



2011 Citi Financial Services Conference

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Chief Financial Officer
March 10, 2011

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, strategies, goals, and projections and including statements about growing our business and our assets, increased quarterly loan production levels, our expectations regarding our application to become a bank holding company and convert CapitalSource Bank's charter to a commercial charter, expectations of being repaid on loans, managing our legacy portfolio; our expectations regarding sufficiency of earnings, future credit performance, charge-offs levels and sufficiency of our reserves; our portfolio's credit trends, expected ROA, projected operating expense, our net interest margin improving, provisions impact on our financial results; growth of our pre-provision earnings, as well as our charge-offs; projections about our profitability; our liquidity and financing plan, the timing of our ability to file a consolidated tax return; the maturities of our recourse debt, 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," "position," "project," "will," "should," "would," "seek," "continue," "outlook," "look forward," and similar expressions are generally intended to identify forward-looking statements. All forward-looking statements (including statements regarding preliminary and 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: changes in economic or market conditions or investment or lending opportunities; continued or worsening disruptions in credit and other markets; increase in interest rates and lending spreads; continued or worsening credit losses, charge-offs, reserves and delinquencies; our ability to successfully and cost effectively operate our business, including CapitalSource Bank; our ability to successfully grow CapitalSource Bank's deposits and commercial loan assets or deploy its capital in favorable lending transactions; competitive and other market pressures on product pricing and services; reduced demand for our services; significant decline in market interest rate spreads; success and timing of other business strategies; changes in tax laws or regulations affecting our business; our judgment employed in setting reserves could be based on erroneous assumptions; the nature, extent and timing of governmental actions and legislation; and other factors described in CapitalSource's 2010 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 except as required by applicable law.

Presentation Outline

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Pairing a Regional Bank with a National Lending Platform

Balance Sheet Lender

- ▶ Since its founding in 2000, CapitalSource Inc. has been a balance sheet lender with a strong asset generation platform, producing loans that are originated, underwritten and managed internally

Specialty Business Lines

- ▶ The Company emphasizes specialty lending across a diverse group of business areas (e.g. healthcare, equipment finance, security and technology), including asset backed, cash flow and real estate secured loans

A California Depository

- ▶ A successful pairing of the CapitalSource national, small business and middle-market lending platform with a strong California depository was initiated in 2008 with the formation of CapitalSource Bank

A Strong and Growing California Bank

- De novo California Industrial Bank formed in July 2008
- 21 retail branches in deposit rich southern and central California
- Strong liquidity and high capital levels
- \$3.8 billion loan portfolio
- \$6.1 billion total assets

Select Data	12/31/10	12/31/09	Δ
Assets	\$6.1 billion	\$5.7 billion	+8%
Commercial loans	\$3.8 billion ⁽¹⁾	\$3.0 billion	+25%
Cash / Investments	\$2.1 billion	\$2.0 billion	+5%
Deposits	\$4.6 billion	\$4.5 billion	+3%
Average Deposits Per Branch	~\$220 million	~\$205 million	+7%
Total Capital	\$925 million	\$868 million	+6%
Tier 1 Leverage Ratio	13.15%	12.80%	+3%
Risk-based Capital Ratio	18.13%	17.47%	+4%



Data as of December 31, 2010

⁽¹⁾ Includes remaining balance of \$1.5 billion of loans purchased from the Parent Company at the inception of CapitalSource Bank – original purchase was \$2.2 billion

Fourth Quarter 2010 Key Messages

Loan Growth Tops Expected Range

- ▶ New 4Q funded loans at CapitalSource Bank were \$536 million, bringing 2010 new funded loans to \$1.6 billion
- ▶ Net loan growth of 20-25% expected in 2011 – with quarterly run rate production in the \$400 – 500 million range

Balance Sheet Strengthening Continued

- ▶ \$476 million of unrestricted cash at the Parent Company
- ▶ Amendment to Senior Secured Notes created substantial financial flexibility, facilitating use of available cash to purchase convertible debt redeemable in July 2011

Credit Improved

- ▶ Quarterly provision for loan losses of \$24 million was lowest since 1Q'08
- ▶ Loans on non-accrual decreased by \$89 million to \$699 million

Plans for Commercial Bank Charter are Progressing

- ▶ Active and ongoing discussions with the Federal Reserve regarding bank holding company application
- ▶ Review process expected to conclude during second half of 2011

Form 10-K
ANNUAL REPORT PURSUANT TO SECTION 13(a)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008
Commission File No. 1-31783

CapitalSource Inc.
(Exact name of registrant as specified in its charter)

15-1286895
(I.R.S. Employer Identification No.)

1 Avenue, 12th Floor
20815
(Mailing Zip Code)

CapitalSource Bank

A Solidly Profitable Quarter

Fourth Quarter and Full Year 2010 Highlights

ASSET ORIENTATION

Growing

- ▶ Quarterly funded new loan originations topped \$500 million in 4Q – 32% higher than the previous quarter
- ▶ Over \$1.6 billion of new loans funded during 2010, expanding the loan portfolio by 25% net of payoffs
- ▶ The percentage of CapitalSource assets at the Bank increased to 65% at year end, compared to 43% one year earlier

NET INTEREST MARGIN

Expanding

- ▶ NIM at 5.04% in 4Q, compared to 4.74% one year ago
- ▶ Average cost of all interest bearing liabilities, including FHLB borrowing, was 1.25% for 4Q – 42 bps or 25% lower than one year ago
- ▶ Net pre-provision interest income increased from \$199 million in 2009 to \$268 million in 2010 (+35%) year-over-year
- ▶ The average all-in yield for new loans written in 4Q was 7.0%

CREDIT

Improving

- ▶ Quarterly provisions declined from \$15 million to \$10 million in 4Q
- ▶ Loans on non-accrual decreased by \$103 million or 29% and charge-offs declined from \$48 million to \$16 million
- ▶ New non-accruals were related to three loans and totaled only \$12 million
- ▶ Short term and 90+ day delinquencies declined in 4Q and for the full year

INCREASE FRANCHISE VALUE

Ongoing

- ▶ Expanded national direct origination platform during 2010 to include corporate asset finance, small business and professional practice lending teams – accounting for over 20% of 2010 new loans funded
- ▶ Managed deposit levels, deposit rates and investment portfolio to improve average net interest margin by 123 basis points year over year
- ▶ Actively pursuing conversion to a commercial bank charter during 2011, subject to ongoing discussions with Federal Reserve staff regarding bank holding company status

The Benefits of Becoming a Commercial Bank

Short Term

- ♦ Minor – the current CapitalSource Bank model is extremely efficient in the current low interest rate environment
 - ♦ Average Bank branches have \$220 million of deposits and average only 4.5 employees
 - ♦ New and renewing CDs rates are below 1% in 4Q'10, with a 90% renewal rate

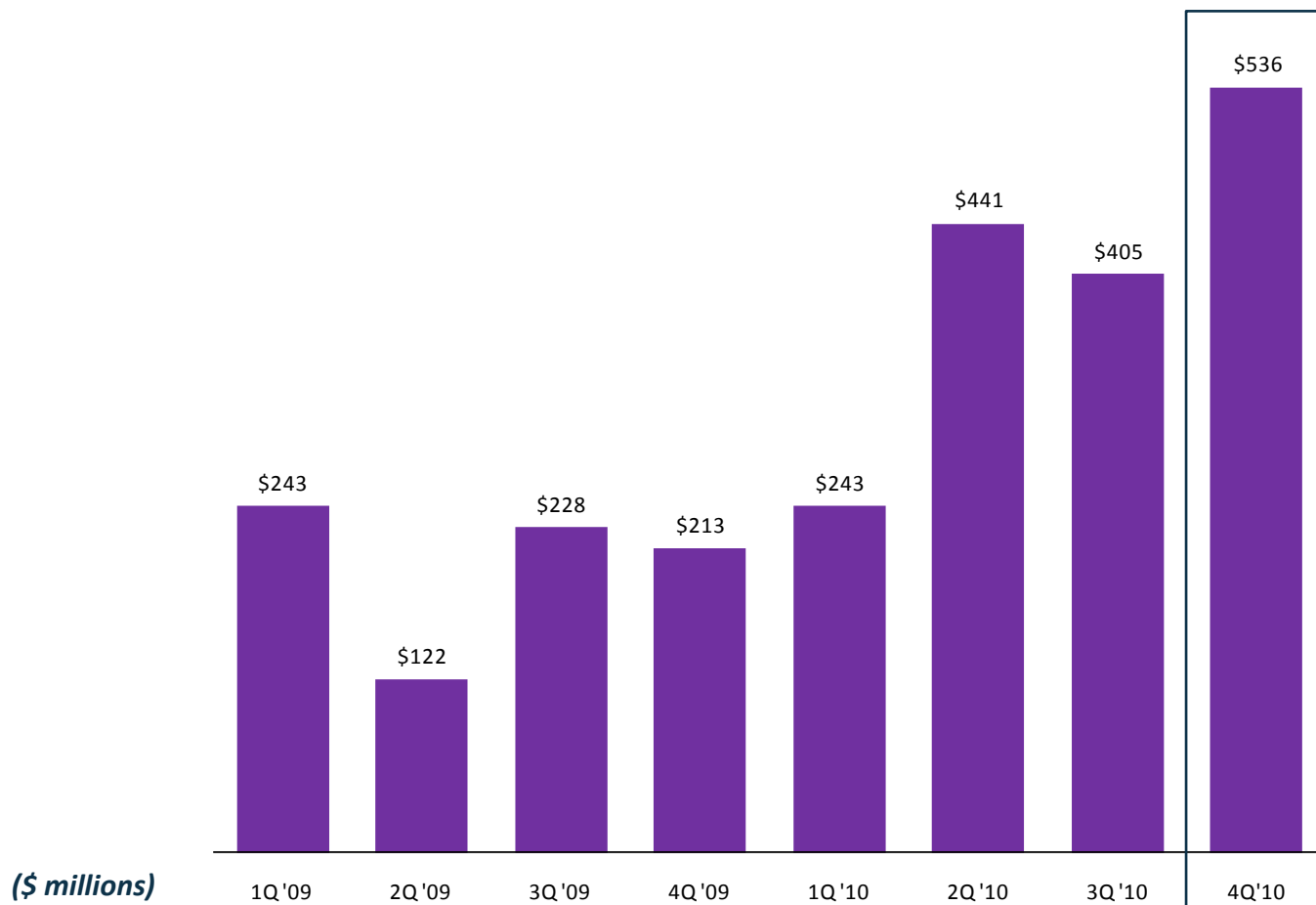
Medium Term

- ♦ Lower funding costs by expanding deposit products and services to include low cost (e.g., checking accounts) and no cost (e.g., lock box) deposits, partially offset by higher operating costs
- ♦ Permit potential acquisition of a commercial bank, to gain needed commercial banking infrastructure and for expansion
- ♦ Create additional business banking opportunities with existing and future borrowers

Long Term

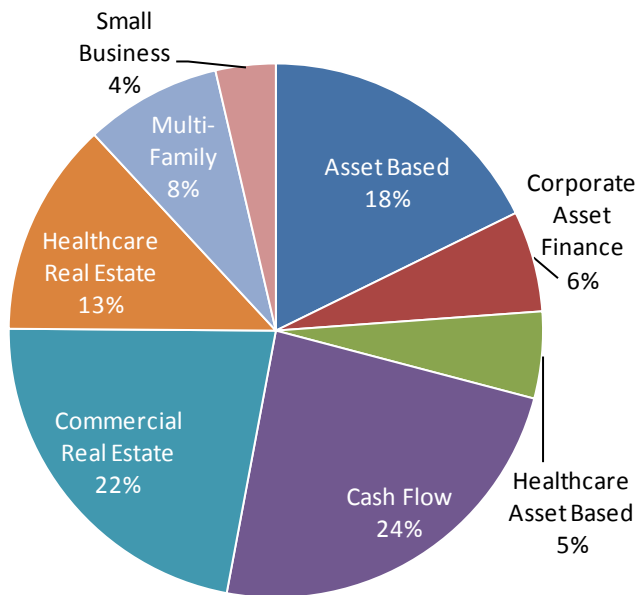
- ♦ Reduce dependency on CDs for deposit growth
- ♦ Remove risk associated with the industrial bank charter, which is subject to a feasibility study pursuant to Dodd-Frank Act

New Funded Loan Growth – Exceeded \$500 Million in 4Q



4Q '10 originations occurred across all lending groups, with the largest concentration in corporate asset finance

A Diversified Loan Portfolio Boosts Lending Capacity



\$ in millions

	Balance	%	Legacy ⁽⁴⁾	CSB ⁽⁵⁾
Asset Based ⁽¹⁾	\$ 683	18%	\$ 370	\$ 312
Corporate Asset Finance	235	6%	1	233
Healthcare Asset Based	202	5%	37	165
Cash Flow ⁽²⁾	918	24%	312	606
Commercial Real Estate ⁽³⁾	853	22%	503	351
Healthcare Real Estate	500	13%	248	252
Multi-Family	318	8%	-	318
Small Business	140	4%	-	140
	\$ 3,849	100%	\$ 1,471	\$ 2,377

Data as of December 31, 2010

⁽¹⁾ Includes security, lender finance and other ABL

⁽²⁾ Includes healthcare, technology, professional practice and other cash flow lending

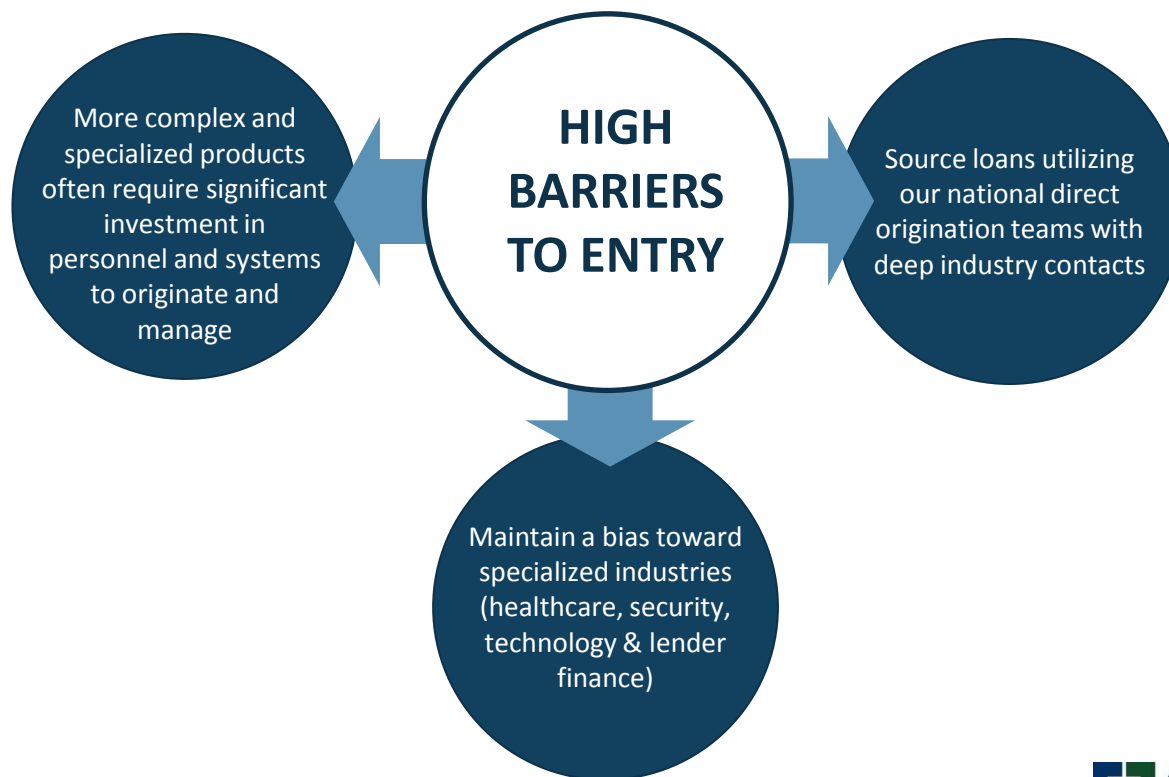
⁽³⁾ Includes hospitality, resort/club and other commercial real estate

⁽⁴⁾ Legacy loans were made at CapitalSource Inc. prior to formation of CapitalSource Bank and sold to the Bank after its formation

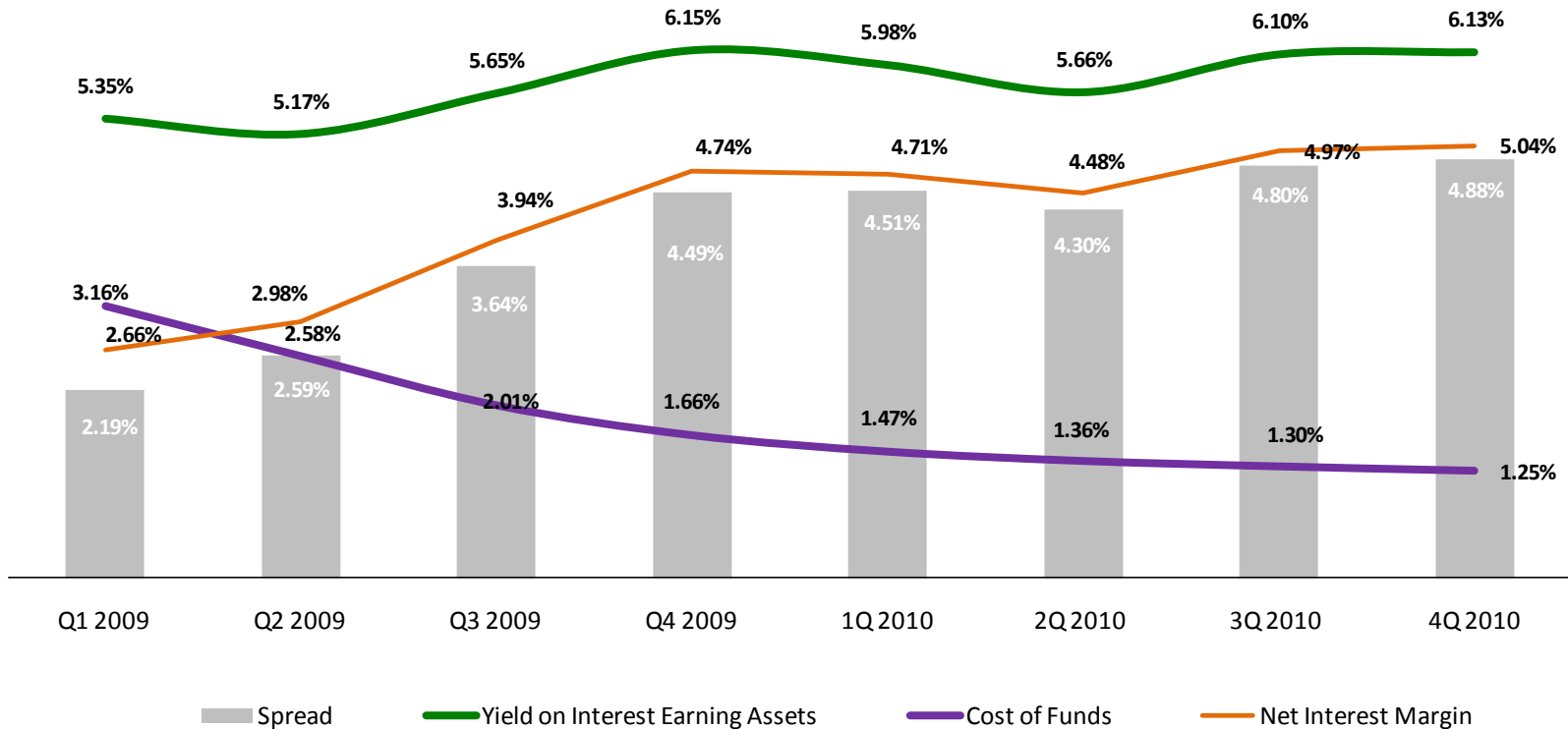
⁽⁵⁾ CS Bank loans are loans underwritten and funded after formation of the Bank

Specialized, National Asset Strategy Is A Competitive Advantage

Provide financing for small and mid-sized businesses for growth, acquisitions, recapitalizations or working capital



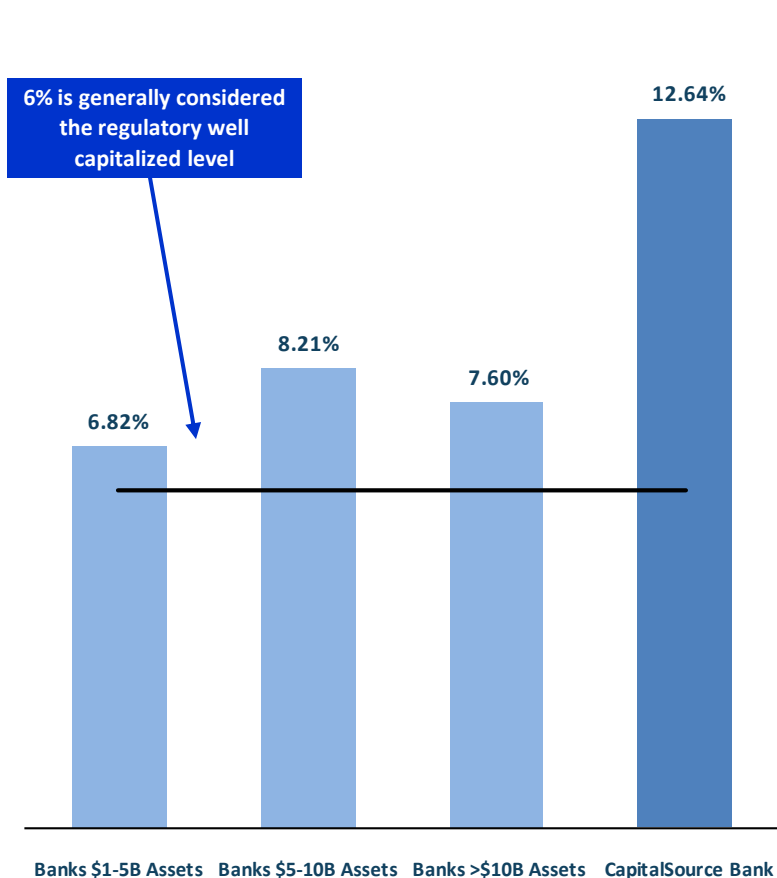
Margin Expansion from Yield Improvement and Funding Cost Reduction



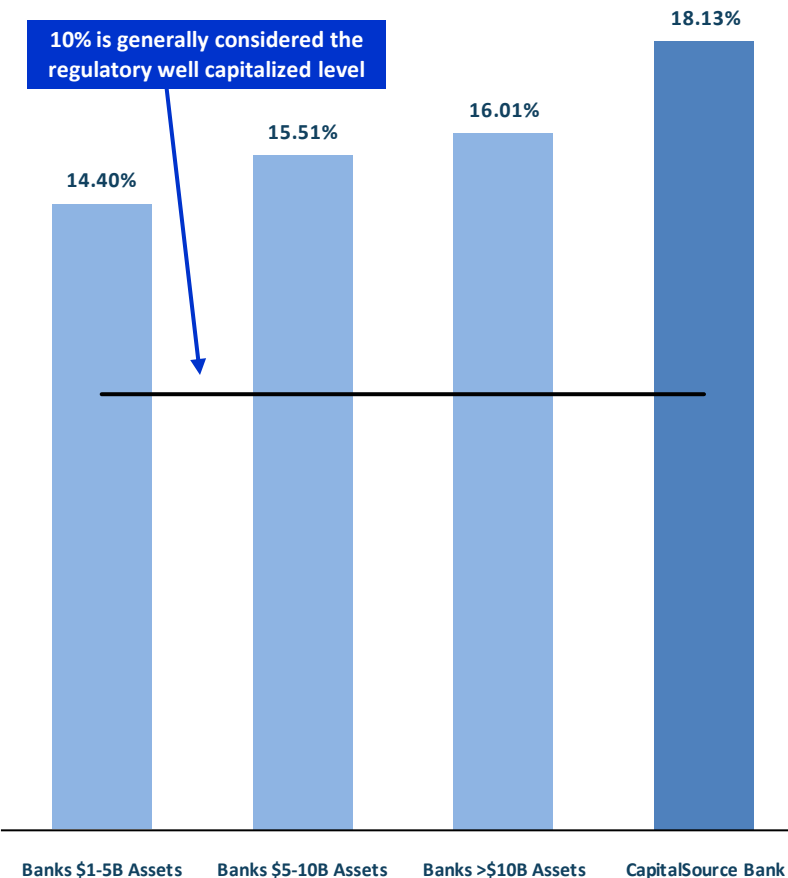
4Q'10 Net Interest Margin of 5.04%

Above Average Capital Levels to Support Expected Growth

Tangible Common Equity/ Tangible Assets

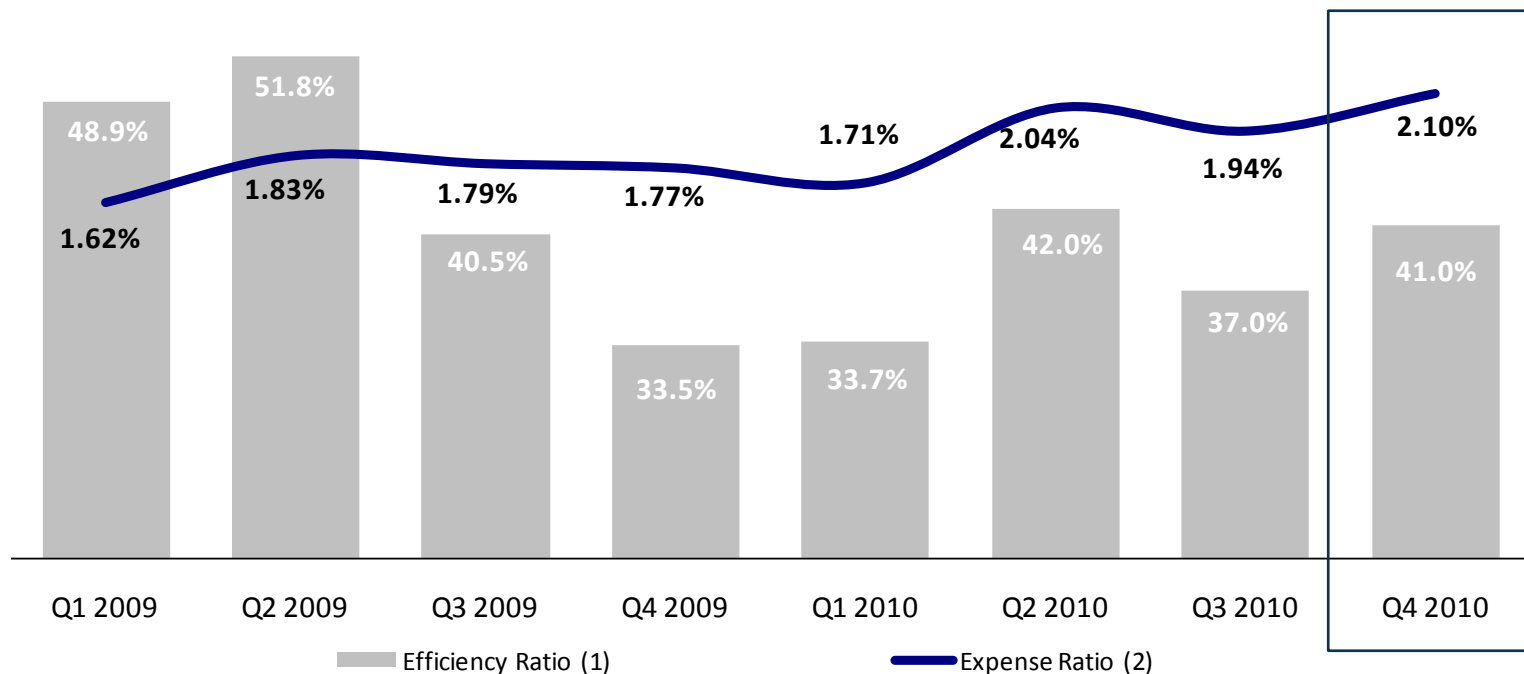


Total Risk-Based Capital Ratio



Data as of December 31, 2010. Source: SNL Financial. Banks used are those traded on the NYSE or NASDAQ. There are 152 banks with \$1-5B in assets, 30 banks with \$5-10B in assets, and 53 banks with >\$10B in assets. The percentages compared are based on reported GAAP numbers

Low Cost Operating Model



Data as of December 31, 2010

⁽¹⁾ Efficiency Ratio is equal to Operating Expense divided by Total Revenue (net interest and non-interest income)

⁽²⁾ Expense Ratio is equal to Operating Expense divided by Average Total Assets

Credit Trends Improved

CapitalSource Bank Loan Portfolio: \$ 3.8 billion

	4Q'10		3Q'10	
Non-Accrual Loans	\$248 million	6.45% of total loans 68% current	\$350 million	9.44% of total loans 53% current
Loan loss provision	\$10 million		\$15 million	
Total Loan Loss Allowance	\$125 million	3.25% of total loans	\$131 million	3.53% of total loans
Charge-offs	\$16 million		\$48 million	
30-89 days delinquent	\$9 million	0.24% of total loans	\$16 million	0.44% of total loans
90+ days delinquent	\$70 million	1.82% of total loans	\$149 million	4.03% of total loans
Impaired Loans	\$346 million	9.00% of total loans	\$402 million	10.86% of total loans

Data as of December 31, 2010

Keys to Success – Since the Inception of CapitalSource Bank

- ✓ **Fresh start bank in July '08 with significant scale and financial strength**
- ✓ **Diverse and specialized national asset origination platform**
- ✓ **Strong capital and liquidity levels**
- ✓ **Loyal depositors support CD-dependent charter**
- ✓ **Community based and personal touch marketing strategy**
- ✓ **Efficient and low cost operating model**
- ✓ **Excellent working relationship with regulators - FDIC and CA DFI**
- ✓ **No TARP or other government assistance programs**

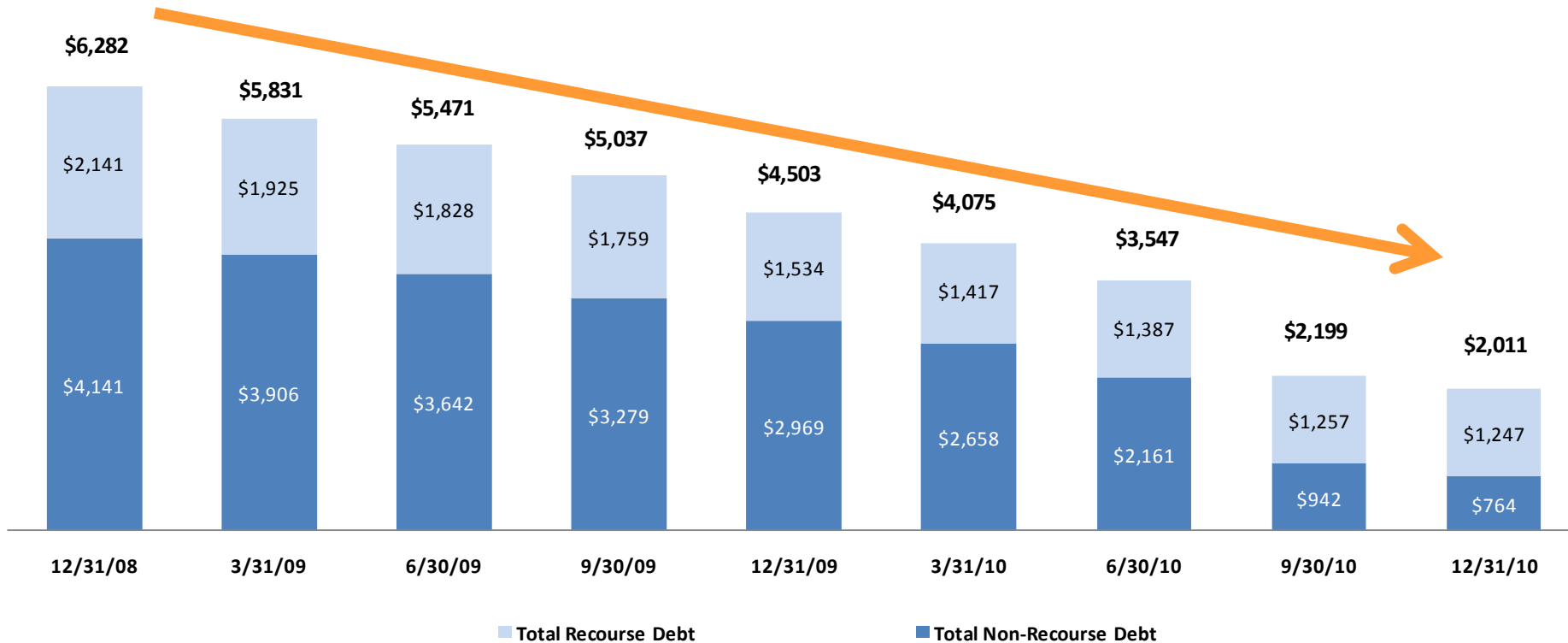


Parent Company: Liquidating the Legacy Portfolio

Deleveraging and Balance Sheet Strengthening Continue

Substantial Debt Reduction Over The Past Two Years

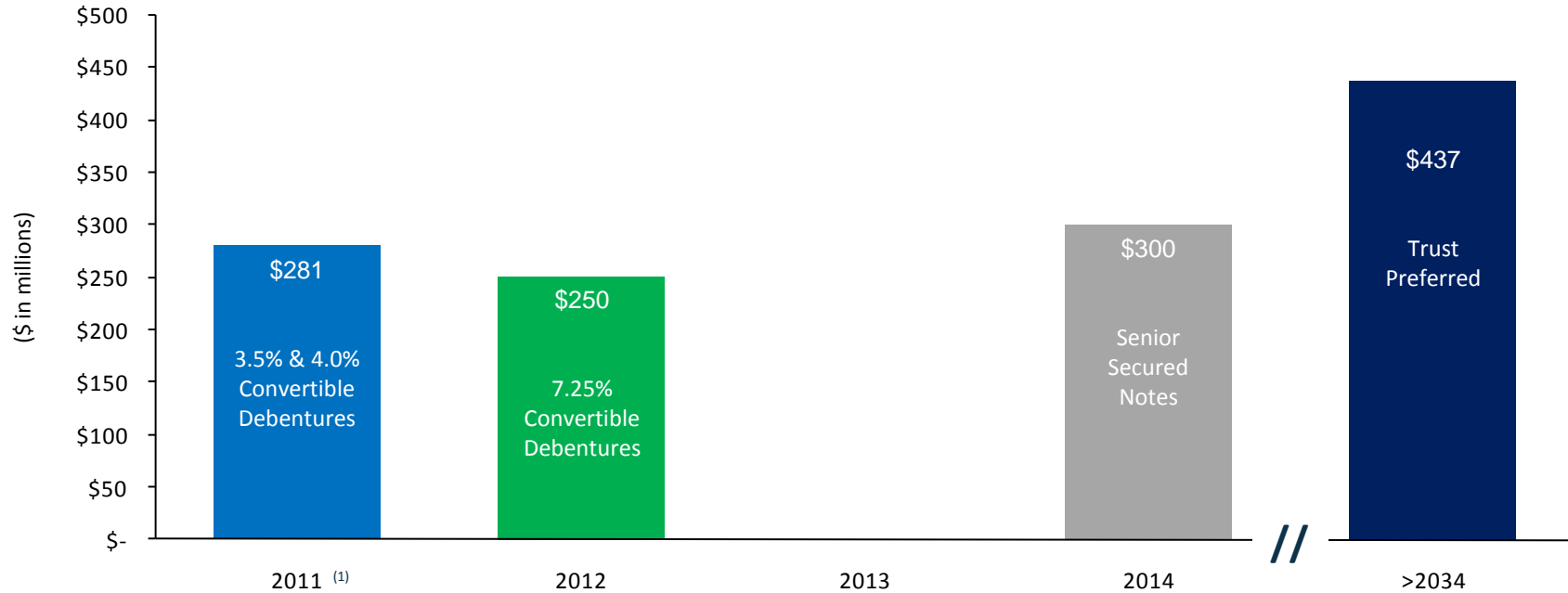
Total Parent Company debt reduced by 68% from \$6.3 billion at 12/31/08 to \$2.0 billion at 12/31/10



Data as of December 31, 2010.

Note: Numbers exclude the RMIP portfolio, the discontinued Net Lease segment, FHLB borrowing and notes payable at CapitalSource Bank

Recourse Debt Maturities Are Very Manageable



Data as of December 31, 2010

Balances are stated as gross principal balances before discounts

⁽¹⁾The commitment on the syndicated bank facility was \$100 million on 12/31/10 with no outstanding balance

Strong Liquidity At The Parent Company

- **Unrestricted cash of \$467 million at 12/31/10**
- **Cash proceeds from European portfolio loan sales and repayments expected to add approximately \$245 million to unrestricted cash during 1H'11**
- **\$325 million Genesis loan pay-off expected in 2Q**
- **Redemption of \$281 million of convertible debentures puttable in July is the only scheduled cash use over and above normal operating expenses during 2011**

Consolidated Credit

Ongoing Progress in 4Q

Highlights of 4Q'10 – Improved Credit Performance

Loan Loss Provision

- ▶ Quarterly provision decreased from \$39 million in 3Q to \$24 million – total allowance was \$329.1 million or 5.17% of loans

Non-Accrual Loans

- ▶ Total loans on non-accrual decreased by \$89 million, a decline of 11%
- ▶ \$406 million or 58% of non-accrual loans were current at quarter end

Charge-Offs

- ▶ Charge-offs were up slightly at \$89 million, compared to \$86 million in 3Q
- ▶ Anticipated charge-offs during 2011 are fully reserved for based on current projections

Troubled Loans and REO

- ▶ 29 REO assets and loans resolved with total proceeds of \$194.6 million
- ▶ The disposition of troubled loans and REO has generally resulted in net proceeds consistent with our current book value

Deferred Tax Asset

The Deferred Tax Asset (DTA) Valuation Allowance

- A valuation allowance has been recorded for CapitalSource taxable entities with a recent history of 3-year cumulative GAAP losses
- The allowance totaled \$414 million at 12/31/10
- The net deferred tax asset at 12/31/10, after subtracting the valuation allowance, was \$98 million
- Reversal of the portion of the valuation allowance associated with the DTA's that have an Ordinary Loss character will require a sustained period of pre-tax income
- Reversal of the portion of the valuation allowance associated with the DTA's that have a Capital Loss character, we will require a reasonable expectation of generating future capital gains
- CapitalSource intends to consolidate tax entities for 2011, so current year taxable income in one entity (e.g. CapitalSource Bank) can be offset against losses in other entities

2010 Accomplishments

2010 Accomplishments

✓ Lending platform expanded

- ▶ Corporate asset finance, professional practice and small business lending groups added

✓ Balance sheet delevered - \$2.9 billion of debt repaid

- ▶ Securitization debt reduced by \$2.0 billion⁽¹⁾
- ▶ Credit facility balances reduced by \$475 million
- ▶ Healthcare net lease segment debt of \$463 million repaid/assigned⁽²⁾

✓ Liquidity profile improved

- ▶ Year-end Parent Company unrestricted cash of \$467 million
- ▶ Net lease asset sales and loan sales added to Parent Company cash

✓ Credit stabilized

- ▶ All credit metrics improved throughout the year and year-over-year

Data as of December 31, 2010

⁽¹⁾ Includes deconsolidation of the \$929 million 2006-A securitization trust

⁽²⁾ Omega Healthcare Investors Inc (OHI) assumed \$182 million of Department of Housing and Urban Development Mortgages and \$20 million of other debt at closing on the sale of 40 long term care facilities on 6/29/10

2010 Accomplishments

☑ **Business Model Simplified**

- ▶ Remaining healthcare net lease assets sold and the segment discontinued
- ▶ 2006-A securitization trust deconsolidated

☑ **Profitable Growth at CapitalSource Bank**

- ▶ CapitalSource Bank funded over \$1.6 billion of new loan commitments
- ▶ All-in underwritten yield of 7.43% on new loans for full year
- ▶ Net Interest Margin was 5.04% for the fourth quarter, an increase of 30 basis points from the prior-year quarter
- ▶ Weighted average interest rate on deposits at the end of the year was 1.18%, a decrease of 38 basis points from the end of the prior year
- ▶ Total loans in the Bank of \$3.8 billion were 25% higher than 12/31/09

2011 Guidance and Strategic Initiatives

Growing Assets, Margins & Profitability at CapitalSource Bank

2011 Projections for CapitalSource Bank:

- **New funded loans of \$1.8-1.9 billion**
 - 10-15% growth over 2010 production
 - \$400-500 million per quarter run rate
- **All-in contractual yield on new loans of 6.5-7.0%⁽¹⁾**
- **Full year cost of interest bearing liabilities below 1.30%⁽¹⁾**
- **Full year operating expense of ~ 2.0% of assets**
- **Maintain 5.0% net interest margin⁽¹⁾**
- **Pre-tax, pre-provision income of \$190-200 million**
- **Full-year ROA of 1.25-1.50%**

⁽¹⁾ Assumes the December 31, 2010 forward yield curve

2011 Strategic Initiatives : Completing Bank Transformation

- **Convert CapitalSource Bank to a commercial charter by year-end 2011**
- **Continue to shrink Parent Company assets through loan payoffs and asset sales**
- **Further reduce Parent Company operating expenses**
- **Continue to reduce the level of charge-offs and quarterly provisions**
- **Substantially complete the transformation to an independent banking model, pairing a regional bank with a national lending platform**
- **Achieve meaningful net loan growth at CapitalSource Bank**
- **Grow consolidated profitability**

Our large and diverse portfolio is balanced—across industries, assets, and investment products. That gives us strength.

Investment Thesis

The Transformation will be Largely Completed in 2011

Positioned for Long-term Success

A strong and viable long-term business model is in place

- ▶ A national asset origination platform, paired with deposit funding provides a distinct competitive advantage
- ▶ High capital ratios at the Parent Company and CapitalSource Bank
- ▶ Pre-provision earnings growth expected over the next 2-3 years

Credit has stabilized

- ▶ Quarterly loan loss provision at the lowest level since 1Q 2008
- ▶ Non-accruals declined throughout 2010
- ▶ Charge-offs should continue to decline during 2011

Loan originations are accelerating

- ▶ 2010 loan production doubled from the prior year
- ▶ \$1.8 - \$1.9 billion new loan funding projected for full year 2011 – a 10-15% increase over 2010

Liquidity profile and book value are improving

- ▶ \$467 million unrestricted cash at the Parent Company on 12/31/10
- ▶ DTA Valuation Allowance of \$414 million represents substantial deferred book value

Our large and diverse portfolio is balanced—across industries, assets, and investment products. That gives us strength.

Questions and Answers

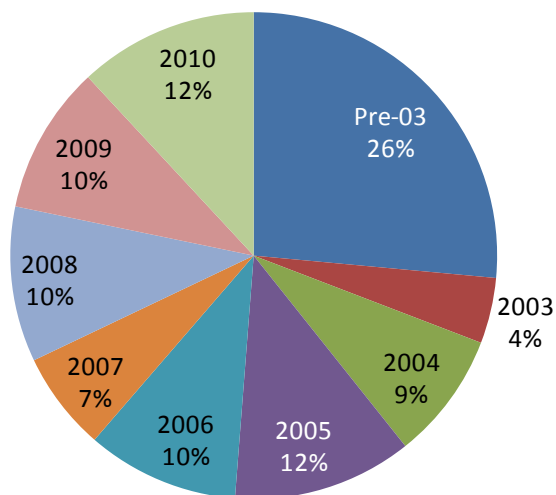
Our large and diverse portfolio is balanced—across industries, assets, and investment products. That gives us strength.

Appendix

CapitalSource Bank	Pages 35-39
Parent Company Funding and Liabilities	Pages 40-43
Consolidated Credit	Pages 44-53

Loyal Depositors and High Retention Rates

Tenure (Customer Since)⁽¹⁾



- ~51% of depositors have been customers⁽¹⁾ since 2005 or before, including nearly 30% before 2003
- Average balance of ~\$53,000 per account and ~\$97,000 per household
- The average household balance is up 23% since 1Q'09
- Retained 90% of all CD maturities in 2010

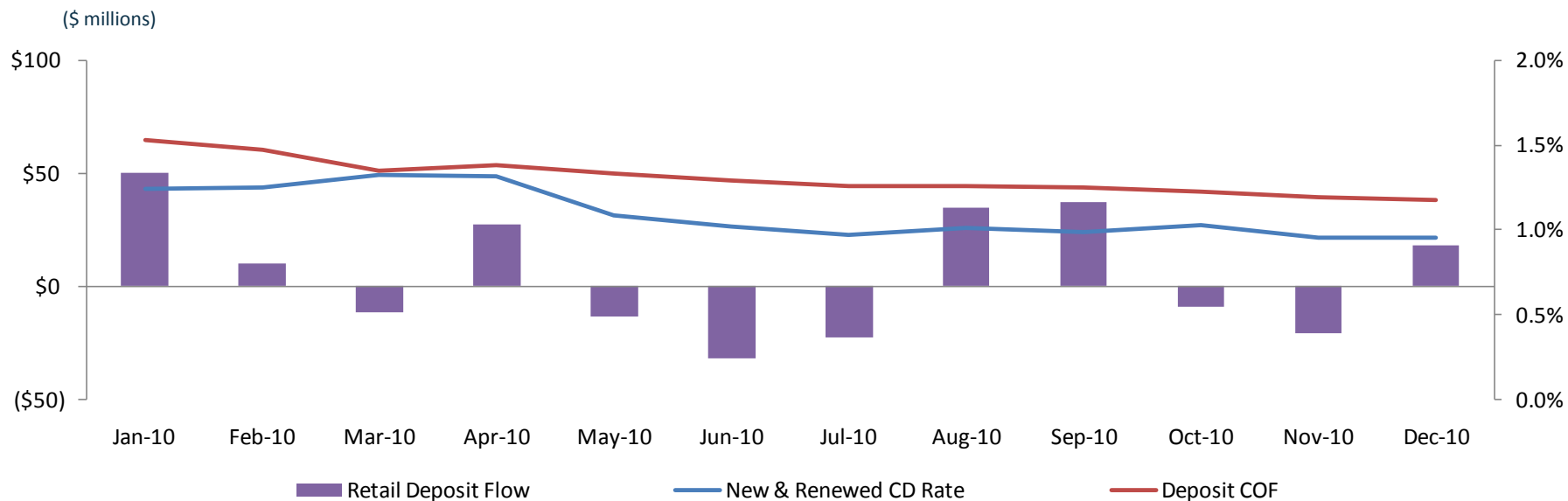
Data as of December 31, 2010

⁽¹⁾ Includes customer history acquired from Fremont Investment & Loan

⁽²⁾ Based on FDIC deposit insurance limit of \$250,000

Deposits Retained Despite Declining CD Costs

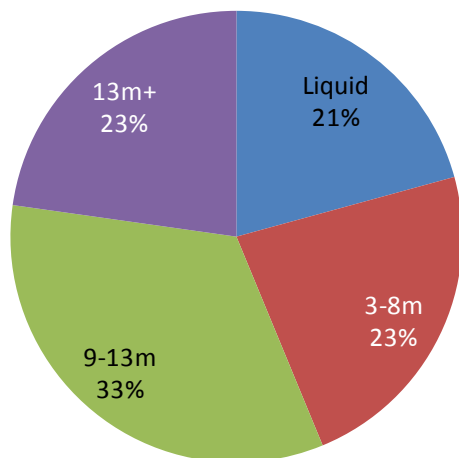
CD Pricing Trend – Deposit Flows



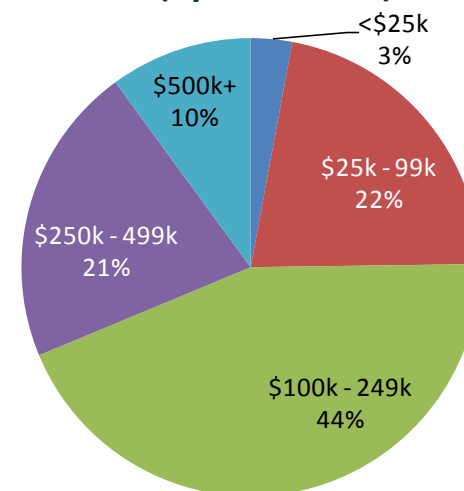
Deposit WAIR was 1.18% at December 31, 2010

Reliable Deposit Funding Capacity

Term



**Balance
(by Household)**



	Deposits	
	12/31/10	
	Amounts	WAIR (%)
Liquid	\$931	0.83
Term deposits: ⁽¹⁾		
3-8	1,187	0.84
9-13	1,257	1.15
13+	1,247	1.79
	3,690	1.27
Total	\$4,621	1.18

- All deposits are retail
- Deposit mix is 79% time deposit and 21% liquid
- We estimate more than 95% of account balances are FDIC insured ⁽²⁾

Data as of December 31, 2010

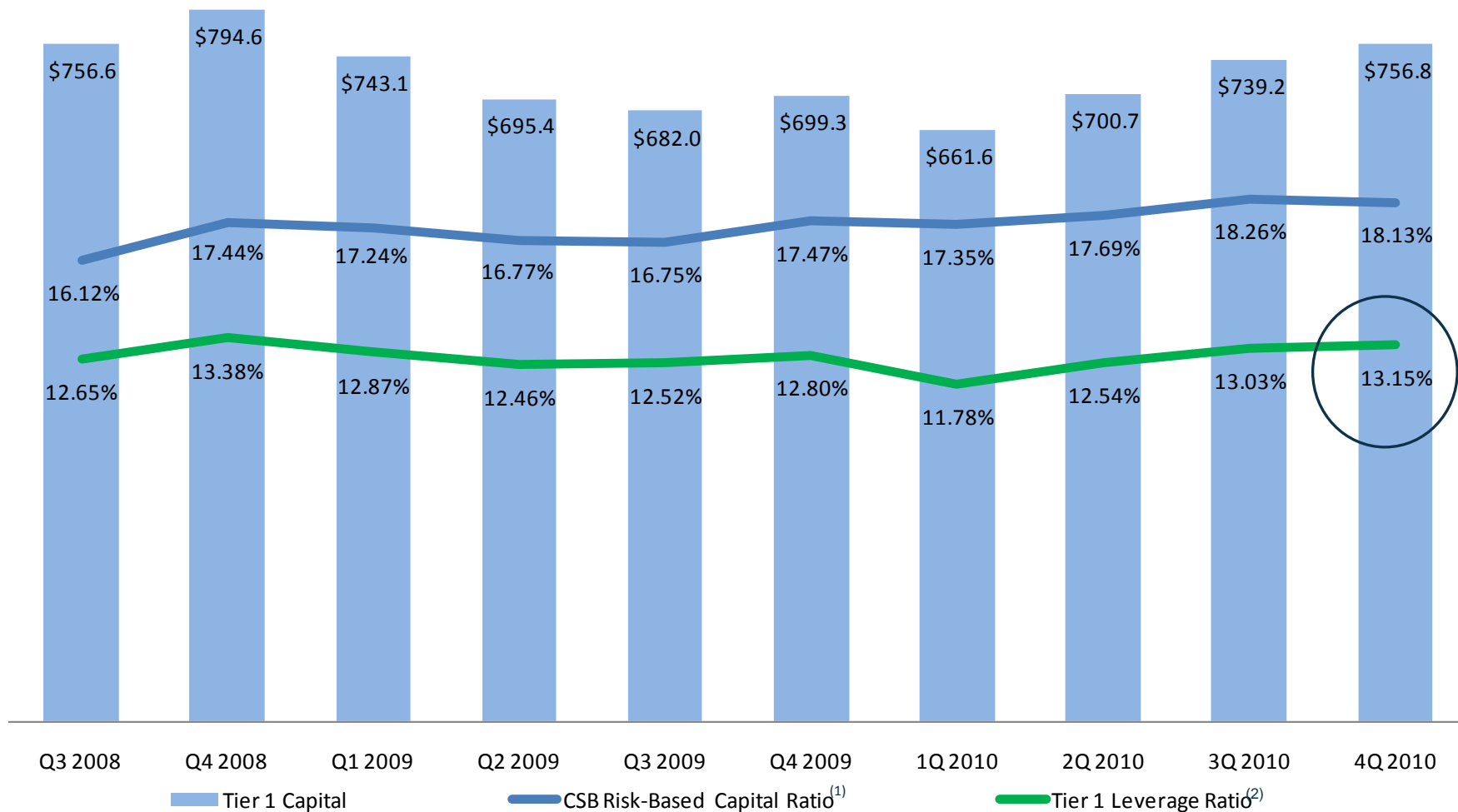
(1) Contractual months

(2) Approximately 10% of household balances are above FDIC limit

Net Interest Margin – Improved to 5.04% in 4Q

<i>\$ in millions</i>	4Q '10			3Q '10		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Interest-earning assets:						
Cash and investments	\$ 1,982	\$ 15	3.01%	\$ 1,969	\$ 15	2.97%
A Participation	1	0	13.62%	83	2	8.07%
Loans	3,650	72	7.82%	3,552	70	7.80%
Total IEA	5,634	87	6.13%	5,605	86	6.10%
Interest-bearing liabilities:						
Deposits	4,613	14	1.20%	4,580	14	1.26%
Borrowings	317	2	1.98%	315	2	1.93%
Total IBL	4,931	16	1.25%	4,895	16	1.30%
Interest spread			4.88%			4.80%
Net interest income/NIM		\$ 72	5.04%		\$ 70	4.97%

High Tier 1 Capital Level = Well Positioned for Growth



Data as of December 31, 2010

⁽¹⁾ Ratio of total risk-based capital to total risk-based assets. Minimum 15% risk-based capital is required by FDIC de novo order.

⁽²⁾ Ratio of Tier 1 capital to average total assets for leverage capital purposes



Funding & Liabilities

Total Debt Declined Rapidly During 2010

	12/31/2010 Balance	% of Total	9/30/2010 Balance	% of Total	Change from 3Q'10	12/31/2009 Balance ⁽¹⁾	% of Total	Change from 4Q'09
Deposits	\$ 4,621	65.6%	\$ 4,627	64.9%	(6)	\$ 4,484	48.8%	137
Non-Recourse Debt					-			-
Structured Facilities	68	1.0%	78	1.1%	(10)	292	3.2%	(224)
Securitizations	694	9.9%	861	12.1%	(167)	2,674	29.1%	(1,980)
FHLB Debt	412	5.8%	300	4.2%	112	200	2.2%	212
Other	3	0.0%	3	0.0%	-	3	0.0%	-
Total Non-Recourse Debt	\$ 1,177	16.7%	\$ 1,242	17.4%	(65)	3,169	34.5%	(1,992)
Recourse Debt								
Syndicated Bank Credit Facility ⁽²⁾	-	0.0%	-	0.0%	-	250	2.7%	(250)
Convertible Debt ⁽³⁾	524	7.4%	534	7.5%	(10)	561	6.1%	(37)
Trust Preferred Securities	437	6.2%	438	6.1%	(1)	440	4.8%	(3)
Senior Secured Notes ⁽³⁾	286	4.1%	285	4.0%	1	283	3.1%	3
Total Recourse Debt	\$ 1,247	17.7%	\$ 1,257	17.6%	(10)	1,534	16.7%	(287)
Total Debt	\$ 2,424	34.4%	\$ 2,499	35.1%	(75)	\$ 4,703	51.2%	(2,279)
Total Debt and Deposits	\$ 7,045	100.0%	\$ 7,126	100.0%	(81)	\$ 9,187	100.0%	(2,142)

Data as of December 31, 2010

(1) December 2009 excludes the discontinued Healthcare Net Lease Segment mortgage debt

(2) Commitment on SBF was \$100 million, with no outstanding balance as of 12/31/2010. Balance excludes \$21 million and \$29 million of outstanding Letters of Credit as of 12/31/2010 and 9/30/2010 respectively

(3) Balance net of discounts

60% of Total Loans Now Funded at CapitalSource Bank

Loan Balances by Category and Funding Source

Group	Credit Facilities		Securitizations		Bank		Total	
	\$	%	\$	%	\$	%	\$	%
Commercial Real Estate ⁽¹⁾	284	18.5%	-	0.0%	853	22.2%	1,137	17.9%
Cash Flow ⁽²⁾	634	41.3%	563	57.7%	918	23.9%	2,115	33.3%
Health Care (incl ABL/RE)	450	29.3%	37	3.8%	702	18.2%	1,189	18.7%
Asset Based ⁽³⁾	165	10.8%	377	38.6%	683	17.7%	1,225	19.3%
Multifamily	-	0.0%	-	0.0%	318	8.3%	318	5.0%
Small Business	-	0.0%	-	0.0%	140	3.6%	140	2.2%
Corporate Asset Finance	-	0.0%	-	0.0%	235	6.1%	235	3.7%
Total	1,533	100.0%	976	100.0%	3,849	100.0%	6,358	100.0%

\$ millions

Data as of December 31, 2010

⁽¹⁾ Includes land, 2nd lien, resort/club and CRE Other

⁽²⁾ Includes media, technology, health care and other cash flow

⁽³⁾ Includes lender finance, timeshare and other ABL

Parent Securitizations Detail - \$167 Million Debt Reduction in 4Q

	2006-1	2006-2	2007-1	2007-2	Total	Change from 3Q
Loan Collateral ⁽¹⁾	75.4	569.0	164.3	167.5	976.2	(160.0)
Other Assets ⁽²⁾	6.2	25.8	11.9	10.7	54.6	(8.5)
Debt Outstanding - Third Party Held	50.5	430.6	150.5	62.0	693.6	(167.1)
Debt Outstanding - CSE Held	-	9.3	-	-	9.3	-
CSE Junior Equity Before Reserves ⁽³⁾	31.1	154.9	25.7	116.2	327.9	(1.4)
Reserves	2.1	41.8	25.1	13.4	82.4	(11.5)
CSE Net Equity ⁽⁴⁾	29.0	113.1	0.6	102.8	245.5	10.1
Number of Loans	16	112	23	53		
Collateral Distribution						
Commercial Real Estate ⁽⁵⁾	-	-	-	-	-	-
Cash Flow ⁽⁶⁾	17.9	326.8	104.8	113.2	562.7	(119.3)
Health Care RE/ABL	2.1	23.0	1.6	10.1	36.8	(4.4)
Asset Based ⁽⁷⁾	55.4	219.2	57.9	44.2	376.7	(36.3)
Total	75.4	569.0	164.3	167.5	976.2	(160.0)
Number of States	8	31	15	21		
Lien Position						
Senior	75.4	491.7	130.6	120.5	818.2	(139.7)
Subordinate	-	77.3	33.7	47.0	158.0	(20.3)
Total	75.4	569.0	164.3	167.5	976.2	(160.0)
WA Remaining Term	1.1	1.9	1.4	2.0	1.8	
Pool Yield	10.23	8.09	8.46	7.31		
WA Debt Spread	0.91%	0.83%	0.56%	1.75%		

Data as of December 31, 2010

⁽¹⁾ Represents loan principal balance net of GAAP charge-offs. Excludes foreclosed-upon collateral

⁽²⁾ Represents Cash, Foreclosed Assets, Deferred Financing Fees, and Other Assets net of Deferred Loan Fees

⁽³⁾ Represents CSE equity less ownership of outstanding debt balances

⁽⁴⁾ Excludes future impact of cash earnings (interest received on loans less interest paid on debt) on junior noteholders and equity value

⁽⁵⁾ Includes land, 2nd lien, resort/club and CRE other

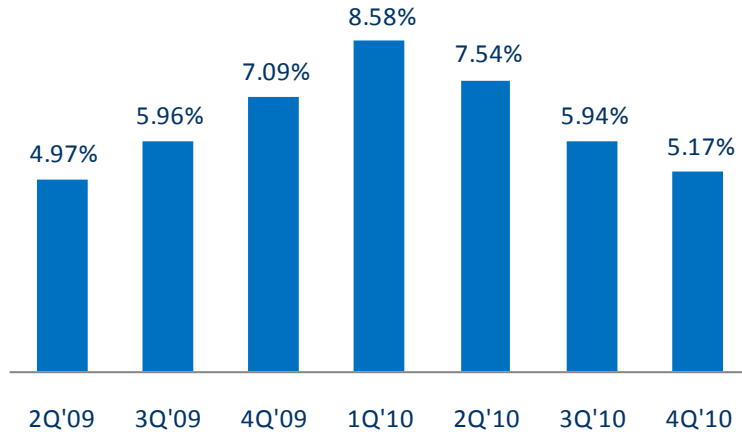
⁽⁶⁾ Includes media, technology, health care and other cash flow

⁽⁷⁾ Includes lender finance, timeshare and other ABL

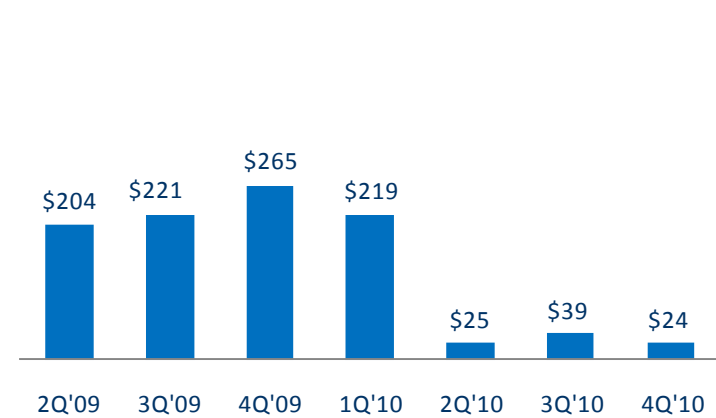
Consolidated Credit

Portfolio Credit Trends Are Improving

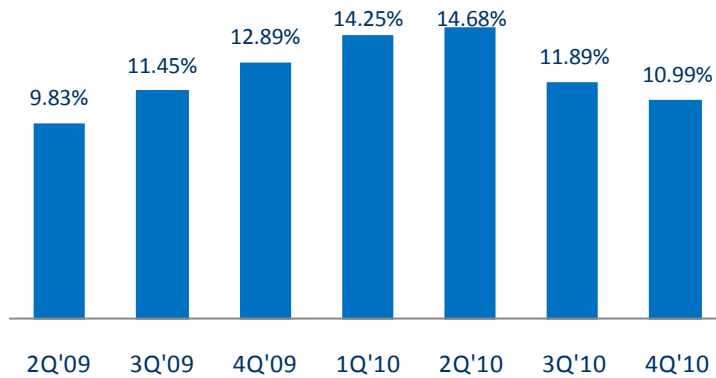
**Total Allowance
% of Loans**



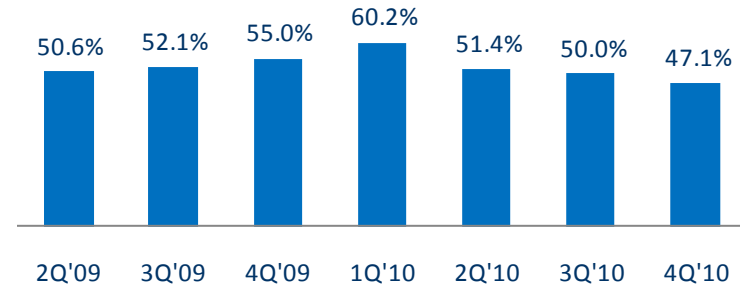
**Quarterly Provision for Commercial
Loan Losses**



**Non-accrual Loans
% of Loans**



**Allowance for Loan Losses
% of Non-accrual Loans**



General Reserves Declined in 4Q'10 as Total Loans Declined

(\$ in millions)	4Q'09	1Q'10	2Q'10	3Q'10 ⁽¹⁾	4Q'10	Change From Prior Quarter
General	\$470.2	\$494.5	\$426.5	\$314.5	\$250.1	-20.5%
Specific	116.5	191.7	152.1	79.1	79.0	-0.2%
Total	\$586.7	\$686.2	\$578.6	\$393.6	\$329.1	-16.4%

Loan Category	4Q'09		1Q'10		2Q'10		3Q'10 ⁽¹⁾		4Q'10	
	\$	%	\$	%	\$	%	\$	%	\$	%
Asset Based ⁽²⁾	5.6	0.0%	4.0	0.0%	3.2	0.0%	5.5	7.0%	10.0	12.7%
Cash Flow ⁽³⁾	31.3	0.0%	38.4	0.0%	41.3	0.0%	40.7	51.5%	45.5	57.6%
Commercial Real Estate ⁽⁴⁾	79.5	0.0%	147.4	0.0%	105.7	0.0%	27.0	34.1%	21.1	26.7%
Health Care Real Estate	0.1	0.1%	1.9	1.0%	1.9	1.3%	1.7	2.2%	2.3	2.9%
Other ⁽⁵⁾	-	0.0%	0.0	0.0%	-	0.0%	4.2	5.3%	0.1	0.1%
Total	\$116.5	100%	\$191.7	100%	\$152.1	100.0%	\$79.1	100.0%	\$79.0	100.0%

Data as of December 31, 2010

⁽¹⁾ Includes the impact of deconsolidation of the 2006-A securitization trust which reduced specific reserves by \$46 million and general reserves by \$92 million

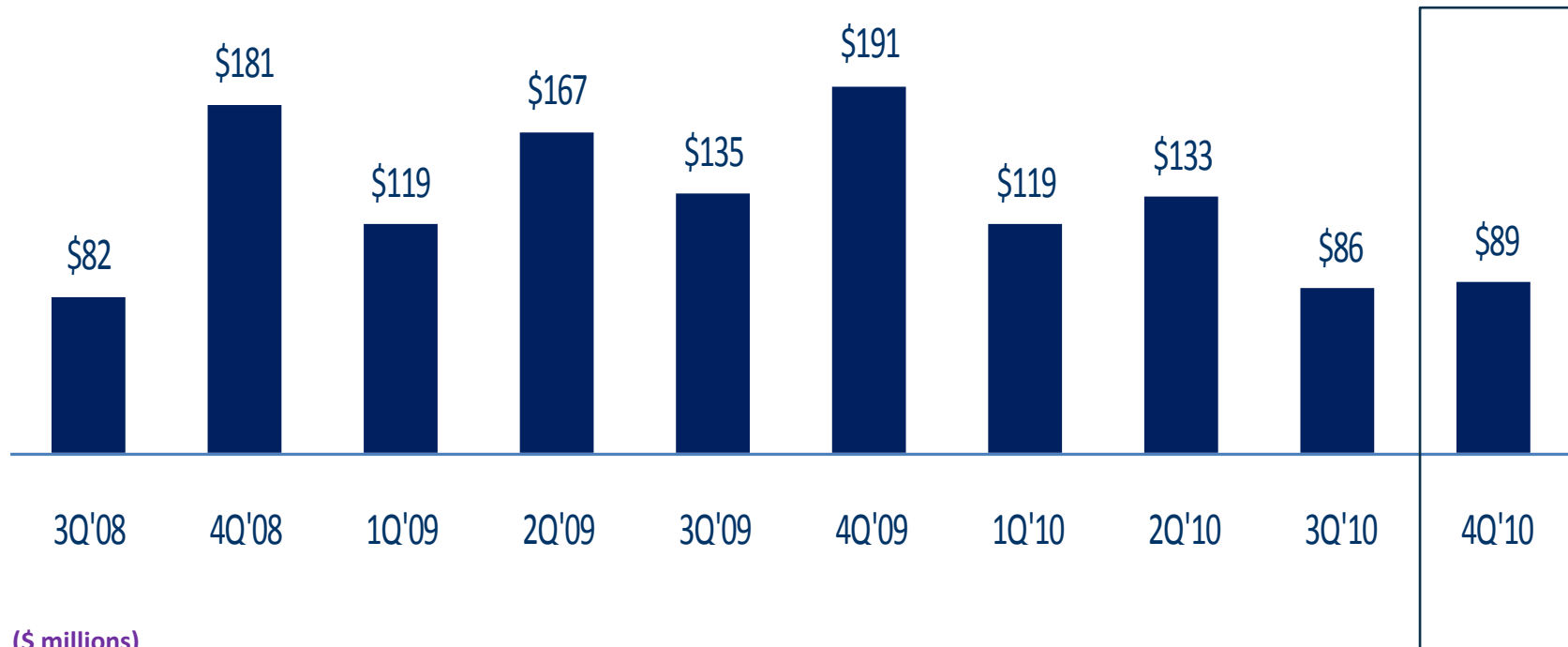
⁽²⁾ Includes healthcare, lender finance, mortgage rediscount, security, time share and other ABL

⁽³⁾ Includes healthcare, technology, professional practice ,media and other cash flow

⁽⁴⁾ Includes land, second lien, resort/club and CRE other

⁽⁵⁾ Includes multifamily and small business

Charge-offs Were Up Slightly From 3Q



TTM charge-offs declined by 20%

Quarterly Charge-off Trend by Category

(\$ millions)	4Q'09		1Q'10		2Q'10		3Q'10		4Q'10		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Asset Based ⁽¹⁾	30	15.6%	7	6.1%	3	2.8%	0	0.4%	15	16.8%	56	9.0%
Cash Flow ⁽²⁾	56	29.5%	29	24.1%	20	17.1%	24	20.4%	50	55.9%	179	29.0%
Commercial Real Estate ⁽³⁾	105	54.9%	83	69.5%	106	89.1%	61	50.9%	21	24.1%	376	60.9%
Health Care Real Estate	-	0.0%	-	0.0%	3	2.5%	-	0.0%	1	0.7%	4	0.6%
Other ⁽⁴⁾	-	0.0%	0	0.2%	(0)	0.0%	-	0.0%	2	2.5%	2	0.4%
Total	\$ 191	100.0%	\$ 119	100.0%	\$ 133	100.0%	\$ 86	100.0%	\$ 89	100.0%	\$ 618	100.0%

Data as of December 31, 2010

⁽¹⁾ Includes healthcare, lender finance, mortgage rediscount, security, time share and other ABL

⁽²⁾ Includes healthcare, technology, professional practice, media and other cash flow

⁽³⁾ Includes land, second lien, resort/club and CRE other

⁽⁴⁾ Includes multifamily and small business

4Q'10 Analysis— Charge-offs No Longer Concentrated in CRE

(\$ in millions)	Portfolio		Non-Accrual			Delinquency			Impaired			Reserves						4Q Charge-Offs	
	Loans	Balance	Loans	Balance	% of Portfolio	Loans	Balance	% of Portfolio	Loans	Balance	% of Portfolio	Specific	General	Total	% of Portfolio	% of Non-Acc.	% of Delinquen.	Amount	Total
Asset Based ⁽¹⁾	153	\$1,531.2	22	\$ 119.4	7.8%	16	\$ 77.5	5.1%	32	\$ 161.0	10.5%	\$ 10.0	\$ 38.6	\$ 48.6	3.2%	40.7%	62.7%	\$ 12.1	13.7%
Cash Flow ⁽²⁾	579	2,540.9	51	233.7	9.2%	12	62.9	2.5%	61	320.3	12.6%	45.5	125.9	171.4	6.7%	73.4%	272.4%	49.5	55.9%
Commercial Real Estate ⁽³⁾	53	978.9	25	299.3	30.6%	18	139.8	14.3%	30	403.5	41.2%	21.1	73.8	94.9	9.7%	31.7%	67.9%	21.5	24.3%
Health Care Real Estate	49	885.4	6	28.8	3.3%	5	25.9	2.9%	6	28.8	3.3%	2.3	7.3	9.6	1.1%	33.3%	37.0%	0.5	0.6%
Other ⁽⁴⁾	567	421.8	30	17.7	4.2%	27	13.7	3.2%	30	17.7	4.2%	0.1	4.5	4.6	1.1%	26.1%	33.6%	5.0	5.6%
Total	1,401	\$6,358.2	134	\$ 698.7	11.0%	78	\$319.7	5.0%	159	\$ 931.2	14.6%	\$ 79.0	\$ 250.1	\$329.1	5.2%	47.1%	102.9%	\$ 88.6	100.0%

Less than 25% of 4Q'10 charge-offs were legacy commercial real estate

Data as of December 31, 2010

⁽¹⁾ Includes healthcare, lender finance, mortgage rediscount, security, time share and other ABL

⁽²⁾ Includes healthcare, technology, professional practice, media and other cash flow

⁽³⁾ Includes land, second lien, resort/club and CRE other

⁽⁴⁾ Includes multifamily and small business

Credit Performance Trends Show Improvement

CapitalSource Loans (\$ millions) ⁽¹⁾	2Q'09	3Q'09	4Q'09	1Q'10	2Q'10	3Q'10 ⁽²⁾	4Q'10	3Q'10 Δ 4Q'10
30 - 89 Days Delinquent	\$118	\$132	\$276	\$261	\$110	\$57	\$28	(\$29)
% of Loans	1.32%	1.40%	3.33%	3.27%	1.43%	0.86%	0.44%	-0.42%
90+ Days Delinquent	\$411	\$396	\$455	\$437	\$459	\$363	\$320	(\$43)
% of Loans	4.60%	4.21%	5.15%	5.46%	5.98%	5.47%	5.03%	-0.44%
Loans on Non-accrual Status	\$884	\$994	\$1,068	\$1,140	\$1,126	\$788	\$699	(\$89)
% of Loans	9.88%	10.58%	12.89%	14.25%	14.68%	11.89%	10.99%	-0.90%
Impaired Loans	\$1,202	\$1,307	\$1,250	\$1,391	\$1,469	\$977	\$931	(\$46)
% of Loans	13.44%	15.07%	15.10%	17.38%	19.15%	14.75%	14.65%	-0.10%
Total Ending Allowance	\$448	\$517	\$587	\$686	\$579	\$394	\$329	(\$65)
% of Loans	5.01%	5.97%	7.09%	8.58%	7.54%	5.94%	5.17%	-0.77%
Trailing 12month Charge-offs	\$579	\$645	\$659	\$655	\$623	\$536	\$426	(\$110)
% of Loans	5.40%	6.17%	6.78%	7.01%	7.15%	6.70%	5.78%	-0.92%
Loan Balances (\$ millions)	2Q'09	3Q'09	4Q'09	1Q'10	2Q'10	3Q'10	4Q'10	2Q'10 Δ 3Q'10
Ending Loans	\$8,944	\$8,674	\$8,282	\$7,961	\$7,673	\$6,628 ⁽³⁾	\$6,358	(\$270)
Quarterly Loan Charge-offs	\$167	\$135	\$191	\$119	\$133	\$86	\$89	\$3
Quarterly Provision for Loan Loss	\$169	\$204	\$264	\$219	\$25	\$39	\$24	(\$15)

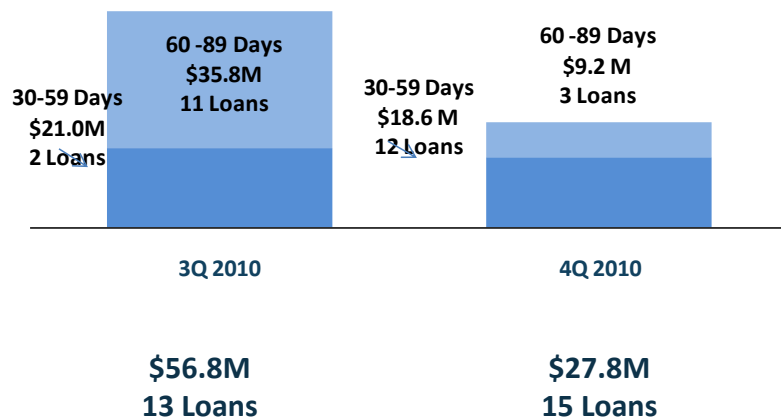
Data as of December 31, 2010

⁽¹⁾ Loans includes loans held for sale and loans held for investment⁽²⁾ Includes the impact of deconsolidation of the 2006-A securitization trust which reduced 30-89 day delinquencies by \$59 million, 90+ day delinquencies by \$173 million, non-accrual loans by \$262 million, impaired loans by \$389 million and total ending allowance by \$138 million⁽³⁾ Includes the impact of deconsolidation of the 2006-A securitization trust which reduced loans by \$887 million

Delinquent Loans Declined

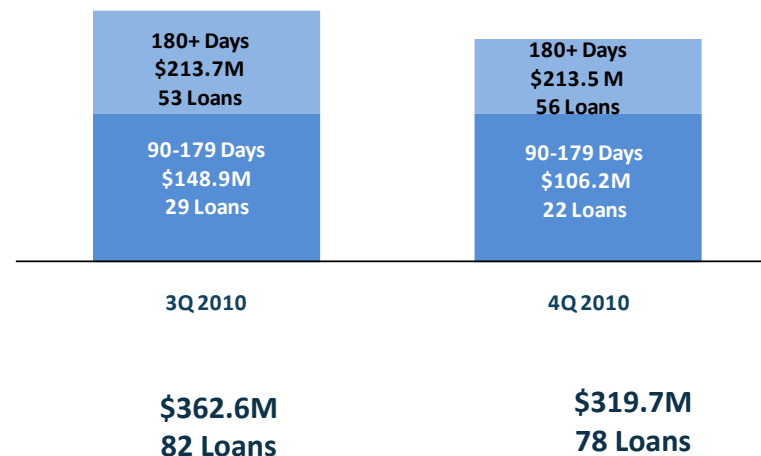
Loans 30-89 Days Delinquent

- ▶ 15 loans - \$27.8 million
- ▶ 51% decline from 3Q
- ▶ 5 loans are on non-accrual⁽¹⁾ and impaired (\$22.4M)



Loans 90+ Days Delinquent

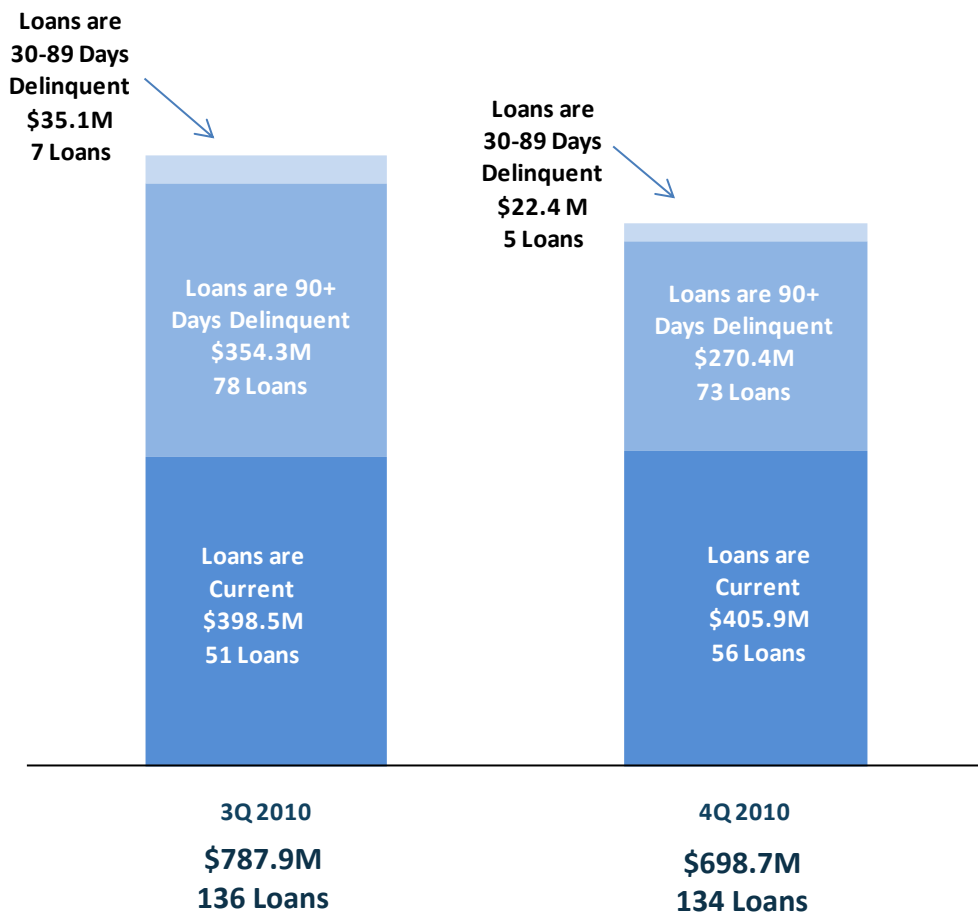
- ▶ 78 loans - \$319.7 million
- ▶ 12% decline from 3Q
- ▶ 73 loans are on non-accrual⁽¹⁾ (\$270.5M)
- ▶ 77 loans are impaired



Data as of December 31, 2010

⁽¹⁾ The delinquent loans for which we are still accruing interest are well secured, expected to be paid in full and in the process of collection

Non-Accrual Loans Declined



Non-Accrual Loans

- 134 loans - \$698.7 million
- 11% decline from 3Q
- 13 of the 23 loans added to non-accruals were current as of 12/31/10
- 46 loans have specific reserves of \$75.7M
- The five largest loans are commercial real estate, resort/club and mortgage rediscount (\$194.2M)

What is a Non-Accrual Loan?

- We place loans on non-accrual status when we expect, based on judgment, that our borrower will not be able to fully meet its debt obligations

Our large and diverse portfolio is
balanced—across industries, assets,
and investment products. That
gives us strength.

owering: