

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

Commission File No. 001-11241

CATERPILLAR FINANCIAL SERVICES CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation)

37-1105865
(IRS Employer I.D. No.)

2120 West End Ave.
Nashville, Tennessee
(Address of principal executive offices)

37203-0001
(Zip Code)

Registrant's telephone number, including area code: (615) 341-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of November 4, 2011, one share of common stock of the registrant was outstanding, which is owned by Caterpillar Inc.

The registrant is a wholly owned subsidiary of Caterpillar Inc. and meets the conditions set forth in General Instruction (H)(1)(a) and (b) of Form 10-Q, and is therefore filing this form with the reduced disclosure format.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

In addition to the accompanying unaudited consolidated financial statements for Caterpillar Financial Services Corporation (together with its subsidiaries, "Cat Financial," "the Company," "we," "us" or "our"), we suggest that you read our 2010 Annual Report on Form 10-K. The Company files electronically with the Securities and Exchange Commission (SEC) required reports on Form 8-K, Form 10-Q and Form 10-K. The public may read and copy any materials the Company has filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (www.sec.gov) that contains reports, proxies and information statements and other information regarding issuers that file electronically with the SEC. Copies of our annual report on Form 10-K, quarterly reports on Form 10-Q and any amendments to these reports filed or furnished with the SEC are available free of charge through our Internet site (www.catfinancial.com) as soon as reasonably practicable after filing with the SEC. Copies may also be obtained free of charge by writing to: Legal Dept., Caterpillar Financial Services Corporation, 2120 West End Ave., Nashville, Tennessee 37203-0001. In addition, the public may obtain more detailed information about our parent company, Caterpillar Inc. (together with its subsidiaries, "Caterpillar" or "Cat") by visiting its Internet site (www.caterpillar.com). None of the information contained at any time on our Internet site, Caterpillar's Internet site or the SEC's Internet site is incorporated by reference into this document.

UNAUDITED

Caterpillar Financial Services Corporation

CONSOLIDATED STATEMENTS OF PROFIT

(Unaudited)

(Dollars in Millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Retail finance	\$ 326	\$ 324	\$ 966	\$ 997
Operating lease	218	218	658	666
Wholesale finance	77	55	221	141
Other, net	<u>47</u>	<u>43</u>	<u>138</u>	<u>115</u>
Total revenues	<u>668</u>	<u>640</u>	<u>1,983</u>	<u>1,919</u>
Expenses:				
Interest	211	228	624	696
Depreciation on equipment leased to others	173	169	520	518
General, operating and administrative	103	90	296	260
Provision for credit losses	38	55	124	160
Other	<u>7</u>	<u>10</u>	<u>21</u>	<u>34</u>
Total expenses	<u>532</u>	<u>552</u>	<u>1,585</u>	<u>1,668</u>
Other income (expense)	<u>(10)</u>	<u>1</u>	<u>(5)</u>	<u>4</u>
Profit before income taxes	126	89	393	255
Provision for income taxes	<u>29</u>	<u>13</u>	<u>98</u>	<u>39</u>
Profit of consolidated companies	97	76	295	216
Less: Profit attributable to noncontrolling interests	<u>4</u>	<u>3</u>	<u>12</u>	<u>8</u>
Profit ¹	<u>\$ 93</u>	<u>\$ 73</u>	<u>\$ 283</u>	<u>\$ 208</u>

¹ Profit attributable to Caterpillar Financial Services Corporation.

See Notes to Consolidated Financial Statements (unaudited).

UNAUDITED

Caterpillar Financial Services Corporation
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Dollars in Millions, except share data)

	September 30, 2011	December 31, 2010
Assets:		
Cash and cash equivalents	\$ 1,453	\$ 1,676
Finance receivables		
Retail notes receivable	8,766	8,352
Wholesale notes receivable	3,875	2,783
Finance leases and installment sale contracts - Retail	12,205	12,481
Finance leases and installment sale contracts - Wholesale	<u>361</u>	<u>459</u>
	25,207	24,075
Less: Unearned income	(936)	(969)
Less: Allowance for credit losses	<u>(362)</u>	<u>(363)</u>
Total net finance receivables	23,909	22,743
Notes receivable from Caterpillar	333	278
Equipment on operating leases, less accumulated depreciation	2,586	2,711
Deferred and refundable income taxes	147	202
Other assets	<u>1,037</u>	<u>1,142</u>
Total assets	<u>\$29,465</u>	<u>\$28,752</u>
Liabilities and stockholder's equity:		
Payable to dealers and others	\$ 116	\$ 113
Payable to Caterpillar – other	75	54
Accrued expenses	234	295
Income taxes payable	77	90
Payable to Caterpillar - borrowings	-	600
Short-term borrowings	3,548	3,852
Current maturities of long-term debt	3,522	3,430
Long-term debt	17,878	15,932
Deferred income taxes and other liabilities	<u>574</u>	<u>605</u>
Total liabilities	<u>26,024</u>	<u>24,971</u>
Commitments and contingent liabilities (Notes 7 and 9)		
Common stock - \$1 par value		
Authorized: 2,000 shares; Issued and outstanding: one share (at paid-in amount)	745	745
Additional paid-in capital	2	2
Retained earnings	2,417	2,734
Accumulated other comprehensive income	179	217
Noncontrolling interests	<u>98</u>	<u>83</u>
Total stockholder's equity	<u>3,441</u>	<u>3,781</u>
Total liabilities and stockholder's equity	<u>\$29,465</u>	<u>\$28,752</u>

See Notes to Consolidated Financial Statements (unaudited).

UNAUDITED

Caterpillar Financial Services Corporation
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(Unaudited)
(Dollars in Millions)

<u>Nine Months Ended</u> <u>September 30, 2010</u>	<u>Common</u> <u>stock</u>	<u>Additional</u> <u>paid-in</u> <u>capital</u>	<u>Retained</u> <u>earnings</u>	<u>Accumulated</u> <u>other</u> <u>comprehensive</u> <u>income</u>	<u>Noncontrolling</u> <u>interests</u>	<u>Total</u>	<u>Comprehensive</u> <u>income</u>
Balance at December 31, 2009	\$ 745	\$ 2	\$ 3,062	\$ 264	\$ 70	\$ 4,143	
Adjustment to adopt consolidation of variable-interest entities	-	-	(6)	3	-	(3)	
Balance at January 1, 2010	\$ 745	\$ 2	\$ 3,056	\$ 267	\$ 70	\$ 4,140	
Profit of consolidated companies			208		8	216	\$ 216
Dividend paid to Cat Inc.			(600)			(600)	-
Foreign currency translation, net of tax of \$51				(59)	1	(58)	(58)
Derivative financial instruments							
Gains (losses) deferred, net of tax of \$2				(6)		(6)	(6)
(Gains) losses reclassified to earnings, net of tax of \$14				28		28	28
Balance at September 30, 2010	\$ 745	\$ 2	\$ 2,664	\$ 230	\$ 79	\$ 3,720	\$ 180
<u>Nine Months Ended</u> <u>September 30, 2011</u>							
Balance at December 31, 2010	\$ 745	\$ 2	\$ 2,734	\$ 217	\$ 83	\$ 3,781	
Profit of consolidated companies			283		12	295	\$ 295
Dividend paid to Cat Inc.			(600)			(600)	-
Foreign currency translation, net of tax of \$15				(45)	3	(42)	(42)
Derivative financial instruments							
Gains (losses) deferred, net of tax of \$1				(4)		(4)	(4)
(Gains) losses reclassified to earnings, net of tax of \$4				11		11	11
Balance at September 30, 2011	\$ 745	\$ 2	\$ 2,417	\$ 179	\$ 98	\$ 3,441	\$ 260

See Notes to Consolidated Financial Statements (unaudited).

UNAUDITED

Caterpillar Financial Services Corporation **CONSOLIDATED STATEMENTS OF CASH FLOWS** (Unaudited) (Dollars in Millions)

	Nine Months Ended September 30,	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Profit of consolidated companies	\$ 295	\$ 216
Adjustments for non-cash items:		
Depreciation and amortization	535	538
Amortization of receivables purchase discount	(157)	(95)
Provision for credit losses	124	160
Gain on sales of receivables	(2)	-
Other, net	(40)	(172)
Changes in assets and liabilities:		
Receivables from others	30	53
Other receivables/payables with Caterpillar	7	21
Payable to dealers and others	9	2
Accrued interest payable	(29)	(41)
Accrued expenses and other liabilities, net	(35)	(1)
Income taxes payable	58	(43)
Payments on interest rate swaps	<u>(1)</u>	<u>(1)</u>
Net cash provided by operating activities	<u>794</u>	<u>637</u>
Cash flows from investing activities:		
Expenditures for equipment on operating leases and for non-leased equipment	(830)	(677)
Proceeds from disposals of equipment	878	1,046
Additions to finance receivables	(35,196)	(19,168)
Collections of finance receivables	33,329	19,084
Proceeds from sales of receivables	106	13
Net change in variable lending to Caterpillar	55	(186)
Additions to other notes receivable with Caterpillar	(117)	(133)
Collections on other notes receivable with Caterpillar	8	666
Restricted cash and cash equivalents activity, net	84	82
Other, net	<u>4</u>	<u>17</u>
Net cash (used in) provided by investing activities	<u>(1,679)</u>	<u>744</u>
Cash flows from financing activities:		
Net change in variable lending from Caterpillar	-	(26)
Proceeds from borrowings with Caterpillar	-	600
Payments on borrowings with Caterpillar	(600)	-
Proceeds from debt issued (original maturities greater than three months)	8,703	5,738
Payments on debt issued (original maturities greater than three months)	(6,080)	(7,972)
Short-term borrowings, net (original maturities three months or less)	(809)	(270)
Dividend paid to Caterpillar	<u>(600)</u>	<u>(600)</u>
Net cash provided by (used in) financing activities	<u>614</u>	<u>(2,530)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>48</u>	<u>(45)</u>
(Decrease) in cash and cash equivalents	(223)	(1,194)
Cash and cash equivalents at beginning of year	<u>1,676</u>	<u>2,536</u>
Cash and cash equivalents at end of period	<u>\$ 1,453</u>	<u>\$ 1,342</u>

Non-cash activity: On January 1, 2010, we adopted the provisions of the new consolidation of variable-interest entities accounting guidance, which resulted in the consolidation of qualifying special purpose entities related to our asset-backed securitization program which had previously been recorded off-balance sheet. Please refer to Note 4B.

See Notes to Consolidated Financial Statements (unaudited).

Notes to Consolidated Financial Statements*(Unaudited)***1. Basis of Presentation**

In the opinion of management, the accompanying consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of (a) the consolidated profit for the three and nine months ended September 30, 2011 and 2010, (b) the consolidated financial position as of September 30, 2011 and December 31, 2010, (c) the consolidated changes in stockholder's equity for the nine months ended September 30, 2011 and 2010 and (d) the consolidated cash flows for the nine months ended September 30, 2011 and 2010. The preparation of financial statements, in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and pursuant to the rules and regulations of the SEC, requires management to make estimates and assumptions that affect the reported amounts. The most significant estimates are the allowance for credit losses and residual values for leased assets. Actual results may differ from these estimates. Certain amounts for prior periods have been reclassified to conform to the current period presentation.

Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2010.

The December 31, 2010 financial position data included herein was derived from the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010, but does not include all disclosures required by U.S. GAAP.

Comprehensive income/(loss) is comprised of Profit of consolidated companies, as well as adjustments for foreign currency translation and derivative instruments designated as cash flow hedges. Total Comprehensive income/(loss) for the three months ended September 30, 2011 and 2010 was a loss of \$197 million and income of \$394 million, respectively. Total Comprehensive income for the nine months ended September 30, 2011 and 2010 was income of \$260 million and \$180 million, respectively.

We consolidate all variable-interest entities (VIEs) where we are the primary beneficiary. For VIEs, we assess whether we are the primary beneficiary as prescribed by the accounting guidance on the consolidation of VIEs. The primary beneficiary of a VIE is the party that has the power to direct the activities that most significantly impact the performance of the entity and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity. We adopted the consolidation of variable-interest entities guidance issued in June 2009 effective January 1, 2010. Please refer to Notes 4B and 7 for more information.

2. Accumulated Other Comprehensive Income

Comprehensive income and its components are presented in the Consolidated Statements of Changes in Stockholder's Equity. Accumulated other comprehensive income, net of tax, consisted of the following as of:

(Millions of dollars)		
	September 30, 2011	September 30, 2010
Foreign currency translation	\$186	\$249
Derivative financial instruments	<u>(7)</u>	<u>(19)</u>
Total Accumulated other comprehensive income	<u>\$179</u>	<u>\$230</u>

3. New Accounting Pronouncements

Fair value measurements – In January 2010, the FASB issued accounting guidance that requires the gross presentation of activity within the Level 3 fair value measurement roll forward and details of transfers in and out of Level 1 and 2 fair value measurements. It also clarifies existing disclosure requirements regarding the level of disaggregation of fair value measurements and disclosures on inputs. We adopted this new accounting guidance for the quarterly period ended March 31, 2010. The adoption of this guidance did not have a material impact on our financial statements. See Note 8 for additional information.

Accounting for transfers of financial assets – In June 2009, the FASB issued accounting guidance on accounting for transfers of financial assets. This guidance amends previous guidance and includes: the elimination of the qualifying special-purpose entity (QSPE) concept; a new participating interest definition that must be met for transfers of portions of financial assets to be eligible for sale accounting; clarifications and changes to the derecognition criteria for a transfer to be accounted for as a sale; and a change to the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor. Additionally, the guidance requires extensive new disclosures regarding an entity's involvement in a transfer of financial assets. Finally, existing QSPEs (prior to the effective date of this guidance) must be evaluated for consolidation by reporting entities in accordance with the applicable consolidation guidance upon the elimination of this concept. We adopted this new guidance on January 1, 2010. The adoption of this guidance did not have a material impact on our financial statements. See Note 4B for additional information.

Consolidation of variable interest entities – In June 2009, the FASB issued accounting guidance on the consolidation of VIEs. This new guidance revises previous guidance by eliminating the exemption for QSPEs, by establishing a new approach for determining who should consolidate a VIE and by changing when it is necessary to reassess who should consolidate a VIE. We adopted this new guidance on January 1, 2010. The adoption of this guidance resulted in the consolidation of QSPEs related to our asset-backed securitization program that were previously not recorded on our consolidated financial statements. The restricted assets (Finance leases and installment sale contracts – Retail, Unearned income, Allowance for credit losses and Other assets) of the consolidated QSPEs totaled \$324 million at January 1, 2010. The liabilities (Accrued expenses, Current maturities of long-term debt and Long-term debt) of the consolidated QSPEs totaled \$327 million at January 1, 2010. See Note 4B for additional information.

Disclosures about the credit quality of financing receivables and the allowance for credit losses – In July 2010, the FASB issued accounting guidance on disclosures about the credit quality of financing receivables and the allowance for credit losses. The guidance expands disclosures for the allowance for credit losses and financing receivables by requiring entities to disclose information at disaggregated levels. It also requires disclosure of credit quality indicators, past due information and modifications of financing receivables. Also, in April 2011, the FASB issued guidance clarifying when a restructuring of a receivable should be considered a troubled debt restructuring by providing additional guidance for determining whether the creditor has granted a concession and whether the debtor is experiencing financial difficulties. For end of period balances, the new disclosures were effective December 31, 2010 and did not have a material impact on our financial statements. For activity during a reporting period, the disclosures were effective January 1, 2011 and did not have a material impact on our financial statements. The disclosures related to modifications of financing receivables, as well as the guidance clarifying when a restructured receivable should be considered a troubled debt restructuring were effective July 1, 2011 and did not have a material impact on our financial statements. See Note 4A for additional information.

Presentation of comprehensive income – In June 2011, the FASB issued accounting guidance on the presentation of comprehensive income. The guidance provides two options for presenting net income and other comprehensive income. The total of comprehensive income, the components of net income, and the components of other comprehensive income may be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance will be effective January 1, 2012 and we do not expect the adoption to have a material impact on our financial statements.

4. Financing Activities

A. Credit Quality of Financing Receivables and Allowance for Credit Losses

We adopted the accounting guidance on disclosures about the credit quality of financing receivables and the allowance for credit losses as of December 31, 2010. See Note 3 for additional information. This guidance requires information to be disclosed at disaggregated levels, defined as portfolio segments and classes.

We apply a systematic methodology to determine the allowance for credit losses for finance receivables. Based upon our analysis of credit losses and risk factors, our portfolio segments are as follows:

- Customer - Finance receivables with the customer.
- Dealer - Finance receivables with Caterpillar dealers.
- Caterpillar Purchased Receivables - Trade receivables purchased from Caterpillar entities.

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We further evaluate our portfolio segments by the class of finance receivables, which is defined as a level of information (below a portfolio segment) in which the finance receivables have the same initial measurement attribute and a similar method for assessing and monitoring credit risk. Typically, our finance receivables within a geographic area have similar credit risk profiles and methods for assessing and monitoring credit risk. Our classes, which align with management reporting, are as follows:

- North America - Finance receivables originated in the United States or Canada.
- Europe - Finance receivables originated in Europe, Africa, Middle East and the Commonwealth of Independent States.
- Asia Pacific - Finance receivables originated in Australia, New Zealand, China, Japan, South Korea and Southeast Asia, as well as large mining customers worldwide.
- Latin America - Finance receivables originated in Central and South American countries and Mexico.
- Global Power Finance - Finance receivables related to marine vessels with Caterpillar engines worldwide and Caterpillar electrical power generation, gas compression and co-generation systems and non-Caterpillar equipment that is powered by these systems worldwide.

Impaired loans and finance leases

For all classes, a loan or finance lease is considered impaired, based on current information and events, if it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan or finance lease. Loans and finance leases reviewed for impairment include loans and finance leases that are past due, non-performing or in bankruptcy. Recognition of income is suspended and the loan or finance lease is placed on non-accrual status when management determines that collection of future income is not probable (generally after 120 days past due). Accrual is resumed, and previously suspended income is recognized, when the loan or finance lease becomes contractually current and/or collection doubts are removed. Cash receipts on impaired loans or finance leases are recorded against the receivable and then to any unrecognized income.

There were no impaired loans or finance leases as of September 30, 2011 and December 31, 2010, for the Dealer and Caterpillar Purchased Receivables portfolio segments. The average recorded investment for impaired loans and finance leases for the Dealer and Caterpillar Purchased Receivables portfolio segments was \$0 for the three and nine months ended September 30, 2011. The average recorded investment for impaired loans and finance leases for the three and nine months ended September 30, 2010 was \$0 for the Caterpillar Purchased Receivables portfolio segment and \$16 million and \$25 million, respectively, for the Dealer portfolio segment, all of which was in the Europe finance receivable class.

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Individually impaired loans and finance leases for customers were as follows:

(Millions of dollars)						
Impaired Loans and Finance Leases With No Allowance Recorded ⁽¹⁾	<u>As of September 30, 2011</u>			<u>As of December 31, 2010</u>		
	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>
<u>Customer</u>						
North America	\$84	\$ 82	\$ -	\$ 87	\$ 87	\$ -
Europe	4	3	-	6	4	-
Asia Pacific	14	13	-	13	13	-
Latin America	8	8	-	3	3	-
Global Power Finance	<u>196</u>	<u>196</u>	<u>-</u>	<u>174</u>	<u>174</u>	<u>-</u>
Total	<u>\$306</u>	<u>\$302</u>	<u>\$ -</u>	<u>\$283</u>	<u>\$281</u>	<u>\$ -</u>
Impaired Loans and Finance Leases With An Allowance Recorded						
<u>Customer</u>						
North America	\$110	\$105	\$25	\$191	\$185	\$44
Europe	39	35	13	62	57	15
Asia Pacific	21	21	4	27	27	7
Latin America	24	24	5	44	43	9
Global Power Finance	<u>104</u>	<u>103</u>	<u>18</u>	<u>34</u>	<u>33</u>	<u>4</u>
Total	<u>\$298</u>	<u>\$288</u>	<u>\$ 65</u>	<u>\$358</u>	<u>\$345</u>	<u>\$79</u>
Total Impaired Loans and Finance Leases						
<u>Customer</u>						
North America	\$194	\$187	\$25	\$278	\$272	\$44
Europe	43	38	13	68	61	15
Asia Pacific	35	34	4	40	40	7
Latin America	32	32	5	47	46	9
Global Power Finance	<u>300</u>	<u>299</u>	<u>18</u>	<u>208</u>	<u>207</u>	<u>4</u>
Total	<u>\$604</u>	<u>\$590</u>	<u>\$ 65</u>	<u>\$641</u>	<u>\$626</u>	<u>\$79</u>

⁽¹⁾There was no related allowance for credit losses due to sufficient collateral value.

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(Millions of dollars)

	Three Months Ended September 30, 2011		Three Months Ended September 30, 2010	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Impaired Loans and Finance Leases With No Allowance Recorded⁽¹⁾				
<u>Customer</u>				
North America	\$ 92	\$1	\$ 43	\$1
Europe	5	-	4	-
Asia Pacific	13	1	7	1
Latin America	12	-	4	-
Global Power Finance	<u>231</u>	<u>-</u>	<u>113</u>	<u>-</u>
Total	<u>\$353</u>	<u>\$2</u>	<u>\$171</u>	<u>\$2</u>
Impaired Loans and Finance Leases With An Allowance Recorded				
<u>Customer</u>				
North America	\$126	\$-	\$270	\$2
Europe	44	1	84	1
Asia Pacific	19	-	41	-
Latin America	40	-	37	1
Global Power Finance	<u>126</u>	<u>-</u>	<u>10</u>	<u>-</u>
Total	<u>\$355</u>	<u>\$1</u>	<u>\$442</u>	<u>\$4</u>
Total Impaired Loans and Finance Leases				
<u>Customer</u>				
North America	\$218	\$1	\$313	\$3
Europe	49	1	88	1
Asia Pacific	32	1	48	1
Latin America	52	-	41	1
Global Power Finance	<u>357</u>	<u>-</u>	<u>123</u>	<u>-</u>
Total	<u>\$708</u>	<u>\$3</u>	<u>\$613</u>	<u>\$6</u>

⁽¹⁾There was no related allowance for credit losses due to sufficient collateral value.

UNAUDITED

(Millions of dollars)

	Nine Months Ended September 30, 2011		Nine Months Ended September 30, 2010	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Impaired Loans and Finance Leases With No Allowance Recorded⁽¹⁾				
<u>Customer</u>				
North America	\$ 93	\$3	\$29	\$1
Europe	6	-	7	-
Asia Pacific	13	1	7	1
Latin America	8	-	4	-
Global Power Finance	<u>223</u>	<u>1</u>	<u>74</u>	<u>-</u>
Total	<u>\$343</u>	<u>\$5</u>	<u>\$121</u>	<u>\$2</u>

**Impaired Loans and Finance Leases With An Allowance
Recorded**

<u>Customer</u>				
North America	\$160	\$4	\$292	\$9
Europe	53	2	90	3
Asia Pacific	22	1	44	2
Latin America	44	2	34	2
Global Power Finance	<u>79</u>	<u>-</u>	<u>13</u>	<u>-</u>
Total	<u>\$358</u>	<u>\$9</u>	<u>\$473</u>	<u>\$16</u>

Total Impaired Loans and Finance Leases

<u>Customer</u>				
North America	\$253	\$7	\$321	\$10
Europe	59	2	97	3
Asia Pacific	35	2	51	3
Latin America	52	2	38	2
Global Power Finance	<u>302</u>	<u>1</u>	<u>87</u>	<u>-</u>
Total	<u>\$701</u>	<u>\$14</u>	<u>\$594</u>	<u>\$18</u>

⁽¹⁾There was no related allowance for credit losses due to sufficient collateral value.

Non-accrual and past due loans and finance leases

For all classes, we consider a loan or finance lease past due if any portion of a contractual payment is due and unpaid for more than 30 days. Recognition of income is suspended and the loan or finance lease is placed on non-accrual status when management determines that collection of future income is not probable (generally after 120 days past due). Accrual is resumed, and previously suspended income is recognized, when the loan or finance lease becomes contractually current and/or collection doubts are removed.

As of September 30, 2011 and December 31, 2010, there were no loans or finance leases on non-accrual status for the Dealer or Caterpillar Purchased Receivables portfolio segments.

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The investment in customer loans and finance leases on non-accrual status was as follows:

(Millions of dollars)		
	<u>September 30, 2011</u>	<u>December 31, 2010</u>
<u>Customer</u>		
North America	\$150	\$217
Europe	112	89
Asia Pacific	39	31
Latin America	116	139
Global Power Finance	<u>211</u>	<u>163</u>
Total	<u>\$628</u>	<u>\$639</u>

Past due loans and finance leases were as follows:

(Millions of dollars)							
September 30, 2011							
	<u>31-60</u>	<u>61-90</u>	<u>91+</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Finance Receivables</u>	<u>91+ Still Accruing</u>
<u>Customer</u>							
North America	\$90	\$31	\$139	\$260	\$5,290	\$5,550	\$13
Europe	31	18	113	162	2,142	2,304	10
Asia Pacific	59	23	53	135	4,307	4,442	16
Latin America	45	17	104	166	2,267	2,433	-
Global Power Finance	52	16	111	179	2,739	2,918	10
<u>Dealer</u>							
North America	-	-	-	-	2,377	2,377	-
Europe	-	-	-	-	328	328	-
Asia Pacific	-	-	-	-	433	433	-
Latin America	-	-	-	-	708	708	-
Global Power Finance	-	-	-	-	-	-	-
<u>Caterpillar Purchased Receivables</u>							
North America	16	4	6	26	1,486	1,512	6
Europe	1	-	-	1	440	441	-
Asia Pacific	-	-	-	-	391	391	-
Latin America	-	-	-	-	407	407	-
Global Power Finance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>27</u>	<u>-</u>
Total	<u>\$294</u>	<u>\$109</u>	<u>\$526</u>	<u>\$929</u>	<u>\$23,342</u>	<u>\$24,271</u>	<u>\$55</u>

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(Millions of dollars)

December 31, 2010							
	<u>31-60</u>	<u>61-90</u>	<u>91+</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Finance Receivables</u>	<u>91+ Still Accruing</u>
<u>Customer</u>							
North America	\$139	\$44	\$228	\$411	\$6,037	\$6,448	\$27
Europe	27	12	106	145	2,365	2,510	26
Asia Pacific	63	17	37	117	3,412	3,529	12
Latin America	44	16	144	204	2,222	2,426	1
Global Power Finance	18	17	54	89	2,978	3,067	25
<u>Dealer</u>							
North America	-	-	-	-	1,993	1,993	-
Europe	-	-	-	-	344	344	-
Asia Pacific	-	-	-	-	296	296	-
Latin America	-	-	-	-	659	659	-
Global Power Finance	-	-	-	-	19	19	-
<u>Caterpillar Purchased Receivables</u>							
North America	3	1	1	5	1,285	1,290	1
Europe	1	-	-	1	109	110	-
Asia Pacific	-	-	-	-	215	215	-
Latin America	-	-	-	-	173	173	-
Global Power Finance	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>24</u>	<u>27</u>	<u>-</u>
Total	<u>\$298</u>	<u>\$107</u>	<u>\$570</u>	<u>\$975</u>	<u>\$22,131</u>	<u>\$23,106</u>	<u>\$92</u>

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Allowance for credit losses

In estimating the Allowance for credit losses, we review loans and finance leases that are past due, non-performing or in bankruptcy.

(Millions of dollars)				
September 30, 2011				
	<u>Customer</u>	<u>Dealer</u>	<u>Caterpillar Purchased Receivables</u>	<u>Total</u>
Allowance for Credit Losses:				
Balance at beginning of year	\$357	\$5	\$1	\$363
Receivables written off	(159)	-	-	(159)
Recoveries on receivables previously written off	39	-	-	39
Provision for credit losses	119	1	2	122
Adjustment due to sale of receivables	(1)	-	-	(1)
Foreign currency translation adjustment	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(2)</u>
Balance at end of period	<u>\$353</u>	<u>\$6</u>	<u>\$3</u>	<u>\$362</u>
Individually evaluated for impairment	\$ 65	\$-	\$-	\$ 65
Collectively evaluated for impairment	<u>288</u>	<u>6</u>	<u>3</u>	<u>297</u>
Ending Balance	<u>\$353</u>	<u>\$6</u>	<u>\$3</u>	<u>\$362</u>
Recorded Investment in Finance Receivables:				
Individually evaluated for impairment	\$ 604	\$ -	\$ -	\$ 604
Collectively evaluated for impairment	<u>17,043</u>	<u>3,846</u>	<u>2,778</u>	<u>23,667</u>
Ending Balance	<u>\$17,647</u>	<u>\$3,846</u>	<u>\$2,778</u>	<u>\$24,271</u>

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(Millions of dollars)

	December 31, 2010			
Allowance for Credit Losses:				
Balance at beginning of year	\$377			
Adjustment to adopt consolidation of variable-interest entities	18			
Receivables written off	(288)			
Recoveries on receivables previously written off	51			
Provision for credit losses	205			
Adjustment due to sale of receivables	-			
Foreign currency translation adjustment	-			
Balance at end of year	<u>\$363</u>			

	December 31, 2010			
	Caterpillar Purchased			
	Customer	Dealer	Receivables	Total
Individually evaluated for impairment	\$ 79	\$-	\$-	\$ 79
Collectively evaluated for impairment	<u>278</u>	<u>5</u>	<u>1</u>	<u>284</u>
Ending Balance	<u>\$357</u>	<u>\$5</u>	<u>\$1</u>	<u>\$363</u>

Recorded Investment in Finance Receivables:				
Individually evaluated for impairment	\$ 641	\$ -	\$ -	\$ 641
Collectively evaluated for impairment	<u>17,339</u>	<u>3,311</u>	<u>1,815</u>	<u>22,465</u>
Ending Balance	<u>\$17,980</u>	<u>\$3,311</u>	<u>\$1,815</u>	<u>\$23,106</u>

Credit quality of finance receivables

The credit quality of finance receivables is reviewed on a monthly basis. Credit quality indicators include performing and non-performing. Non-performing is defined as finance receivables currently over 120 days past due and/or on non-accrual status or in bankruptcy. Finance receivables not meeting the criteria listed above are considered performing. Non-performing receivables have the highest probability for credit loss. The allowance for credit losses attributable to non-performing receivables is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, we estimate the current fair market value of the collateral and consider credit enhancements such as additional collateral and third-party guarantees.

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The recorded investment in performing and non-performing finance receivables was as follows:

(Millions of dollars)				
September 30, 2011				
	<u>Customer</u>	<u>Dealer</u>	<u>Caterpillar Purchased Receivables</u>	<u>Total</u>
<u>Performing</u>				
North America	\$ 5,400	\$2,377	\$1,512	\$ 9,289
Europe	2,192	328	441	2,961
Asia Pacific	4,403	433	391	5,227
Latin America	2,317	708	407	3,432
Global Power Finance	<u>2,707</u>	<u>-</u>	<u>27</u>	<u>2,734</u>
Total Performing	<u>\$17,019</u>	<u>\$3,846</u>	<u>\$2,778</u>	<u>\$23,643</u>
<u>Non-Performing</u>				
North America	\$150	\$-	\$-	\$150
Europe	112	-	-	112
Asia Pacific	39	-	-	39
Latin America	116	-	-	116
Global Power Finance	<u>211</u>	<u>-</u>	<u>-</u>	<u>211</u>
Total Non-Performing	<u>\$628</u>	<u>\$-</u>	<u>\$-</u>	<u>\$628</u>
<u>Total Performing and Non-Performing</u>				
North America	\$ 5,550	\$2,377	\$1,512	\$ 9,439
Europe	2,304	328	441	3,073
Asia Pacific	4,442	433	391	5,266
Latin America	2,433	708	407	3,548
Global Power Finance	<u>2,918</u>	<u>-</u>	<u>27</u>	<u>2,945</u>
Total	<u>\$17,647</u>	<u>\$3,846</u>	<u>\$2,778</u>	<u>\$24,271</u>

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(Millions of dollars)				
December 31, 2010				
	<u>Customer</u>	<u>Dealer</u>	<u>Caterpillar Purchased Receivables</u>	<u>Total</u>
<u>Performing</u>				
North America	\$ 6,231	\$1,993	\$1,290	\$ 9,514
Europe	2,421	344	110	2,875
Asia Pacific	3,498	296	215	4,009
Latin America	2,287	659	173	3,119
Global Power Finance	<u>2,904</u>	<u>19</u>	<u>27</u>	<u>2,950</u>
Total Performing	<u>\$17,341</u>	<u>\$3,311</u>	<u>\$1,815</u>	<u>\$22,467</u>
<u>Non-Performing</u>				
North America	\$217	\$-	\$-	\$217
Europe	89	-	-	89
Asia Pacific	31	-	-	31
Latin America	139	-	-	139
Global Power Finance	<u>163</u>	<u>-</u>	<u>-</u>	<u>163</u>
Total Non-Performing	<u>\$639</u>	<u>\$-</u>	<u>\$-</u>	<u>\$639</u>
<u>Total Performing and Non-Performing</u>				
North America	\$ 6,448	\$1,993	\$1,290	\$ 9,731
Europe	2,510	344	110	2,964
Asia Pacific	3,529	296	215	4,040
Latin America	2,426	659	173	3,258
Global Power Finance	<u>3,067</u>	<u>19</u>	<u>27</u>	<u>3,113</u>
Total	<u>\$17,980</u>	<u>\$3,311</u>	<u>\$1,815</u>	<u>\$23,106</u>

Troubled Debt Restructurings

A restructuring of a loan or finance lease receivable constitutes a troubled debt restructuring (TDR) when the lender grants a concession it would not otherwise consider to a borrower experiencing financial difficulties. Concessions granted may include extended contract maturities, inclusion of interest only periods, below market interest rates, and extended skip payment periods.

TDRs are reviewed along with other receivables as part of management's ongoing evaluation of the adequacy of the allowance for credit losses. The allowance for credit losses attributable to TDRs is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, we estimate the current fair market value of the collateral and factor in credit enhancements such as additional collateral and third-party guarantees.

There were no loans or finance lease receivables modified as TDRs during the three and nine months ended September 30, 2011 for the Dealer or Caterpillar Purchased Receivables portfolio segments.

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Loan and finance lease receivables modified as TDRs during the three and nine months ended September 30, 2011, were as follows:

(Dollars in millions)

	Three Months Ended September 30, 2011			Nine Months Ended September 30, 2011		
	<u>Number of Contracts</u>	<u>Pre-TDR Outstanding Recorded Investment</u>	<u>Post-TDR Outstanding Recorded Investment</u>	<u>Number of Contracts</u>	<u>Pre-TDR Outstanding Recorded Investment</u>	<u>Post-TDR Outstanding Recorded Investment</u>
Customer						
North America	14	\$ 2	\$ 2	53	\$ 11	\$ 11
Europe	-	-	-	6	7	7
Asia Pacific	-	-	-	-	-	-
Latin America	-	-	-	12	10	10
Global Power Finance ^{(1) (2)}	<u>-</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>113</u>	<u>113</u>
Total ⁽³⁾	<u>14</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>102</u>	<u>\$141</u>	<u>\$141</u>

⁽¹⁾ During the nine months ended September 30, 2011, \$11 million of additional funds were subsequently loaned to a borrower whose terms had been modified in a TDR. The \$11 million of additional funds is not reflected in the table above. At September 30, 2011, remaining commitments to lend additional funds to a borrower whose terms have been modified in a TDR were \$2 million.

⁽²⁾ Three customers comprise \$104 million of the \$113 million pre-TDR and post-TDR outstanding recorded investment for the nine months ended September 30, 2011.

⁽³⁾ Modifications include extended contract maturities, inclusion of interest only periods, below market interest rates, and extended skip payment periods.

TDRs with a payment default during the three and nine months ended September 30, 2011, which had been modified within twelve months prior to the default date, were as follows:

(Dollars in millions)

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
	<u>Number of Contracts</u>	<u>Post-TDR Recorded Investment</u>	<u>Number of Contracts</u>	<u>Post-TDR Recorded Investment</u>
Customer				
North America	3	\$16	44	\$ 25
Europe	-	-	1	1
Asia Pacific	-	-	-	-
Latin America	7	4	7	4
Global Power Finance	<u>5</u>	<u>65</u>	<u>14</u>	<u>70</u>
Total	<u>15</u>	<u>\$85</u>	<u>66</u>	<u>\$100</u>

B. Sales and Servicing of Finance Receivables

We securitize certain finance receivables relating to our retail installment sale contracts and finance leases as part of our asset-backed securitization program. These transactions provide a source of liquidity and allow for better management of our balance sheet capacity. Included in our other managed assets are individual loans and leases that have been sold to third parties to mitigate the concentration of credit risk with certain customers. None of the receivables that are directly or indirectly sold or transferred to third parties in any of the foregoing transactions are available to pay our creditors.

Securitized Retail Installment Sale Contracts and Finance Leases

We periodically transfer certain finance receivables relating to our retail installment sale contracts and finance leases to special purpose entities (SPEs) as part of our asset-backed securitization program. The SPEs have limited purposes and generally are only permitted to purchase the finance receivables, issue asset-backed securities and make payments on the securities. The SPEs only issue a single series of securities and generally are dissolved when those securities have been paid in full. The SPEs issue debt to pay for the finance receivables they acquire from us. The primary source for repayment of the debt is the cash flows generated from the finance receivables owned by the SPEs. The assets of the SPEs are legally isolated and are not available to pay our creditors. We retain interests in our securitization transactions, including subordinated certificates issued by the SPEs, rights to cash reserves and residual interests. For bankruptcy analysis purposes, we sold the finance receivables to the SPEs in a true sale and the SPEs are separate legal entities. The investors and the SPEs have no recourse to any of our other assets for failure of debtors to pay when due.

In accordance with the new consolidation accounting guidance adopted on January 1, 2010, these SPEs were concluded to be VIEs. We determined that we were the primary beneficiary based on our power to direct activities through our role as servicer and our obligation to absorb losses and right to receive benefits and therefore consolidated the entities using the carrying amounts of the SPEs' assets and liabilities.

On April 25, 2011, we exercised a cleanup call on our only outstanding asset-backed securitization transaction. As a result, we had no assets or liabilities related to a consolidated SPE as of September 30, 2011. The restricted assets (Finance leases and installment sale contracts - Retail, Unearned income, Allowance for credit losses and Other assets) of the consolidated SPE totaled \$136 million at December 31, 2010. The liabilities (Accrued expenses and Current maturities of long-term debt) of the consolidated SPE totaled \$73 million at December 31, 2010.

Other Managed Assets

We also sell individual leases and finance receivables to third parties with limited or no recourse to us to either reduce our concentration of credit risk related to certain customers or as an additional source of liquidity. In accordance with accounting for transfers and servicing of financial assets, the transfers to the third parties are accounted for as sales. We maintain servicing responsibilities for these third-party assets, which totaled \$180 million and \$225 million as of September 30, 2011 and December 31, 2010, respectively. Since we do not receive a servicing fee for these assets, a servicing liability is recorded. As of September 30, 2011 and December 31, 2010, these liabilities were not significant.

C. Purchases of trade receivables from Caterpillar entities

We purchase trade receivables from Caterpillar entities at a discount. The discount is an estimate of the amount of financing revenue that would be earned at a market rate on these trade receivables over their expected life. The discount is amortized into revenue on an effective yield basis over the life of the receivables and recognized as Wholesale finance revenue. Amortized discounts for the trade receivables were \$55 million and \$35 million for the three months ended September 30, 2011 and 2010, respectively, and \$157 million and \$95 million for the nine months ended September 30, 2011 and 2010, respectively. In the Consolidated Statements of Cash Flows, collection of the discount is included in investing activities as the receivables are collected.

5. Derivative Financial Instruments and Risk Management

Our earnings and cash flow are subject to fluctuations due to changes in foreign currency exchange rates and interest rates. Our Risk Management Policy (policy) allows for the use of derivative financial instruments to prudently manage foreign currency exchange rate and interest rate exposures. Our policy specifies that derivatives are not to be used for speculative purposes. Derivatives that we use are primarily foreign currency forward and option contracts and interest rate swaps. Our derivative activities are subject to the management, direction and control of our senior financial officers. Risk management practices, including the use of financial derivative instruments, are presented to the Audit Committee of the Caterpillar Inc. Board of Directors at least annually.

All derivatives are recognized on the Consolidated Statements of Financial Position at their fair value. On the date the derivative contract is entered into, we designate the derivative as (1) a hedge of the fair value of a recognized asset or liability (fair value hedge), (2) a hedge of a forecasted transaction or the cash flow variability associated with variable-rate debt (cash flow hedge) or (3) an undesignated instrument. Changes in the fair value of a derivative that is qualified, designated and highly effective as a fair value hedge, along with the gain or loss on the hedged recognized asset or liability that is attributable to the hedged risk, are recorded in current earnings. Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in Accumulated other comprehensive income (loss) (AOCI) on the Consolidated Statements of Financial Position until they are reclassified to earnings in the same period or periods during which the hedged transaction affects earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in current earnings. Cash flow from designated derivative financial instruments is classified within the same category as the item being hedged on the Consolidated Statements of Cash Flow. Cash flow from undesignated derivative financial instruments is included in the investing category on the Consolidated Statements of Cash Flows.

We formally document all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value hedges to specific assets and liabilities on the Consolidated Statements of Financial Position and linking cash flow hedges to specific forecasted transactions or variability of cash flow.

We also formally assess, both at the hedge's inception and on an ongoing basis, whether the designated derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flow of hedged items. When a derivative is determined not to be highly effective as a hedge or the underlying hedged transaction is no longer probable, we discontinue hedge accounting prospectively, in accordance with derecognition criteria for hedge accounting.

Foreign Currency Exchange Rate Risk

In managing foreign currency risk, our objective is to minimize earnings volatility resulting from conversion and the remeasurement of net foreign currency balance sheet positions. Our policy allows the use of foreign currency forward and option contracts to offset the risk of currency mismatch between our receivables and debt. All such foreign currency forward and option contracts are undesignated.

Interest Rate Risk

Interest rate movements create a degree of risk by affecting the amount of our interest payments and the value of our fixed-rate debt. Our practice is to use interest rate swaps to manage our exposure to interest rate changes and, in some cases, to lower the cost of borrowed funds.

We have a match-funding policy that addresses interest rate risk by aligning the interest rate profile (fixed or floating rate) of our debt portfolio with the interest rate profile of our receivables portfolio within predetermined ranges on an ongoing basis. In connection with that policy, we use interest rate derivative instruments to modify the debt structure to match assets within the receivables portfolio. This matched funding reduces the volatility of margins between interest-bearing assets and interest-bearing liabilities, regardless of which direction interest rates move.

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Our policy allows us to use fixed-to-floating, floating-to-fixed and floating-to-floating interest rate swaps to meet the match-funding objective. We designate fixed-to-floating interest rate swaps as fair value hedges to protect debt against changes in fair value due to changes in the benchmark interest rate. We designate most floating-to-fixed interest rate swaps as cash flow hedges to protect against the variability of cash flows due to changes in the benchmark interest rate.

As of September 30, 2011, \$5 million of deferred net losses, net of tax, included in equity (AOCI in the Consolidated Statements of Financial Position), related to our floating-to-fixed interest rate swaps, are expected to be reclassified to Interest expense over the next twelve months. The actual amount recorded in Interest expense will vary based on interest rates at the time the hedged transactions impact earnings.

We have, at certain times, liquidated fixed-to-floating interest rate swaps that resulted in deferred gains at the time of liquidation. The deferred gains associated with these interest rate swaps are included in Long-term debt in the Consolidated Statements of Financial Position and are being amortized to Interest expense over the remaining term of the previously designated hedged item.

The location and fair value of derivative instruments reported in the Consolidated Statements of Financial Position are as follows:

(Millions of dollars)		Asset (Liability) Fair Value	
	Consolidated Statements of Financial Position Location	September 30, 2011	December 31, 2010
Designated derivatives			
Interest rate contracts	Other assets	\$269	\$211
Interest rate contracts	Accrued expenses	(7)	(18)
		<u>\$262</u>	<u>\$193</u>
Undesignated derivatives			
Foreign exchange contracts	Other assets	\$ 13	\$ 6
Foreign exchange contracts	Accrued expenses	(20)	(9)
Interest rate contracts	Other assets	-	-
Interest rate contracts	Accrued expenses	(1)	(1)
		<u>\$ (8)</u>	<u>\$ (4)</u>

For the nine months ended September 30, 2011 and 2010, the deferred gains (losses) recorded in AOCI on the Consolidated Statements of Changes in Stockholder's Equity associated with our cash flow interest rate contract hedges are as follows:

(Millions of dollars)	
Balance as of December 31, 2010, net of tax of \$6	\$(14)
Gains (losses) deferred during the year, net of tax of \$1	(4)
(Gains) losses reclassified to earnings, net of tax of \$4	<u>11</u>
Balance as of September 30, 2011, net of tax of \$3	<u>\$(7)</u>
(Millions of dollars)	
Balance as of December 31, 2009, net of tax of \$21	\$(41)
Gains (losses) deferred during the year, net of tax of \$2	(6)
(Gains) losses reclassified to earnings, net of tax of \$14	<u>28</u>
Balance as of September 30, 2010, net of tax of \$9	<u>\$(19)</u>

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The effect of derivatives designated as hedging instruments on the Consolidated Statements of Profit is as follows:

Fair Value Hedges (Millions of dollars)

		Three Months Ended September 30, 2011		Three Months Ended September 30, 2010	
		Gains (Losses) on Derivatives	Gains (Losses) on Borrowings	Gains (Losses) on Derivatives	Gains (Losses) on Borrowings
	Classification				
Interest rate contracts	Other income (expense)	\$ 70	\$ (77)	\$ 63	\$ (61)
		\$ 70	\$ (77)	\$ 63	\$ (61)
		Nine Months Ended September 30, 2011		Nine Months Ended September 30, 2010	
Interest rate contracts	Other income (expense)	\$ 59	\$ (65)	\$ 204	\$ (195)
		\$ 59	\$ (65)	\$ 204	\$ (195)

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Cash Flow Hedges
(Millions of dollars)

		Three Months Ended September 30, 2011	
	Classification of	Reclassified from AOCI	Recognized in Earnings
	Gains (Losses)	to Earnings	(Ineffective Portion)
		(Effective Portion)	
Interest rate contracts	Interest expense	\$(3)	\$ -
Interest rate contracts	Other income (expense)	-	(2)
		<u>\$(3)</u>	<u>\$ (2)</u>
		Three Months Ended September 30, 2010	
	Classification of	Reclassified from AOCI	Recognized in Earnings
	Gains (Losses)	to Earnings	(Ineffective Portion)
		(Effective Portion)	
Interest rate contracts	Interest expense	\$(10)	\$ -
Interest rate contracts	Other income (expense)	-	(2)
		<u>\$(10)</u>	<u>\$ (2)</u>
		Nine Months Ended September 30, 2011	
	Classification of	Reclassified from AOCI	Recognized in Earnings
	Gains (Losses)	to Earnings	(Ineffective Portion)
		(Effective Portion)	
Interest rate contracts	Interest expense	\$(15)	\$ -
Interest rate contracts	Other income (expense)	-	(1)
		<u>\$(15)</u>	<u>\$ (1)</u>
		Nine Months Ended September 30, 2010	
	Classification of	Reclassified from AOCI	Recognized in Earnings
	Gains (Losses)	to Earnings	(Ineffective Portion)
		(Effective Portion)	
Interest rate contracts	Interest expense	\$(42)	\$ -
Interest rate contracts	Other income (expense)	-	(1)
		<u>\$(42)</u>	<u>\$ (1)</u>

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The effect of derivatives not designated as hedging instruments on the Consolidated Statements of Profit is as follows:

Undesignated Derivatives (Millions of dollars)			
	Classification of Gains or (Losses)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010
Foreign exchange contracts	Other income (expense)	\$(10)	\$12
Interest rate contracts	Other income (expense)	<u>-</u>	<u>2</u>
		<u>\$(10)</u>	<u>\$14</u>
	Classification of Gains or (Losses)	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Foreign exchange contracts	Other income (expense)	\$(12)	\$23
Interest rate contracts	Other income (expense)	<u>-</u>	<u>3</u>
		<u>\$(12)</u>	<u>\$26</u>

6. Segment Information

Our segment data is based on disclosure requirements of accounting guidance on segment reporting, which requires that financial information be reported on the basis that is used internally for measuring segment performance. Internally, we report information for operating segments based on management responsibility. Our operating segments offer primarily the same types of services within each of the respective segments. The operating segments are as follows:

- North America: We have offices in the United States and Canada that serve local dealers and customers. This segment also includes certain unallocated corporate headquarter expenses.
- Asia-Pacific and Mining: This segment includes offices in Australia, New Zealand, China, Japan, South Korea and Southeast Asia that serve local dealers and customers and also includes large mining customers worldwide. This segment also provides project financing in various countries.
- Europe and Global Power Finance: This segment includes our offices that serve dealers and customers in Europe, Africa, Middle East and the Commonwealth of Independent States. This segment also includes the Global Power Finance Division (GPF), which finances marine vessels with Caterpillar engines worldwide and also provides debt financing for Caterpillar electrical power generation, gas compression and co-generation systems, as well as non-Caterpillar equipment that is powered by these systems worldwide.
- Latin America: We have offices in Brazil, Mexico and Chile that serve local dealers and customers in Central and South America.

Effective January 1, 2011, changes were made to the executive management responsibilities at Cat Financial in order to provide ongoing improvement to our business. Prior year data has been reclassified to conform to the 2011 presentation.

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Debt and other expenses are allocated from the North America segment to other segments based on their respective portfolios. The related Interest expense is calculated based on the amount of allocated debt and the rates associated with that debt. The Provision for credit losses included in each segment's profit is based on each segment's share of the Company's Allowance for credit losses. Inter-segment revenues result from lending activities between segments and are based on the amount of the respective Inter-segment loans and the rates associated with those loans.

As noted above, the segment information is presented on a management-reporting basis. Unlike financial reporting, there is no authoritative guidance for management reporting equivalent to U.S. GAAP.

Supplemental segment data for the three months ended September 30,

(Millions of dollars)					
	<u>North America</u>	<u>Europe and GPF</u>	<u>Latin America</u>	<u>Asia-Pacific and Mining</u>	<u>Total</u>
2011					
External revenue	\$250	\$122	\$93	\$203	\$668
Inter-segment revenue	12	-	-	-	12
Profit (loss)	31	(1)	25	38	93
2010					
External revenue	\$267	\$123	\$76	\$174	\$640
Inter-segment revenue	5	-	-	-	5
Profit (loss)	(3)	23	18	35	73

Supplemental segment data for the nine months ended September 30,

(Millions of dollars)					
	<u>North America</u>	<u>Europe and GPF</u>	<u>Latin America</u>	<u>Asia-Pacific and Mining</u>	<u>Total</u>
2011					
External revenue	\$768	\$375	\$259	\$581	\$1,983
Inter-segment revenue	27	-	-	-	27
Profit	73	45	59	106	283
2010					
External revenue	\$802	\$379	\$219	\$519	\$1,919
Inter-segment revenue	17	-	-	-	17
Profit (loss)	(10)	62	61	95	208

(Millions of dollars)					
	<u>North America</u>	<u>Europe and GPF</u>	<u>Latin America</u>	<u>Asia-Pacific and Mining</u>	<u>Total</u>
Assets as of September 30, 2011	\$16,731	\$7,225	\$3,786	\$6,731	\$34,473
Assets as of December 31, 2010	\$15,774	\$7,434	\$3,392	\$5,799	\$32,399

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(Millions of dollars)		
Reconciliation of assets:	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Assets from segments	\$34,473	\$32,399
Less: Investment in subsidiaries	(1,172)	(1,117)
Less: Inter-segment balances	<u>(3,836)</u>	<u>(2,530)</u>
Total	<u>\$29,465</u>	<u>\$28,752</u>

7. Guarantees

We provide loan guarantees to third-party lenders for financing associated with machinery purchased by customers. These guarantees have varying terms and are secured by the machinery. In addition, we participate in standby letters of credit issued to third parties on behalf of our customers. These standby letters of credit have varying terms and beneficiaries and are secured by customer assets.

We have provided a limited indemnity to a third-party bank resulting from the assignment of certain leases to that bank. The indemnity is for the possibility that the insurers of these leases would become insolvent. The indemnity expires December 15, 2012 and is unsecured.

No loss has been experienced or is anticipated under any of these guarantees. At September 30, 2011 and December 31, 2010, the related liability was \$2 million and \$3 million, respectively. The maximum potential amount of future payments (undiscounted and without reduction for any amounts that may possibly be recovered under recourse or collateralized provisions) we could be required to make under the guarantees are as follows:

(Millions of dollars)	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Customer guarantees	\$127	\$139
Limited indemnity	<u>12</u>	<u>17</u>
Total guarantees	<u>\$139</u>	<u>\$156</u>

We provide guarantees to repurchase certain loans of Caterpillar dealers from a special purpose corporation (SPC) that qualifies as a VIE (see Note 1 for additional information regarding the accounting guidance on the consolidation of VIEs). The purpose of the SPC is to provide short-term working capital loans to Caterpillar dealers. This SPC issues commercial paper and uses the proceeds to fund its loan program. We have a loan purchase agreement with the SPC that obligates us to purchase certain loans that are not paid at maturity. We receive a fee for providing this guarantee, which provides a source of liquidity for the SPC. We are the primary beneficiary of the SPC as our guarantees result in us having both the power to direct the activities that most significantly impact the SPC's economic performance and the obligation to absorb losses, and therefore we have consolidated the financial statements of the SPC. As of September 30, 2011 and December 31, 2010, the SPC's assets of \$579 million and \$365 million, respectively, are primarily comprised of loans to dealers, which are included in Retail notes receivable in the Consolidated Statements of Financial Position, and the SPC's liabilities of \$579 million and \$365 million, respectively, are primarily comprised of commercial paper, which is included in Short-term borrowings in the Consolidated Statements of Financial Position. No loss has been experienced or is anticipated under this loan purchase agreement. Our assets are not available to pay creditors of the SPC, except to the extent we may be obligated to perform under the guarantee, and assets of the SPC are not available to pay our creditors.

8. Fair Value Measurements

A. Fair Value Measurements

The guidance on fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This guidance also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. In accordance with this guidance, fair value measurements are classified under the following hierarchy:

- **Level 1** – Quoted prices for identical instruments in active markets.
- **Level 2** – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.
- **Level 3** – Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

We make use of observable market-based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon internally developed models that use, where possible, current market-based parameters such as interest rates, yield curves and currency rates. These measurements are classified within Level 3.

Fair value measurements are classified according to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

The guidance on fair value measurements expanded the definition of fair value to include the consideration of nonperformance risk. Nonperformance risk refers to the risk that an obligation (either by a counterparty or us) will not be fulfilled. For financial assets traded in an active market (Level 1), the nonperformance risk is included in the market price. For certain other financial assets and liabilities (Level 2 and 3), our fair value calculations have been adjusted accordingly.

Derivative financial instruments

The fair value of interest rate swap derivatives is primarily based on models that utilize the appropriate market-based forward swap curves and zero-coupon interest rates to determine discounted cash flows. The fair value of foreign currency forward contracts is based on a valuation model that discounts cash flows resulting from the differential between the contract price and the market-based forward rate.

Securitized retained interests

The fair value of securitized retained interests was based upon a valuation model that calculated the present value of future expected cash flows, which used key assumptions for credit losses, prepayment rates and discount rates. These assumptions were based on our historical experience, market trends and anticipated performance relative to the particular assets securitized.

Guarantees

The fair value of guarantees is based upon the premium we would require to issue the same guarantee in a stand-alone arms-length transaction with an unrelated party. If quoted or observable market prices are not available, fair value is based upon internally developed models that utilize current market-based assumptions.

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Assets and liabilities measured on a recurring basis at fair value included in our Consolidated Statements of Financial Position as of September 30, 2011 and December 31, 2010 are summarized below:

(Millions of dollars)				
				September 30, 2011
				Total Assets/Liabilities, at Fair Value
	Level 1	Level 2	Level 3	
Assets				
Derivative financial instruments, net	\$ -	\$254	\$ -	\$254
Total Assets	<u>\$ -</u>	<u>\$254</u>	<u>\$ -</u>	<u>\$254</u>
Liabilities				
Guarantees	\$ -	\$ -	\$ 2	\$ 2
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>
December 31, 2010				
				Total Assets/Liabilities, at Fair Value
	Level 1	Level 2	Level 3	
Assets				
Derivative financial instruments, net	\$ -	\$189	\$ -	\$189
Total Assets	<u>\$ -</u>	<u>\$189</u>	<u>\$ -</u>	<u>\$189</u>
Liabilities				
Guarantees	\$ -	\$ -	\$ 3	\$ 3
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 3</u>

Below are roll-forwards of assets and liabilities measured at fair value using Level 3 inputs for the nine months ended September 30, 2011 and 2010. These instruments were valued using pricing models that, in management's judgment, reflect the assumptions a marketplace participant would use.

(Millions of dollars)	Guarantees
Balance as of December 31, 2010	\$ 3
Issuance of guarantees	2
Expiration of guarantees	(3)
Balance as of September 30, 2011	<u>\$ 2</u>

(Millions of dollars)	Securitized Retained	Guarantees
	Interests	
Balance as of December 31, 2009	\$ 102	\$ 4
Adjustment to adopt consolidation of variable-interest entities	(102)	-
Issuance of guarantees	-	6
Expiration of guarantees	-	(6)
Balance as of September 30, 2010	<u>\$ -</u>	<u>\$ 4</u>

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In addition to the amounts above, we had impaired loans with a fair value of \$185 million and \$171 million as of September 30, 2011 and December 31, 2010, respectively. A loan is considered impaired when management determines that collection of contractual amounts due is not probable. In these cases, an allowance for credit losses is established based primarily on the fair value of associated collateral. As the collateral's fair value is based on observable market prices and/or current appraised values, the impaired loans are classified as Level 2 measurements.

B. Fair Values of Financial Instruments

In addition to the methods and assumptions we use to record the fair value of financial instruments as discussed in the Fair Value Measurements section above, we used the following methods and assumptions to estimate the fair value of our financial instruments.

Cash and cash equivalents – carrying amount approximated fair value.

Finance receivables, net – fair value was estimated by discounting the future cash flows using current rates, representative of receivables with similar remaining maturities.

Restricted cash and cash equivalents – carrying amount approximated fair value.

Short-term borrowings – carrying amount approximated fair value.

Long-term debt – fair value on fixed and floating-rate debt was estimated based on quoted market prices.

Please refer to the table below for the fair values of our financial instruments.

(Millions of dollars)	<u>September 30, 2011</u>		<u>December 31, 2010</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,453	\$ 1,453	\$ 1,676	\$ 1,676
Foreign currency contracts:				
In a receivable position	\$ 13	\$ 13	\$ 6	\$ 6
In a payable position	\$ (20)	\$ (20)	\$ (9)	\$ (9)
Finance receivables, net (excluding finance leases ¹)	\$ 16,604	\$ 16,358	\$ 15,444	\$ 15,311
Restricted cash and cash equivalents ²	\$ 7	\$ 7	\$ 91	\$ 91
Short-term borrowings	\$ (3,548)	\$ (3,548)	\$ (3,852)	\$ (3,852)
Long-term debt	\$ (21,400)	\$ (22,434)	\$ (19,362)	\$ (20,364)
Interest rate swaps:				
In a net receivable position	\$ 269	\$ 269	\$ 211	\$ 211
In a net payable position	\$ (8)	\$ (8)	\$ (19)	\$ (19)
Guarantees	\$ (2)	\$ (2)	\$ (3)	\$ (3)

¹As of September 30, 2011 and December 31, 2010, represents finance leases with a net carrying value of \$7,305 million and \$7,299 million, respectively.

²Included in Other assets in the Consolidated Statements of Financial Position.

9. Contingencies

We are involved in unresolved legal actions that arise in the normal course of business. The majority of these unresolved actions involve claims to recover collateral, claims pursuant to customer bankruptcies and the pursuit of deficiency amounts. Although it is not possible to predict with certainty the outcome of our unresolved legal actions or the range of probable loss, we believe that these unresolved legal actions will neither individually nor in the aggregate have a material adverse effect on our consolidated financial position, liquidity or results of operations.

10. Income Taxes

The provision for income taxes for the three months and nine months ended September 30, 2011 reflects an estimated annual effective tax rate of 25 percent compared to 24 percent for the first nine months of 2010 and 19 percent for the full year of 2010. The increase from the full-year 2010 effective tax rate is primarily due to expected changes in the geographic mix of pre-tax profits and the absence of \$22 million of benefits included in the 2010 full-year effective tax rate related to prior years. The 2011 estimated annual effective tax rate is expected to be less than the U.S. corporate tax rate of 35 percent primarily due to profits in tax jurisdictions with lower tax rates.

11. Committed Credit Facility with Caterpillar

During January of 2011, we entered into a \$2.0 billion committed credit facility with Caterpillar, which expires in February 2019. Under this agreement, we receive a fee from Caterpillar based on amounts drawn under the credit facility and a commitment fee for the undrawn amounts under the credit facility.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW: THIRD QUARTER 2011 VS. THIRD QUARTER 2010

We reported third-quarter 2011 revenues of \$668 million, an increase of \$28 million, or 4 percent, compared with the third quarter of 2010. Third-quarter profit after tax was \$93 million, a \$20 million, or 27 percent, increase from the third quarter of 2010.

- The increase in revenues was principally due to a \$28 million favorable impact from higher earning assets (finance receivables and operating leases at constant interest rates) and a favorable impact from miscellaneous net revenue items, partially offset by a \$17 million unfavorable impact from lower interest rates on new and existing finance receivables.
- Profit before income taxes was \$126 million for the third quarter of 2011, compared to \$89 million for the third quarter of 2010. The increase was principally due to a \$17 million decrease in the provision for credit losses, a \$13 million favorable impact from higher net yield on average earning assets, and a favorable impact from miscellaneous net revenue items. These increases were partially offset by a \$13 million increase in general, operating and administrative expense.
- The provision for income taxes in the third quarter of 2011 reflects an estimated annual effective tax rate of 25 percent compared to 24 percent in the third quarter of 2010. The actual 2010 third-quarter tax rate was reduced by a benefit of \$12 million related to prior years. The 2011 estimated annual effective tax rate is expected to be less than the U.S. corporate tax rate of 35 percent primarily due to profits in tax jurisdictions with lower tax rates.
- New retail financing in the third quarter of 2011 was \$2.6 billion, an increase of \$161 million, or 6 percent, from the third quarter of 2010. The increase was primarily a result of improvements in our Asia-Pacific and Mining operating segment.
- At the end of the third quarter of 2011, past dues were 3.54 percent, a decrease from 3.73 percent at the end of the second quarter of 2011, 3.87 percent at the end of 2010 and 4.88 percent at the end of the third quarter of 2010. Write-offs, net of recoveries, were \$50 million for the third quarter of 2011, down from \$78 million in the third quarter of 2010.
- As of September 30, 2011, our allowance for credit losses totaled \$362 million or 1.49 percent of net finance receivables, compared with \$363 million or 1.57 percent of net finance receivables at year-end 2010. The allowance for credit losses as of September 30, 2010, was \$367 million, which was 1.61 percent of net finance receivables.

REVIEW OF CONSOLIDATED STATEMENTS OF PROFIT**THREE MONTHS ENDED SEPTEMBER 30, 2011 VS. THREE MONTHS ENDED SEPTEMBER 30, 2010****REVENUES**

Retail and wholesale revenue for the third quarter of 2011 was \$403 million, an increase of \$24 million from the same period in 2010. The increase was due to a \$30 million favorable impact from higher average earning assets (finance receivables at constant interest rates), partially offset by a \$6 million unfavorable impact from lower interest rates on new and existing retail and wholesale receivables. The annualized average yield was 6.51 percent for the third quarter of 2011, compared to 6.67 percent for the third quarter of 2010.

Operating lease revenue was \$218 million for both the third quarter of 2011 and 2010. There was a \$5 million favorable impact from higher interest rates on operating leases offset by a \$5 million unfavorable impact from lower average earning assets (operating leases at constant interest rates).

Other revenue, net, for third quarter of 2011 was \$47 million, an increase of \$4 million from the same period in 2010, primarily due to a \$10 million favorable impact from fees earned on the committed credit facility entered into during 2011 with Caterpillar and a \$5 million increase in miscellaneous other revenue, net, partially offset by a \$12 million decrease in Interest income on Notes Receivable from Caterpillar. Other revenue, net, items were as follows:

(Millions of dollars)	Three Months Ended September 30,	
	2011	2010
Finance receivable and operating lease fees (including late charges)	\$19	\$20
Fees on credit facility with Caterpillar	10	-
Miscellaneous other revenue, net	7	2
Net gain on returned or repossessed equipment	6	4
Interest income on Notes Receivable from Caterpillar	<u>5</u>	<u>17</u>
Total Other revenue, net	<u>\$47</u>	<u>\$43</u>

EXPENSES

Interest expense for the third quarter of 2011 was \$211 million, a decrease of \$17 million from the same period in 2010. This decrease was primarily due to a decrease of 42 basis points in the average cost of borrowing to 3.38 percent for the third quarter of 2011, down from 3.80 percent for the third quarter of 2010, partially offset by the impact of a 4 percent increase in average borrowings.

Depreciation expense on equipment leased to others was \$173 million, up \$4 million from the third quarter of 2010.

General, operating and administrative expenses were \$103 million for the third quarter of 2011, compared to \$90 million for the same period in 2010. The increase was due to increases in labor costs and other operating expenses. There were 1,661 full-time employees as of September 30, 2011, compared to 1,562 as of September 30, 2010.

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The Provision for credit losses was \$38 million for the third quarter of 2011, down \$17 million from the third quarter of 2010, primarily due to improved portfolio health. The Allowance for credit losses as of September 30, 2011 was 1.49 percent of net finance receivables compared to 1.61 percent as of September 30, 2010. See Note 4A of Notes to Consolidated Financial Statements for further discussion.

Other expenses were \$7 million for the third quarter of 2011, compared to \$10 million for the third quarter of 2010. The decrease was primarily attributable to lower expenses related to repossessions.

Other income (expense) for the third quarter of 2011 was expense of \$10 million, compared to income of \$1 million for the third quarter of 2010. The decrease in Other income (expense) was due to an \$11 million unfavorable impact from interest rate derivative contracts. Other income (expense) items were as follows:

(Millions of dollars)	Three Months Ended September 30,	
	<u>2011</u>	<u>2010</u>
Net gain/(loss) from interest rate derivatives	\$ (9)	\$ 2
Currency exchange gain/(loss)	9	(13)
Net gain/(loss) on undesignated foreign exchange contracts (including forward points)	<u>(10)</u>	<u>12</u>
Net currency exchange loss	<u>(1)</u>	<u>(1)</u>
Total Other income (expense)	<u>\$ (10)</u>	<u>\$ 1</u>

The Provision for income taxes was \$29 million in the third quarter of 2011, reflecting an estimated annual effective tax rate of 25 percent compared to 24 percent in the third quarter of 2010 and 19 percent for the full year of 2010. The increase from the full-year 2010 effective tax rate is primarily due to expected changes in the geographic mix of pre-tax profits and the absence of \$22 million of benefits included in the 2010 full-year effective tax rate related to prior years. The 2011 estimated annual effective tax rate is expected to be less than the U.S. corporate tax rate of 35 percent primarily due to profits in tax jurisdictions with lower tax rates.

PROFIT

As a result of the performance discussed above, profit after tax was \$93 million for the third quarter of 2011, an increase of \$20 million, or 27 percent, from the third quarter of 2010.

NINE MONTHS ENDED SEPTEMBER 30, 2011 VS. NINE MONTHS ENDED SEPTEMBER 30, 2010**REVENUES**

Retail and wholesale revenue for the first nine months of 2011 was \$1.187 billion, an increase of \$49 million from the same period in 2010. The increase was due to a \$73 million favorable impact from higher average earning assets (finance receivables at constant interest rates), partially offset by a \$24 million unfavorable impact from lower interest rates on new and existing retail and wholesale receivables. The annualized average yield was 6.53 percent for the first nine months of 2011, compared to 6.67 percent for the same period in 2010.

Operating lease revenue for the first nine months of 2011 was \$658 million, or \$8 million lower than the same period in 2010. The decrease in operating lease revenue was due to a \$29 million unfavorable impact from lower average earning assets (operating leases at constant interest rates), partially offset by a \$21 million favorable impact from higher interest rates on operating leases.

Other revenue, net, for the first nine months of 2011 was \$138 million, an increase of \$23 million from the same period in 2010, due to a \$32 million favorable change from returned or repossessed equipment, a \$30 million favorable impact from fees earned on the committed credit facility entered into during 2011 with Caterpillar and a \$13 million increase in miscellaneous other revenue, net, partially offset by a \$52 million decrease in Interest income on Notes Receivable from Caterpillar. Other revenue, net, items were as follows:

(Millions of dollars)	Nine Months Ended September 30,	
	2011	2010
Finance receivable and operating lease fees (including late charges)	\$ 52	\$ 52
Fees on credit facility with Caterpillar	30	-
Net gain/(loss) on returned or repossessed equipment	23	(9)
Miscellaneous other revenue, net	22	9
Interest income on Notes Receivable from Caterpillar	11	63
Total Other revenue, net	<u>\$138</u>	<u>\$115</u>

EXPENSES

Interest expense for the first nine months of 2011 was \$624 million, a decrease of \$72 million from the same period in 2010. This decrease was primarily due to a reduction of 34 basis points in the average cost of borrowing to 3.47 percent for the nine months of 2011, down from 3.81 percent for the first nine months of 2010, and the impact of a 1 percent decrease in average borrowings.

Depreciation expense on equipment leased to others was \$520 million, up \$2 million over the first nine months of 2010.

General, operating and administrative expenses were \$296 million for the first nine months of 2011, compared to \$260 million for the same period in 2010. The increase was due to increases in labor costs and other operating expenses. There were 1,661 full-time employees as of September 30, 2011, compared to 1,562 as of September 30, 2010.

The Provision for credit losses was \$124 million for the first nine months of 2011, down \$36 million from the first nine months of 2010, due to a \$29 million decrease in the provision expense related to finance receivables as a result of improved portfolio health, partially offset by the impact of portfolio growth and a \$7 million decrease in the provision expense for miscellaneous receivables. The Allowance for credit losses as of September 30, 2011 was 1.49 percent of

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net finance receivables compared to 1.61 percent as of September 30, 2010. See Note 4A of Notes to Consolidated Financial Statements for further discussion.

Other expenses were \$21 million for the first nine months of 2011, compared to \$34 million for the same period in 2010. The decrease was primarily attributable to lower expenses related to repossessions.

Other income (expense) for the first nine months of 2011 was expense of \$5 million, compared to income of \$4 million for the same period in 2010. The decrease in Other income (expense) was due to an \$18 million unfavorable impact from interest rate derivatives contracts, partially offset by a \$6 million improvement in net currency exchange loss and a \$3 million increase in other miscellaneous income. Other income (expense) items were as follows:

(Millions of dollars)	Nine Months Ended September 30,	
	2011	2010
Net gain/(loss) from interest rate derivatives	\$ (7)	\$ 11
Currency exchange gain/(loss)	11	(30)
Net gain/(loss) on undesignated foreign exchange contracts (including forward points)	(12)	23
Net currency exchange loss	(1)	(7)
Other miscellaneous income	3	-
Total Other income (expense)	\$ (5)	\$ 4

The Provision for income taxes was \$98 million for the first nine months of 2011, reflecting an estimated annual effective tax rate of 25 percent compared to 24 percent in the third quarter of 2010 and 19 percent for the full year of 2010. The increase from the full-year 2010 effective tax rate is primarily due to expected changes in the geographic mix of pre-tax profits and the absence of \$22 million of benefits included in the 2010 full-year effective tax rate related to prior years. The 2011 estimated annual effective tax rate is expected to be less than the U.S. corporate tax rate of 35 percent primarily due to profits in tax jurisdictions with lower tax rates.

PROFIT

As a result of the performance discussed above, profit was \$283 million for the first nine months of 2011, up \$75 million, or 36 percent, from the first nine months of 2010.

REVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

Total assets were \$29.465 billion as of September 30, 2011, an increase of \$713 million, or 2 percent, from December 31, 2010, principally due to an increase in net finance receivables, partially offset by a decrease in cash and cash equivalents.

During the nine months ended September 30, 2011, new retail financing was \$8.3 billion, an increase of \$1.6 billion, or 23 percent, from the same period in 2010. The increase was primarily related to improvements in our Asia-Pacific and Mining and North America operating segments.

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Total Off-Balance Sheet Managed Assets

We manage and service receivables and leases that have been transferred through securitization or sale. These transactions provide a source of liquidity and allow us to mitigate the concentration of credit risk with certain customers. These receivables and leases are not available to pay our creditors.

Off-balance sheet managed assets were as follows:

(Millions of dollars)	September 30, 2011	December 31, 2010
Other Managed Assets		
Retail finance leases	\$113	\$109
Retail installment sale contracts	42	73
Operating leases	18	36
Retail notes receivable	<u>7</u>	<u>7</u>
Total off-balance sheet managed assets	<u>\$180</u>	<u>\$225</u>

TOTAL PAST DUE FINANCE AND RENTS RECEIVABLES

At the end of the third quarter of 2011, past dues were 3.54 percent, a decrease from 3.73 percent at the end of the second quarter of 2011, 3.87 percent at the end of 2010 and 4.88 percent at the end of the third quarter of 2010. Write-offs, net of recoveries, were \$120 million for the nine months ended September 30, 2011, down from \$176 million for the same period in 2010.

CAPITAL RESOURCES AND LIQUIDITY

Capital resources and liquidity provide us with the ability to meet our financial obligations on a timely basis. Maintaining and managing adequate capital and liquidity resources includes management of funding sources and their utilization based on current, future and contingent needs. We do not generate material funding through structured finance transactions.

We continued to experience favorable liquidity conditions and market access across all key global funding markets during the third quarter of 2011. Commercial Paper (CP) market liquidity and pricing continued to be very favorable, with \$2.6 billion in CP balances outstanding at quarter-end supported by a \$6.5 billion revolving credit facility. During the third quarter of 2011, we issued term debt in three global markets, including \$773 million in the U.S., RMB 2.3 billion in Hong Kong, and ARS 56.3 million in Argentina. To maintain a strong liquidity position, we held cash balances at the end of the third quarter of 2011 totaling \$1.5 billion.

In the event that we, or any of our debt securities, experience a credit rating downgrade it would likely result in an increase in our borrowing costs and make access to certain credit markets more difficult. In the event conditions deteriorate such that access to debt markets becomes unavailable, we would rely on cash flow from our existing portfolio, utilization of existing cash balances, access to our revolving credit facilities and our other credit facilities and potential borrowings from Caterpillar. In addition, Caterpillar maintains a support agreement with us, which requires Caterpillar to remain our sole owner and may, under certain circumstances, require Caterpillar to make payments to us should we fail to maintain certain financial ratios.

BORROWINGS

Borrowings consist primarily of short-term and medium-term notes, commercial paper, variable denomination floating rate demand notes and bank borrowings, the combination of which is used to manage interest rate risk and funding requirements. We also utilize additional funding sources including securitizations of retail installment contracts and finance leases and wholesale receivable commercial paper conduits.

Total borrowings outstanding as of September 30, 2011 were \$24.948 billion, an increase of \$1.134 billion over December 31, 2010, due to increasing portfolio balances. Outstanding borrowings were as follows:

(Millions of dollars)	September 30, 2011	December 31, 2010
Medium-term notes, net of unamortized discount	\$19,810	\$17,681
Commercial paper, net of unamortized discount	2,550	2,710
Bank borrowings – long-term	1,590	1,603
Bank borrowings – short-term	455	479
Variable denomination floating rate demand notes	543	663
Secured borrowings	-	78
Notes payable to Caterpillar	-	600
Total outstanding borrowings	<u>\$24,948</u>	<u>\$23,814</u>

Medium-term notes

We issue medium-term unsecured notes through securities dealers or underwriters in the U.S., Canada, Europe, Australia, Japan, Hong Kong, Argentina and Mexico to both retail and institutional investors. These notes are offered in several currencies and with a variety of maturities. These notes are senior unsecured obligations of the Company. Medium-term notes outstanding as of September 30, 2011, mature as follows:

(Millions of dollars)	
2011	\$ 406
2012	4,330
2013	5,083
2014	4,026
2015	875
Thereafter	<u>5,090</u>
Total	<u>\$19,810</u>

Medium-term notes issued totaled \$4.601 billion and redeemed totaled \$2.487 billion for the nine months ended September 30, 2011.

Commercial paper

We issue unsecured commercial paper in the U.S., Europe and other international capital markets. These short-term promissory notes are issued on a discounted basis and are payable at maturity.

Revolving credit facilities

We have three global credit facilities with a syndicate of banks totaling \$8.5 billion (Credit Facility) available in the aggregate to both Caterpillar and us to support our commercial paper programs in the event those programs become unavailable and for general liquidity purposes. Based on management's allocation decision, which can be revised from time to time, the portion of the Credit Facility available to us as of September 30, 2011 was \$6.5 billion.

- In September 2011, we renewed the 364-day facility. The amount was decreased from \$3.52 billion to \$2.55 billion and expires in September 2012.
- In September 2011, we replaced the \$1.62 billion five-year facility expiring in September 2012 with a five-year facility of \$3.86 billion that expires in September 2016.
- The four-year facility of \$2.09 billion expires in September 2014.

At September 30, 2011, Caterpillar's consolidated net worth was \$18.62 billion, which was above the \$9.00 billion required under the Credit Facility. The consolidated net worth is defined as the consolidated stockholder's equity including preferred stock but excluding the pension and other postretirement benefits balance within Accumulated other comprehensive income/(loss).

At September 30, 2011, our covenant interest coverage ratio was 1.55 to 1. This is above the 1.15 to 1 minimum ratio calculated as (1) profit excluding income taxes, interest expense and net gain/(loss) from interest rate derivatives to (2) interest expense calculated at the end of each calendar quarter for the rolling four quarter period then most recently ended.

UNAUDITED

In addition, at September 30, 2011, our covenant leverage ratio was 7.69 to 1. This is below the maximum ratio of debt to net worth of 10 to 1, calculated (1) on a monthly basis as the average of the leverage ratios determined on the last day of each of the six preceding calendar months and (2) at each December 31 required by the Credit Facility.

In the event that either Caterpillar or we do not meet one or more of our respective financial covenants under the Credit Facility in the future (and are unable to obtain a consent or waiver), the bank group may terminate the commitments allocated to the party that does not meet its covenants. Additionally, in such event, certain of our other lenders under other loan agreements where similar financial covenants or cross default provisions are applicable, may, at their election, choose to pursue remedies under those loan agreements, including accelerating the repayment of outstanding borrowings. At September 30, 2011, there were no borrowings under the Credit Facility.

Bank borrowings

Credit lines with banks as of September 30, 2011 totaled \$3.77 billion. These committed and uncommitted credit lines, which may be eligible for renewal at various future dates or have no specified expiration date, are used primarily by our non-U.S. subsidiaries for local funding requirements. The remaining available credit commitments may be withdrawn any time at the lenders' discretion. As of September 30, 2011, we had \$2.05 billion outstanding against these credit lines compared to \$2.08 billion as of December 31, 2010, and were in compliance with all debt covenants under these credit lines.

Variable denomination floating rate demand notes

We obtain funding from the sale of variable denomination floating rate demand notes, which may be redeemed at any time at the option of the holder without any material restriction. We do not hold reserves to fund the payment of the demand notes. The notes are offered on a continuous basis by prospectus only.

Notes receivable from/payable to Caterpillar

Under our variable amount lending agreements and other notes receivable with Caterpillar, we may borrow up to \$2.14 billion from Caterpillar, and Caterpillar may borrow up to \$1.62 billion from us. The agreements are in effect for indefinite periods of time and may be changed or terminated by either party with 30 days notice. We had notes receivable of \$333 million outstanding under these agreements as of September 30, 2011, compared to notes payable of \$600 million and notes receivable of \$278 million as of December 31, 2010.

In addition, during the first quarter of 2011, we entered into a \$2 billion committed credit facility with Caterpillar, which expires in February 2019. We receive a fee from Caterpillar based on amounts drawn under the credit facility and a commitment fee for the undrawn amounts under the credit facility. At September 30, 2011, there were no borrowings under this credit facility.

Secured borrowings

Secured borrowings primarily include the debt related to the asset-backed securitization entities, which were consolidated on January 1, 2010.

OFF-BALANCE SHEET ARRANGEMENTS

We lease all of our facilities. In addition, we have guarantees with third parties of \$139 million as of September 30, 2011.

CASH FLOWS

Operating cash flow was \$794 million in the first nine months of 2011, compared with \$637 million for the same period a year ago. Net cash used for investing activities was \$1.68 billion for the first nine months of 2011, compared with a source of cash of \$744 million for the same period in 2010. This change is primarily due to higher additions to finance receivables, partially offset by higher collections. The increased activity is primarily due to higher purchases of trade receivables from Caterpillar and subsequent collections of those receivables. Net cash provided by financing

activities was \$614 million for the first nine months of 2011, compared with a use of cash of \$2.53 billion for the same period in 2010, primarily related to higher funding requirements, partially offset by the net impact of intercompany borrowings.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements, in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect reported amounts. The most significant estimates include those related to the residual values for leased assets and for our allowance for credit losses. Actual results may differ from these estimates.

Residual Values for Leased Assets

Lease residual values, which are based upon the estimated wholesale market value of leased equipment at the time of the expiration of the lease, are based on a careful analysis of historical wholesale market sales prices, projected forward on a level trend line without consideration for inflation or possible future pricing action. At the inception of the lease, residual values are derived from consideration of the following critical factors: market size and demand, any known significant market/product trends, total expected hours of usage, machine configuration, application, location, model changes, quantities and past re-marketing experience, third-party residual guarantees and contractual customer purchase options. Many of these factors are gathered in an application survey that is completed prior to quotation. The lease agreement also clearly defines applicable return conditions and remedies for non-compliance, to ensure that the leased equipment will be in good operating condition upon return. Model changes and updates, as well as market strength and product acceptance, are monitored and adjustments are made to residual values in accordance with the significance of any such changes. Remarketing sales staff works closely with customers and dealers to manage the sale of lease returns and the recovery of residual exposure.

During the term of the leases, residual amounts are monitored. If estimated market values reflect a non-temporary impairment due to economic factors, obsolescence or other adverse circumstances, the residuals are adjusted to the lower estimated values by a charge to earnings. For equipment on operating leases, the charge is recognized through depreciation expense. For finance leases, it is recognized through a reduction of finance revenue.

Allowance for Credit Losses

Management's ongoing evaluation of the adequacy of the Allowance for credit losses considers both impaired and unimpaired finance receivables and takes into consideration past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of underlying collateral and current economic conditions. In estimating probable credit losses, we review accounts that are past due, non-performing, in bankruptcy or otherwise identified as at-risk for potential credit loss including accounts which have been modified. Accounts are identified as at-risk for potential credit loss using information available about the customer, such as financial statements, news reports and published credit ratings, as well as general information regarding industry trends and the general economic environment.

The Allowance for credit losses attributable to specific accounts is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, we estimate the current fair market value of the collateral and consider credit enhancements such as additional collateral and third-party guarantees. The Allowance for credit losses attributable to the remaining accounts is a general allowance based upon the risk in the portfolio primarily using probabilities of default and an estimate of associated losses. In addition, qualitative factors not able to be fully captured in previous analysis including industry trends, macroeconomic factors and model imprecision are considered in the evaluation of the adequacy of the Allowance for credit losses. These qualitative factors are subjective and require a degree of management judgment.

While management believes it has exercised prudent judgment and applied reasonable assumptions, there can be no assurance that in the future, changes in economic conditions or other factors would not cause changes in the financial health of our customers. If the financial health of our customers deteriorates, the timing and level of payments received could be impacted and therefore, could result in a change to our estimated losses.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q may be considered "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements may relate to future events or our future financial performance, which may involve known and unknown risks and uncertainties and other factors that may cause our actual results, levels of activity, performance or achievement to be materially different from those expressed or implied by any forward-looking statements. From time to time, we may also provide forward-looking statements in oral presentations to the public or in other materials we issue to the public. Forward-looking statements give current expectations or forecasts of future events about the company. You may identify these statements by the fact that they do not relate to historical or current facts and may use words such as "believes," "expects," "estimates," "anticipates," "will," "should," "plan," "project," "intend," "could" and similar words or phrases. These statements are only predictions. Actual events or results may differ materially due to factors that affect international businesses, including changes in economic conditions and challenges in the global financial and credit markets, and change in laws and regulations (including regulations implemented under the Dodd-Frank Wall Street Reform and Consumer Protection Act) and political stability, as well as factors specific to Cat Financial and the markets we serve, including the market's acceptance of our products and services, the creditworthiness of our customers, interest rate and currency rate fluctuations and estimated residual values of leased equipment. These risk factors may not be exhaustive. We operate in a continually changing business environment and new risk factors emerge from time to time. We cannot predict these new risk factors, nor can we assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. Moreover, we do not assume responsibility for the accuracy and completeness of those statements. Forward-looking statements are qualified in their entirety by reference to the factors discussed under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K filed with the Securities and Exchange Commission (SEC) on February 22, 2011, as supplemented in our Form 10-Q filings with the SEC on May 9, 2011, August 4, 2011, and in this Form 10-Q filing. We do not undertake to update our forward-looking statements.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on this evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended September 30, 2011 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in unresolved legal actions that arise in the normal course of business. The majority of these unresolved actions involve claims to recover collateral, claims pursuant to customer bankruptcies and the pursuit of deficiency amounts. Although it is not possible to predict with certainty the outcome of our unresolved legal actions or the range of probable loss, we believe that these unresolved legal actions will neither individually nor in the aggregate have a material adverse effect on our consolidated financial position, liquidity or results of operations.

ITEM 1A. RISK FACTORS

For a discussion of risks and uncertainties that may affect our business, please see Part I. Item 1A. Risk Factors in our Annual Report on Form 10-K filed with the SEC on February 22, 2011, for the year ended December 31, 2010. There has been no material change in this information for the current quarter.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

- 4.1 Indenture, dated as of April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-3, Commission File No. 33-2246).
- 4.2 First Supplemental Indenture, dated as of May 22, 1986, amending the Indenture dated as of April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q, for the quarter ended June 20, 1986).
- 4.3 Second Supplemental Indenture, dated as of March 15, 1987, amending the Indenture dated as of April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K, dated April 24, 1987).
- 4.4 Third Supplemental Indenture, dated as of October 2, 1989, amending the Indenture dated as of April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K, dated October 16, 1989).
- 4.5 Fourth Supplemental Indenture, dated as of October 1, 1990, amending the Indenture dated April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K, dated October 29, 1990).
- 4.6 Indenture, dated as of July 15, 1991, between the Company and Continental Bank, National Association, as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K, dated July 25, 1991).
- 4.7 First Supplemental Indenture, dated as of October 1, 2005, amending the Indenture dated as of July 15, 1991, between the Company and U.S. Bank Trust National Association (as successor to the former Trustee)(incorporated by reference from Exhibit 4.3 to Amendment No. 5 to the Company's Registration Statement on Form S-3 filed October 20, 2005, Commission File No. 333-114075).
- 4.8 Support Agreement, dated as of December 21, 1984, between the Company and Caterpillar (incorporated by reference from Exhibit 10.2 to the Company's amended Form 10, for the year ended December 31, 1984).
- 4.9 First Amendment to the Support Agreement dated June 14, 1995, between the Company and Caterpillar (incorporated by reference from Exhibit 4 to the Company's Current Report on Form 8-K, dated June 14, 1995).
- 10.1 Tax Sharing Agreement, dated as of June 21, 1984, between the Company and Caterpillar (incorporated by reference from Exhibit 10.3 to the Company's amended Form 10, for the year ended December 31, 1984).
- 10.2 Four-Year Credit Agreement, dated as of September 16, 2010 (2010 Four-Year Credit Agreement), among the Company, Caterpillar, Caterpillar International Finance Limited, Caterpillar Finance Corporation, certain other financial institutions named therein and Citibank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International PLC, Banc of America Securities LLC, J.P. Morgan Securities LLC and Citigroup Global Markets Inc. (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K, filed September 21, 2010, Commission File No. 001-11241).

UNAUDITED

10.3	Japan Local Currency Addendum to the 2010 Four-Year Credit Agreement among the Company, Caterpillar Finance Corporation, the Japan Local Currency Banks named therein, Citibank, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (incorporated by reference from Exhibit 99.6 to the Company's Current Report on Form 8-K, filed September 21, 2010).
10.4	Local Currency Addendum to the 2010 Four-Year Credit Agreement among the Company, Caterpillar International Finance Limited, the Local Currency Banks named therein, Citibank, N.A. and Citibank International PLC (incorporated by reference from Exhibit 99.5 to the Company's Current Report on Form 8-K, filed September 21, 2010).
10.5	Amendment No. 1 to the 2010 Four-Year Credit Agreement among the Company, Caterpillar, Caterpillar Finance Corporation, Caterpillar International Finance Limited, the Banks named therein, the Local Currency Banks named therein, the Japan Local Currency Banks named therein, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International PLC and Citibank, N.A. (incorporated by reference from Exhibit 99.7 to the Company's Current Report on Form 8-K, filed September 16, 2011).
10.6	Five-Year Credit Agreement, dated as of September 15, 2011 (2011 Five-Year Credit Agreement), among the Company, Caterpillar, Caterpillar International Finance Limited, Caterpillar Finance Corporation, certain financial institutions named therein, Citibank, N.A., Citibank International PLC, The Bank of Tokyo-Mitsubishi UFJ Ltd., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K, filed September 16, 2011).
10.7	Local Currency Addendum to the 2011 Five-Year Credit Agreement among the Company, Caterpillar International Finance Limited, the Local Currency Banks named therein, Citibank, N.A. and Citibank International PLC (incorporated by reference from Exhibit 99.5 to the Company's Current Report on Form 8-K, filed September 16, 2011).
10.8	Japan Local Currency Addendum to the 2011 Five-Year Credit Agreement among the Company, Caterpillar Finance Corporation, the Japan Local Currency Banks named therein, Citibank, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (incorporated by reference from Exhibit 99.6 to the Company's Current Report on Form 8-K, filed September 16, 2011).
10.9	364-Day Credit Agreement dated September 15, 2011 (2011 364-Day Credit Agreement) among the Company, Caterpillar, Caterpillar International Finance Limited, Caterpillar Finance Corporation, certain financial institutions named therein, Citibank, N.A., Citibank International PLC, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC (incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K, filed September 16, 2011).
10.10	Local Currency Addendum to the 2011 364-Day Credit Agreement among the Company, Caterpillar International Finance Limited, the Local Currency Banks named therein, Citibank, N.A. and Citibank International PLC (incorporated by reference from Exhibit 99.2 to the Company's Current Report on Form 8-K, filed September 16, 2011).
10.11	Japan Local Currency Addendum to the 2011 364-Day Credit Agreement among the Company, Caterpillar Finance Corporation, the Japan Local Currency Banks named therein, Citibank, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (incorporated by reference from Exhibit 99.3 to the Company's Current Report on Form 8-K, filed September 16, 2011).
12	Computation of Ratio of Profit to Fixed Charges.
31.1	Certification of Kent M. Adams, President, Director and Chief Executive Officer of Caterpillar Financial Services Corporation, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of James A. Duensing, Executive Vice President and Chief Financial Officer of Caterpillar Financial Services Corporation, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications of Kent M. Adams, President, Director and Chief Executive Officer of Caterpillar Financial Services Corporation, and James A. Duensing, Executive Vice President and Chief Financial Officer of Caterpillar Financial Services Corporation, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

UNAUDITED

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, thereunto duly authorized.

(Registrant)

Date: November 4, 2011

Date: November 4, 2011

Caterpillar Financial Services Corporation

By: /s/ Steven R. Elsesser

Steven R. Elsesser, Controller

By: /s/ Kent M. Adams

Kent M. Adams, President, Director and Chief Executive Officer

CATERPILLAR FINANCIAL SERVICES CORPORATION**COMPUTATION OF RATIO OF PROFIT TO FIXED CHARGES**

(Unaudited)

(Dollars in Millions)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Profit	\$ 93	\$ 73	\$ 283	\$208
Add:				
Provision for income taxes	<u>29</u>	<u>13</u>	<u>98</u>	<u>39</u>
Profit before income taxes	<u>\$122</u>	<u>\$ 86</u>	<u>\$ 381</u>	<u>\$247</u>
Fixed charges:				
Interest expense	\$211	\$228	\$ 624	\$696
Rentals at computed interest*	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>
Total fixed charges	<u>\$212</u>	<u>\$229</u>	<u>\$ 628</u>	<u>\$700</u>
Profit before income taxes plus fixed charges	<u>\$334</u>	<u>\$315</u>	<u>\$1,009</u>	<u>\$947</u>
Ratio of profit before income taxes plus fixed charges to fixed charges	<u>1.58</u>	<u>1.38</u>	<u>1.61</u>	<u>1.35</u>

*Those portions of rent expense that are representative of interest cost.

SECTION 302 CERTIFICATIONS

I, Kent M. Adams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Caterpillar Financial Services Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2011

By: /s/ Kent M. Adams

Kent M. Adams, President, Director and Chief Executive Officer

SECTION 302 CERTIFICATIONS

I, James A. Duensing, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Caterpillar Financial Services Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2011

By: /s/ James A. Duensing

James A. Duensing, Executive Vice President and Chief
Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Caterpillar Financial Services Corporation (the "Company") on Form 10-Q for the period ending September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2011

/s/ Kent M. Adams

Kent M. Adams
President, Director and Chief Executive Officer

Date: November 4, 2011

/s/ James A. Duensing

James A. Duensing
Executive Vice President and Chief Financial
Officer

A signed original of this written statement required by Section 906 has been provided by the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.