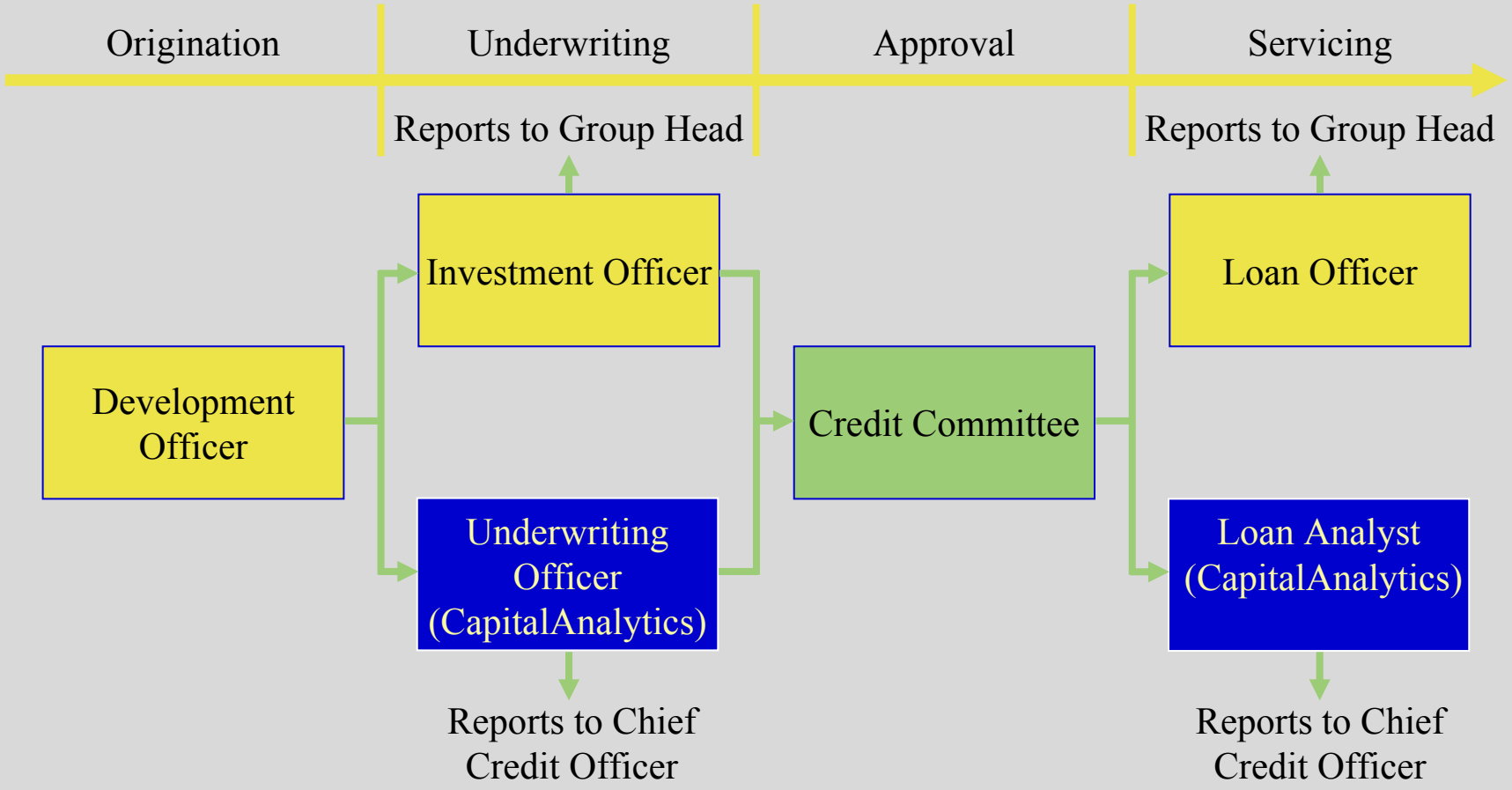
- Sophisticated Structuring Capabilities
- Flexibility
- Expertise
- Speed
- "One-Stop" Shop

Competition

- Lender Finance: Foothill, Textron, Regional Banks and Hedge Funds
- Real Estate: Conduits, Banks, Finance Companies and Hedge Funds

Note: Portfolio data as of March 31, 2005

Tailored Operating Model



Specially Designed to Minimize Losses and Optimize Execution

High Degree of Deal Selectivity

$ Billions		%
$183.7	Screened prospects	
$43.2	Term sheets proposed	23.5%
$18.5	Term sheets accepted	10.1%
$10.0	**Closed**	5.4%

Source: Unaudited, CapitalSource *DealTracker* from inception to March 31, 2005.

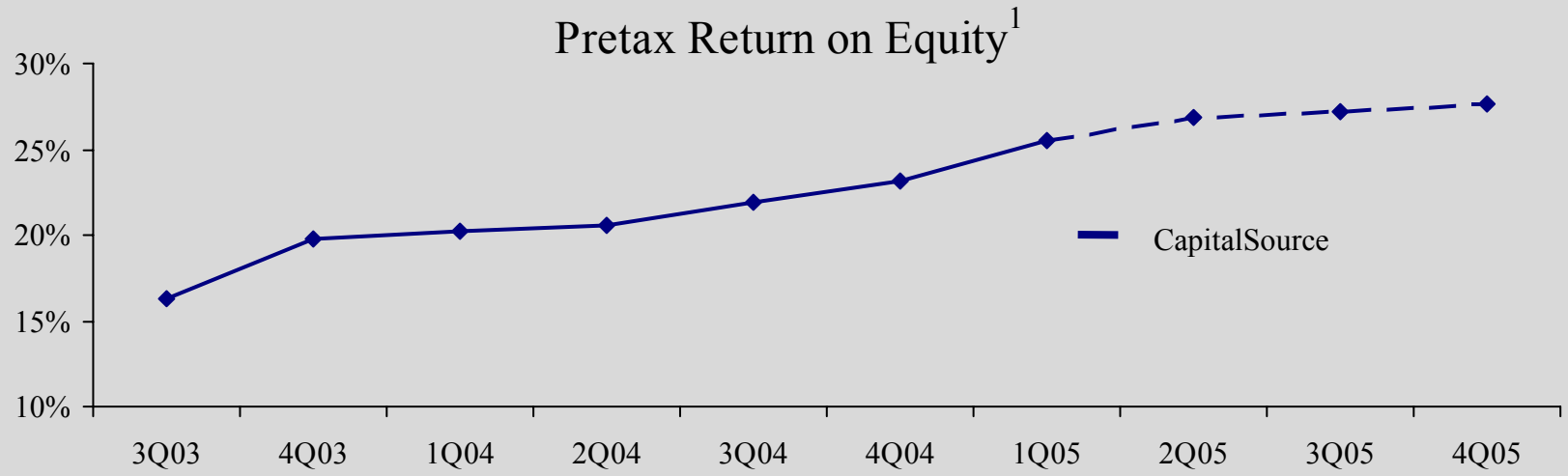
Superior Financial Model

CapitalSource Attributes

- Strong Risk-Adjusted Yields
- Efficient, Scalable Cost Structure
- Stable, Diverse Low Cost Funding
- Low Financial Leverage
- Recurring Revenues
  - No Gain on Sale Accounting
- Stable, Manageable Loan Growth Targets
- Strong Credit Quality

Produces → Attainable, High-Growth Earnings and Profitability

CapitalSource – A Compelling Economic Model For Shareholders



- High, Stable Risk-Adjusted Returns
- High, Stable Return on Assets
- Lower Leverage & Lower Risk
- Higher Margin of Safety
- Superior Return on Equity

Simple Illustration of the CapitalSource Model

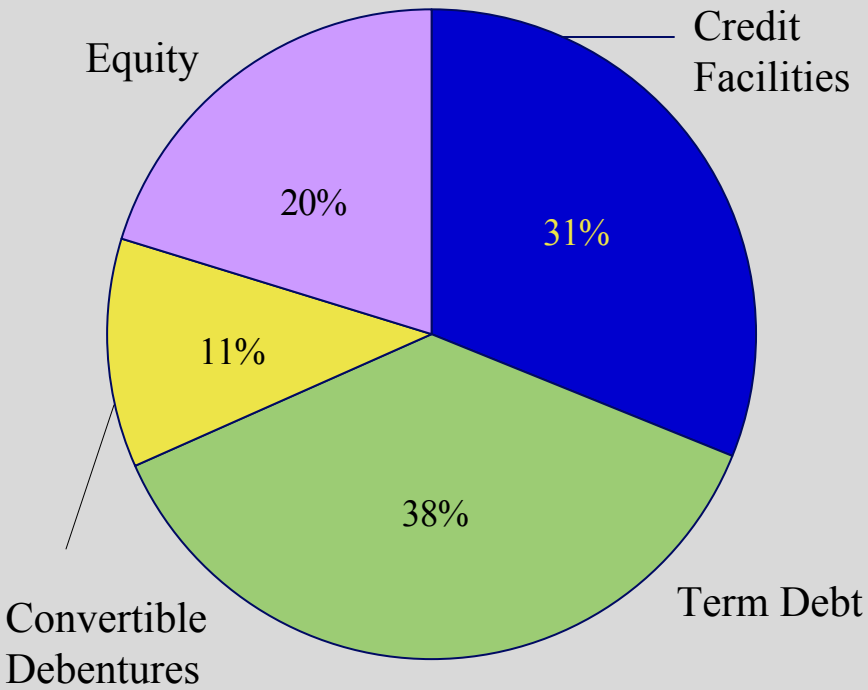
	% of Assets		Effect of Leverage		Total Return
Yield & Other Income	12%				
Provision	-1%				
Operating Expenses	-2%				
Gross Return on Assets	9%				
Interest Expense	-4%				
Return to Debt Capital	5%	x	4.0	=	20%
Return to Equity Capital	9%	x	1.0	=	9%
Long-Term Pretax Return on Equity				=	**29%**

[1]Data represent trailing four quarter results

Diverse, Stable, Low Cost Funding Sources

Diverse Funding Sources

Total: $4.9 billion



Debt/Equity: 3.95x

Note: Financial information is as of March 31, 2005

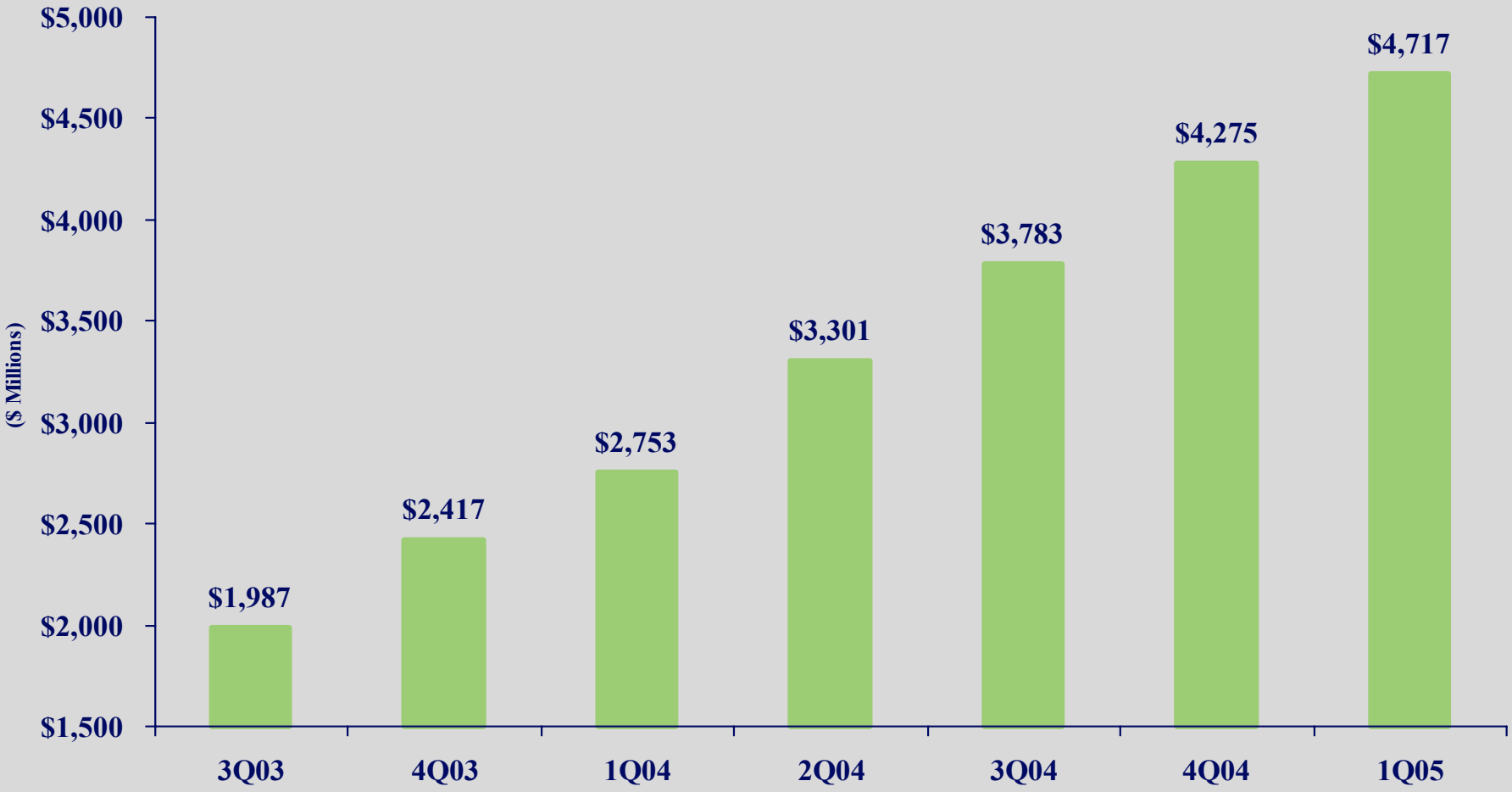
Demonstrated Capital Markets Access

- Equity Markets
  - $367 million IPO – August ’03
  - $430 million Secondary Offering – February ’04
- Convertible Market
  - $225 million 1.25%- March ’04
  - $330 million 3.50%- July ’04
- Term Debt Securitizations
  - Over $4.2 billion in Proceeds from Seven Oversubscribed Transaction
  - Seventh Transaction Closed in April ’05
- $2.0B in Credit Facility Capacity
  - 133% of Expected Annual Net Growth

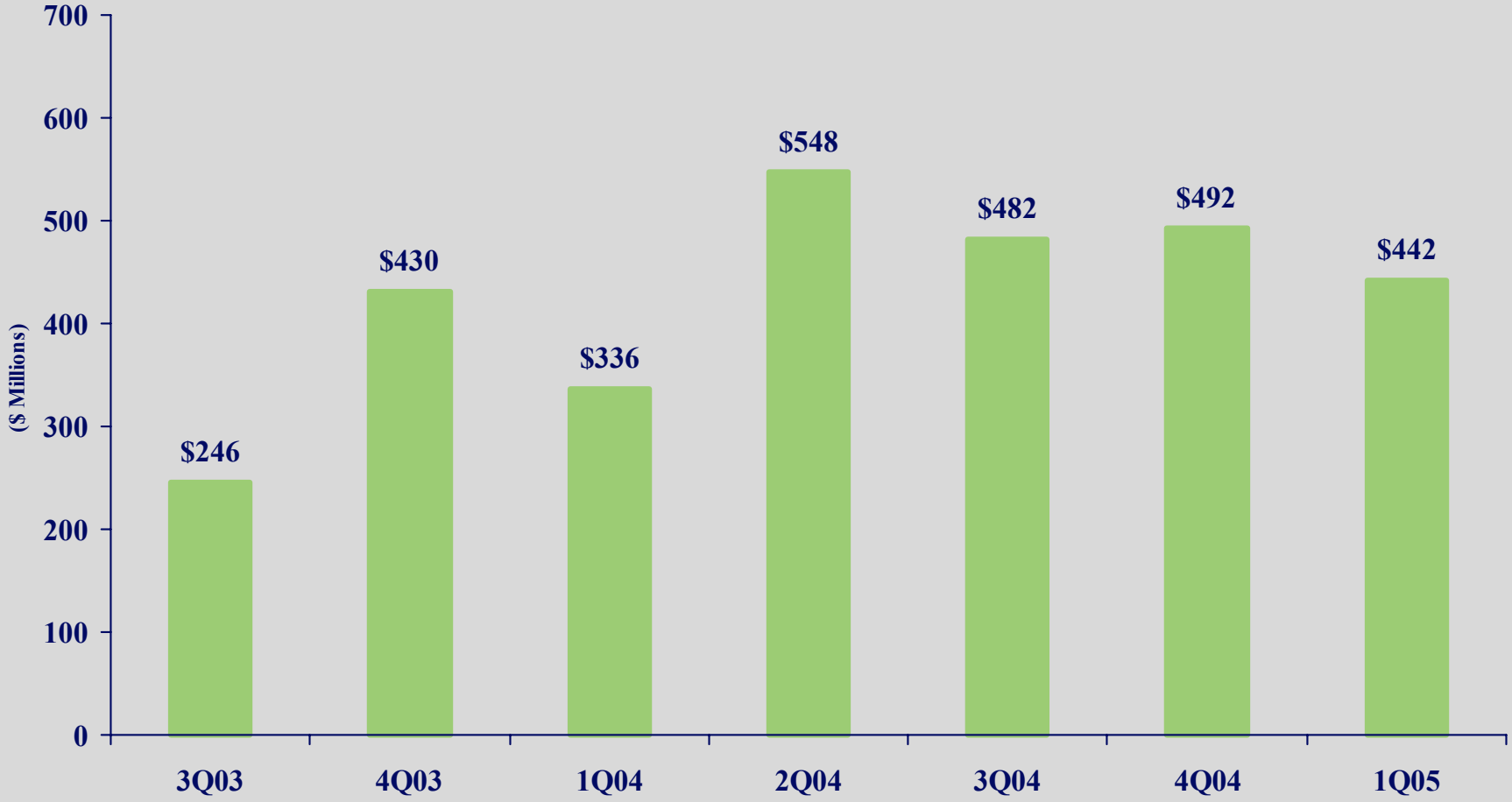
Attractive Financial Characteristics

- Cost of Funds:
  - 2003 – 3.32%; 211 bps Spread to Libor
  - 2004 – 3.08%; 155 bps Spread to Libor
  - Q105 – 3.71%; 107 bps Spread to Libor
- All Financings Accounted for on Balance Sheet
  - No Gain on Sale Recognized
- Largely Interest Rate Insensitive

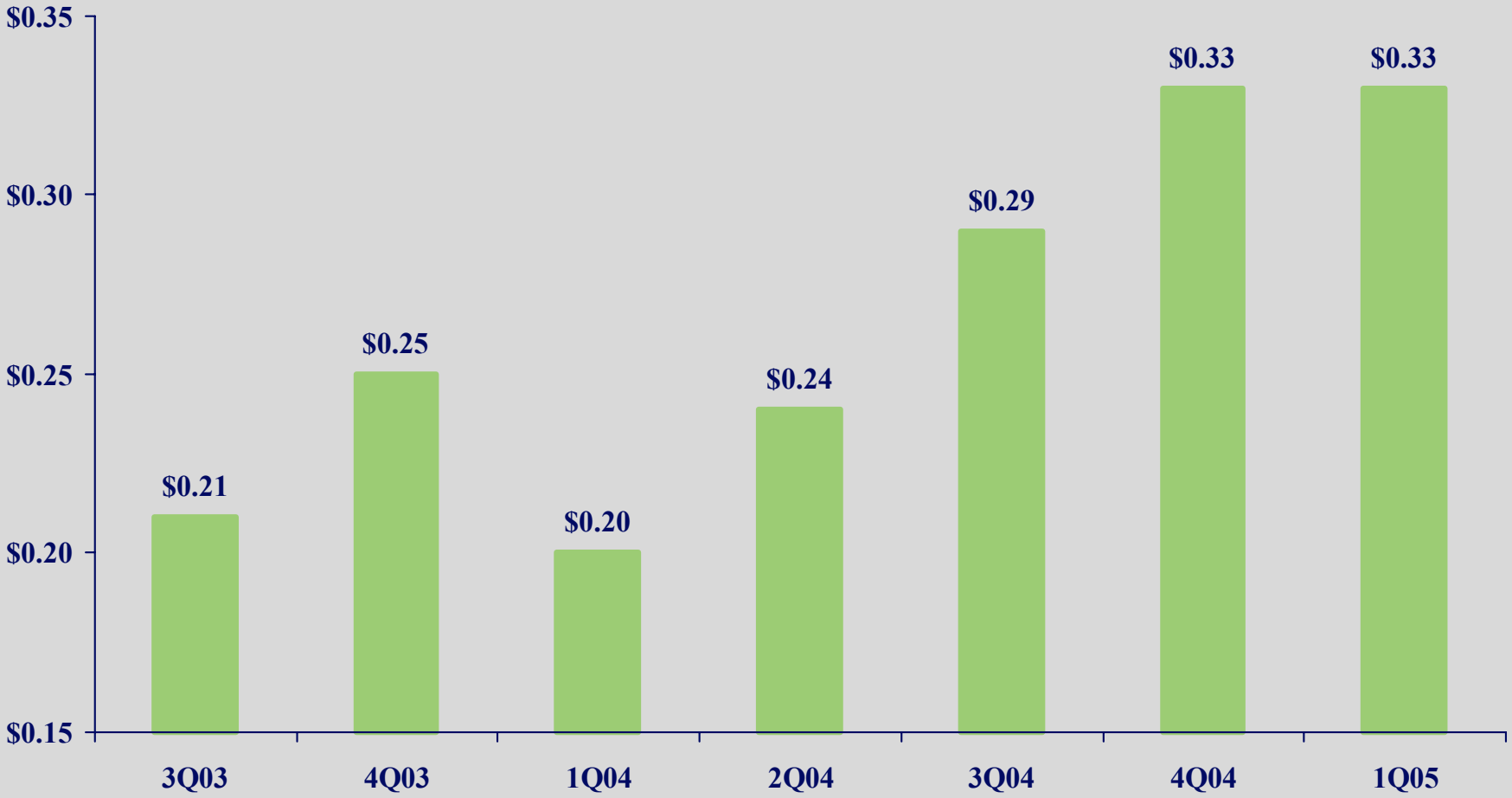
Historical Portfolio Balances



Historical Portfolio Net Growth

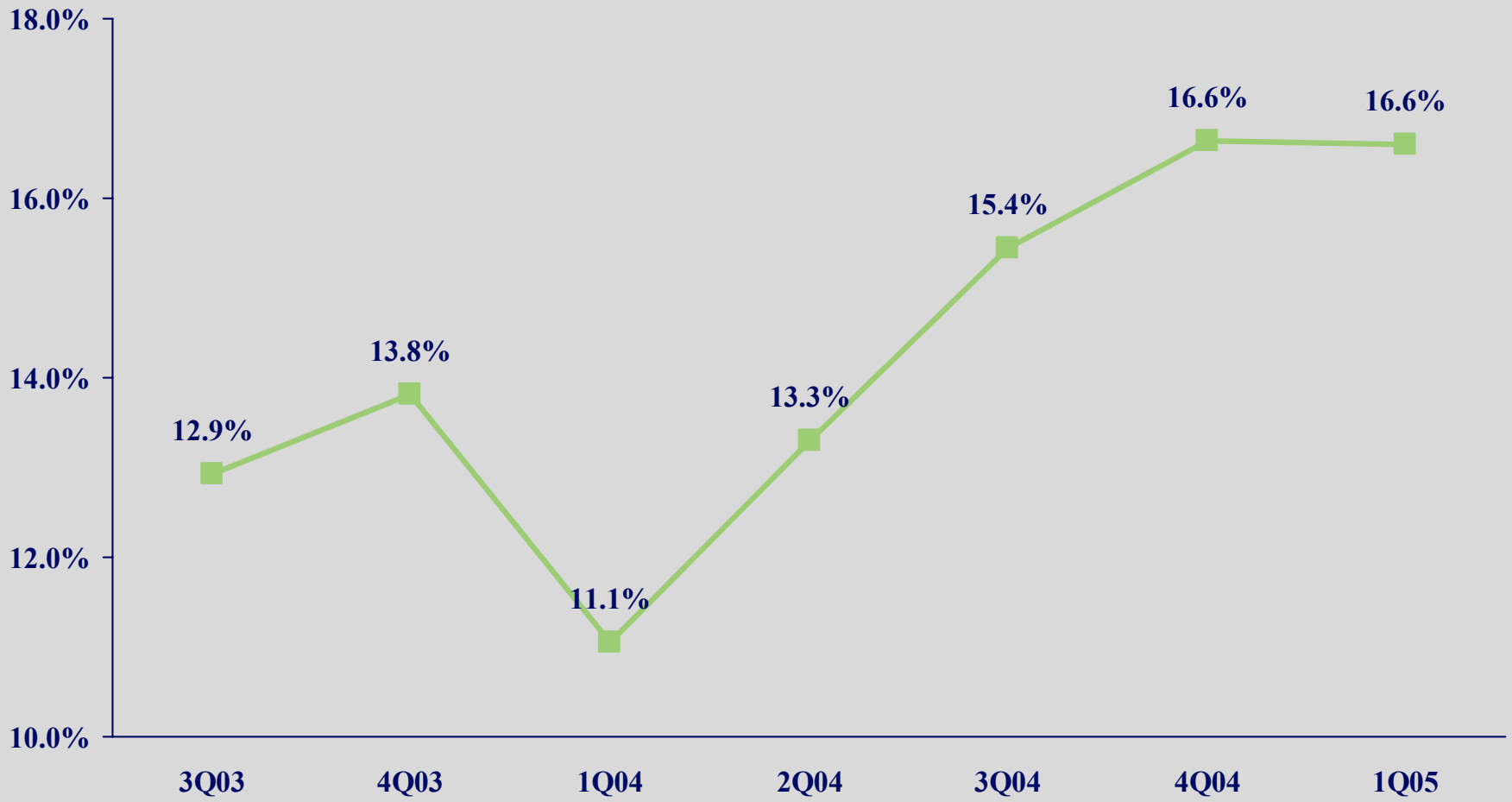


Historical Diluted EPS



Note: 3Q03 is pro forma based on a 38% effective tax rate.

Historical Return on Equity



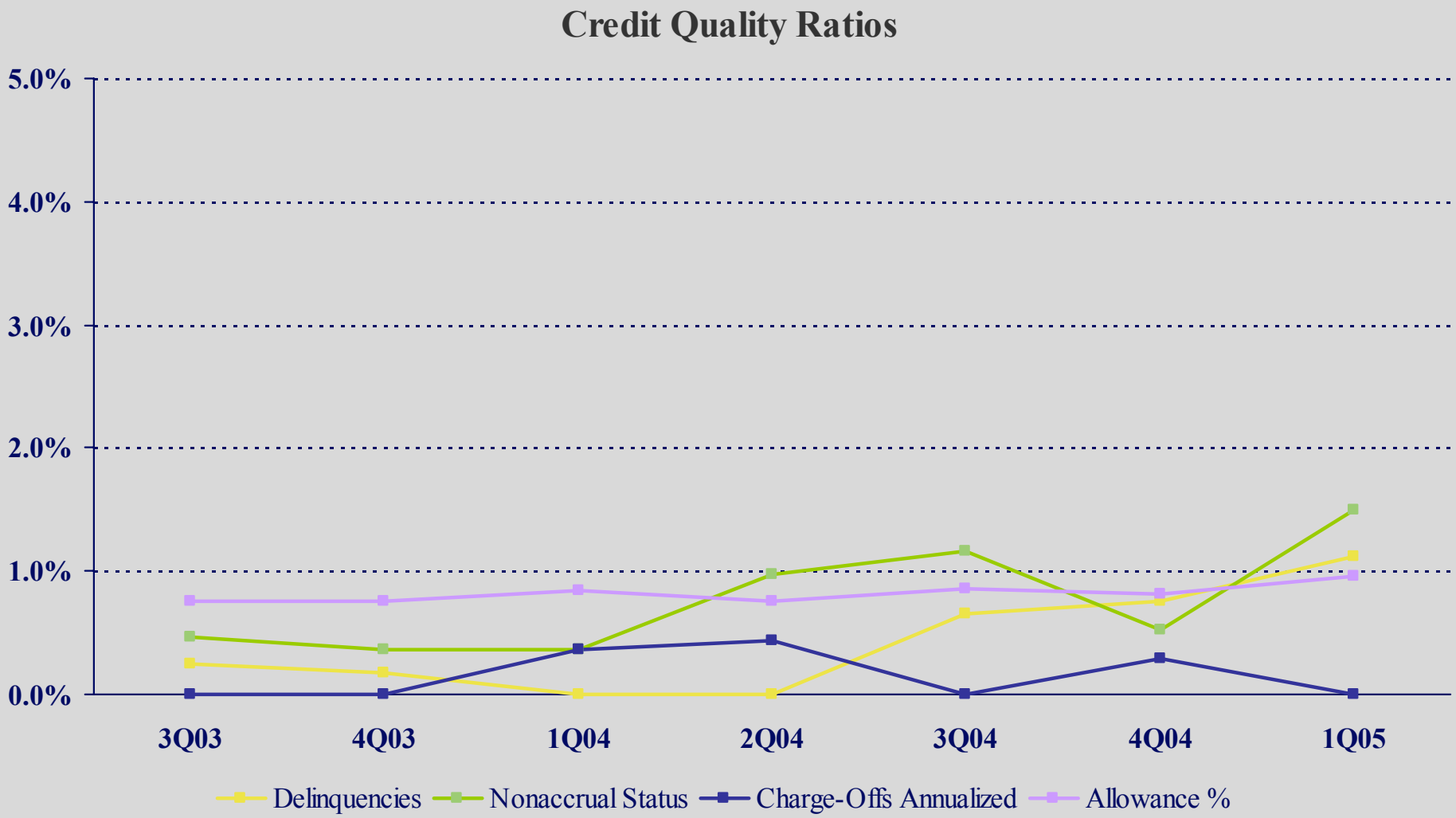
Note: 3Q03 is pro forma based on a 38% effective tax rate.

Financial Metrics

($ millions, except per share data)	Actual FY 2004	Guidance FY 2005	Actual 1Q2005
Net Originations	$ 1,858	$ 1,500	$ 443
Yield on IEA	11.6%	11.1%	11.5%
Cost of Funds	3.1%	3.7%	3.7%
Net Interest Margin	9.3%	8.2%	8.5%
Other Income	$ 17.8	$ 21.1	$ 4.3
General Reserves	70 bps	77 bps	66 bps
Specific Provisions, Annualized	34 bps	40 bps	77 bps
Op Exp to Assets	3.1%	2.7%	2.6%
ROA	3.6%	3.3%	3.3%
ROE	14.2%	16.5%	16.6%
Leverage (Period End)	3.9x	4.4x	4.0x
Diluted EPS	$ 1.06	$ 1.45	$ 0.33

Source: Annual Investor Conference Presentation and Press Releases

Historical Credit Metrics

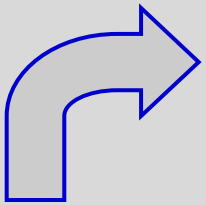


Recovery Analysis through March 31, 2005

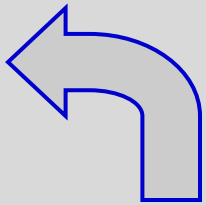
- Since June 2003, CapitalSource has Reported 18 Loans (Totaling $220.8 Million) as Delinquent and/or Non-Accrual
  - *10 Loans ($151.5 Million) First Appeared in 60+ Delinquencies*
  - *8 Loans ($69.4 Million) First Appeared in Non-Accruals*
- Eleven Loans ($102.7 Million) were Resolved with a Net Recovery of 92%
  - *Senior Secured Asset-Based: 2 Loans ($14.2 Million); Net Recovery of 93%*
  - *Senior Secured Cash Flow: 3 Loans ($36.5 Million); Net Recovery of 88%*
  - *First Mortgage: 6 Loans ($52.0 Million); Net Recovery of 94%*
- Seven Loans ($118.1 Million) remain with $13.1 Million of Specific Reserves
  - *First Mortgage : 4 Loans ($51.5 Million)*
  - *Senior Secured Cash Flow : 3 Loans ($66.6 Million)*

Note: Data as of March 31, 2005. Non-Accrual and Delinquent Loan Balances as of Date Loans First Disclosed in Credit Statistics.
Source: CapitalSource Asset Manager (CAM)- Unaudited

Methodology For Determining Specific Reserve Assumption



40 Basis Points
(On Annual
Average Balance)



1st Half 2004 Chargeoffs

($ Millions)	1Q04	2Q04
Chargeoffs	$ 2.3	$ 3.4
Average Balance	2,527.0	3,101.5
Chargeoffs as % of Avg. Balance	9 bps	11 bps
Annualized Chargeoffs	36 bps	44 bps

Average Annualized Chargeoff Experience = 40 bps

First Cut Static Pool Analysis

($ Millions)	
Weighted Average Life of Loans	approx. 2.5 yrs
2004 Static Pool Period	1/1/02 - 6/30/04
Est. Average 2004 Static Pool Balance	$1,600.0
Forecasted 2004 Specific Reserves	$11.3
Specific Reserves as % of Avg. Balance	71 bps
2005 Static Pool Period	1/1/03 - 6/30/05
Est. Average 2005 Static Pool Balance	$2,850.0
Forecasted 2005 Specific Reserves (@ 71bps)	$20.2
Estimated 2005 Average Balance	$5,000.0

Forecasted 2005 Specific Reserves = 40 bps

Note: Allowance for Loan Losses 75 bps as of June 30, 2004

Source: CapitalSource Annual Investor Conference Presentation

Investment Highlights

- Large, Underserved Market
- Strategic Sector Focus
- Tailored Model
- Strong Credit Culture
  - "Credit First" Approach
- Conservative Balance Sheet Leverage
- Experienced, Motivated Team

Superior Growth and Returns

- Strong Risk-Adjusted Yields
- Stable, Improving Financing Spreads
- Scalable Platform
- Earnings Growth not Dependent on Volume Growth

Supplemental Information

Balance Sheet

($000s)

	12/31/2004	3/31/2005	Growth
Cash	$ 206,077	$ 87,750	-57%
Restricted Cash	237,176	169,655	-28%
Loans	4,274,525	4,717,308	10%
Deferred Loan Fees	(98,936)	(107,288)	8%
Allowance for Loan Losses	(35,208)	(45,105)	28%
Loans, net	4,140,381	4,564,915	10%
Investments	44,044	49,832	13%
Other Assets	109,151	89,148	-18%
Total Assets	$ 4,736,829	$ 4,961,300	5%
Credit Facilities	$ 964,843	$ 1,516,345	57%
Term Debt	2,186,311	1,830,999	-16%
Unsecured Debt	555,000	555,000	NA
Total Borrowings	3,706,154	3,902,344	5%
Other Liabilities	84,284	69,929	-17%
Total Liabilities	3,790,438	3,972,273	5%
Total Equity	946,391	989,027	5%
Total Liabilities and Equity	$ 4,736,829	$ 4,961,300	5%

Income Statement

($000s, except per share data)

	FY 2003	FY 2004	Growth	1Q2004	1Q2005	Growth
Total Interest and Fee Income	$ 225,765	$ 400,151	77%	$ 80,839	$ 135,057	67%
Interest Expense	(39,956)	(79,053)	98%	(13,099)	(34,586)	164%
Net Interest and Fee Income	185,809	321,098	73%	67,740	100,471	48%
General Reserves	(8,609)	(14,547)	69%	(4,091)	(1,218)	-70%
Specific Reserves	(2,728)	(11,163)	309%	(3,172)	(8,684)	174%
Net Interest & Fee Income after Chargeoffs & Provision	174,472	295,388	69%	60,477	90,569	50%
Total Operating Expenses	(67,807)	(107,748)	59%	(22,281)	(30,620)	37%
Total Other Income	25,815	17,781	-31%	351	4,310	1128%
Pre-tax Income	132,480	205,421	55%	38,547	64,259	67%
Taxes	(50,342)	(80,570)	60%	(14,648)	(25,061)	71%
Net Income	$ 82,138	$ 124,851	52%	$ 23,899	$ 39,198	64%
EPS (Fully Diluted)	$ 0.77	$ 1.06	38%	$ 0.20	$ 0.33	65%

Note: After-tax net income for 2003 is pro forma based on a 38% effective tax rate.

Credit Quality Disclosure from 3/31/05 10-Q

	March 31, 2005	December 31, 2004
	($ in thousands)	
Asset Classification		
Loans 60 or more days contractually delinquent	$ 52,971	$ 32,278
Non-accrual loans(1)	70,196	22,443
Impaired loans(2)	142,117	32,957
Less: loans in multiple categories	(100,186)	(23,120)
Total	$ 165,098	$ 64,558
Total as a percentage of total loans	3.50%	1.51%

(1) Includes loans with an aggregate principal balance of $1.2 million and $0.7 million as of March 31, 2005 and December 31, 2004, respectively, that were also classified as loans 60 or more days contractually delinquent.

(2) Includes loans with an aggregate principal balance of $30.0 million and $0.7 million, respectively, as of March 31, 2005 and December 31, 2004 that were also classified as loans 60 or more days contractually delinquent, and loans with an aggregate principal balance of $70.2 million and $22.4 million as of March 31, 2005 and December 31, 2004, respectively, that were also classified as loans on non-accrual status.

	March 31, 2005		December 31, 2004	
Impaired Loan Classification	**Principal**	**Specific Reserves**	**Principal**	**Specific Reserves**
	($ in thousands)			
Impaired loans with specific reserves	$ 79,334	$ 13,785	$ 29,154	$ 5,101
Impaired loans with no specific reserves(1)	62,783	—	3,803	—
Total	$ 142,117	$ 13,785	$ 32,957	$ 5,101

(1) There are no specific reserves applied to these loans as we believe it is probable that we will collect all principal and interest amounts due.

Source: CapitalSource 10-Q dated 3/31/2005

Analysis of 10Q Disclosure

$ Millions

	3/31/2005	12/31/2004	Change $
Total Impaired Loans	$ 142.1	$ 33.0	$ 109.2
LESS: Loans on Non-Accrual	(70.2)	(22.4)	(47.8)
LESS: Delinquent Loans that also are impaired	(30.0)	(0.7)	(29.3)
ADD BACK: Overlap between Non Accruals Delinquent	1.2	0.7	0.5
Total	**$ 43.1**	**$ 10.5**	**$ 32.6**

Source: CapitalSource 10-Q dated 3/31/2005


CapitalSource