

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, 2009

Commission File No. 0-13295

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

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.

Indicate by a 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. (Check one):

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 Exchange Act). Yes ☐ No ☒

As of October 30, 2009, one share of common stock of the registrant was outstanding, which is owned by Caterpillar Inc.

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 2008 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, Form 10-K, registration statements on Form S-3 and various other forms and reports when necessary. 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, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy 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.cat.com). None of the information contained at any time on either our Internet site or Caterpillar'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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:				
Retail finance	\$ 362	\$ 422	\$ 1,099	\$ 1,242
Operating lease	234	237	677	704
Wholesale finance	78	73	266	269
Other, net ¹	<u>2</u>	<u>28</u>	<u>15</u>	<u>109</u>
Total revenues	<u>676</u>	<u>760</u>	<u>2,057</u>	<u>2,324</u>
Expenses:				
Interest	255	292	809	855
Depreciation on equipment leased to others	180	186	527	547
General, operating and administrative	80	101	241	294
Provision for credit losses	63	34	144	112
Other	<u>10</u>	<u>5</u>	<u>37</u>	<u>15</u>
Total expenses	<u>588</u>	<u>618</u>	<u>1,758</u>	<u>1,823</u>
Other income (expense)	<u>(8)</u>	<u>17</u>	<u>(26)</u>	<u>25</u>
Profit before income taxes	80	159	273	526
Provision for income taxes	<u>-</u>	<u>38</u>	<u>45</u>	<u>143</u>
Profit of consolidated companies	80	121	228	383
Less: Profit attributable to noncontrolling interests	<u>4</u>	<u>3</u>	<u>12</u>	<u>11</u>
Profit²	<u>\$ 76</u>	<u>\$ 118</u>	<u>\$ 216</u>	<u>\$ 372</u>
¹Includes impairment losses on retained interests:				
Total other-than-temporary impairment losses	\$ -	\$ 6	\$ 46	\$ 13
Portion of losses recognized in Accumulated other comprehensive income (loss) before taxes	<u>2</u>	<u>-</u>	<u>(13)</u>	<u>-</u>
Net impairment losses recognized in earnings	<u>\$ 2</u>	<u>\$ 6</u>	<u>\$ 33</u>	<u>\$ 13</u>

²Profit 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)

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Assets:		
Cash and cash equivalents	\$ 2,240	\$ 1,080
Finance receivables		
Retail notes receivable	8,235	8,209
Wholesale notes receivable	1,636	3,483
Notes receivable from Caterpillar	1,096	81
Finance leases and installment sale contracts – Retail	14,672	16,912
Finance leases and installment sale contracts - Wholesale	<u>535</u>	<u>610</u>
	26,174	29,295
Less: Unearned income	(1,546)	(1,817)
Less: Allowance for credit losses	<u>(381)</u>	<u>(395)</u>
Total net finance receivables	24,247	27,083
Equipment on operating leases, less accumulated depreciation	3,067	3,028
Deferred and refundable income taxes	110	127
Other assets	<u>1,273</u>	<u>1,764</u>
Total assets	<u>\$30,937</u>	<u>\$33,082</u>
Liabilities and stockholder's equity:		
Payable to dealers and others	\$ 154	\$ 255
Payable to Caterpillar - other	31	60
Accrued expenses	373	476
Income taxes payable	75	36
Payable to Caterpillar – borrowings	16	435
Short-term borrowings	3,969	7,077
Current maturities of long-term debt	4,331	5,036
Long-term debt	17,360	15,598
Deferred income taxes and other liabilities	<u>530</u>	<u>537</u>
Total liabilities	<u>26,839</u>	<u>29,510</u>
Commitments and contingent liabilities (Notes F & G)		
Common stock - \$1 par value		
Authorized: 2,000 shares; Issued and outstanding: one share (at paid-in amount)	745	745
Retained earnings	3,019	2,803
Accumulated other comprehensive income (loss)	261	(37)
Noncontrolling interests	<u>73</u>	<u>61</u>
Total stockholder's equity	<u>4,098</u>	<u>3,572</u>
Total liabilities and stockholder's equity	<u>\$30,937</u>	<u>\$33,082</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)

	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total	Comprehensive income (loss)
<u>Nine Months Ended September 30, 2008</u>						
Balance at December 31, 2007	<u>\$ 745</u>	<u>\$ 2,418</u>	<u>\$ 508</u>	<u>\$ 40</u>	<u>\$ 3,711</u>	
Profit of consolidated companies		372		11	383	\$ 383
Foreign currency translation, net of tax of \$107			(243)		(243)	(243)
Derivative financial instruments						
Gains (losses) deferred, net of tax of \$1			(12)		(12)	(12)
(Gains) losses reclassified to earnings, net of tax of \$1			10		10	10
Retained interests						
Gains (losses) deferred, net of tax of \$6			(12)		(12)	(12)
(Gains) losses reclassified to earnings, net of tax of \$2			4		4	4
Balance at September 30, 2008	<u>\$ 745</u>	<u>\$ 2,790</u>	<u>\$ 255</u>	<u>\$ 51</u>	<u>\$ 3,841</u>	<u>\$ 130</u>
<u>Nine Months Ended September 30, 2009</u>						
Balance at December 31, 2008	<u>\$ 745</u>	<u>\$ 2,803</u>	<u>\$ (37)</u>	<u>\$ 61</u>	<u>\$ 3,572</u>	
Profit of consolidated companies		216		12	228	\$ 228
Foreign currency translation, net of tax of \$52			276		276	276
Derivative financial instruments						
Gains (losses) deferred, net of tax of \$9			(22)		(22)	(22)
(Gains) losses reclassified to earnings, net of tax of \$21			42		42	42
Retained interests						
Gains (losses) deferred, net of tax of \$10 ¹			(18)		(18)	(18)
(Gains) losses reclassified to earnings, net of tax of \$11			20		20	20
Balance at September 30, 2009	<u>\$ 745</u>	<u>\$ 3,019</u>	<u>\$ 261</u>	<u>\$ 73</u>	<u>\$ 4,098</u>	<u>\$ 526</u>

¹Includes noncredit component of other-than-temporary impairment losses on securitized retained interests of (\$8) million, net of tax of \$5 million, for the nine months ended September 30, 2009. See Note H for additional information.

See Notes to Consolidated Financial Statements (unaudited).

UNAUDITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in Millions)

	Nine Months Ended	
	September 30,	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Profit of consolidated companies	\$ 228	\$ 383
Adjustments for non-cash items:		
Depreciation and amortization	550	570
Amortization of receivables purchase discount	(130)	(193)
Provision for credit losses	144	112
Gain on sales of receivables	(12)	(21)
Other, net	(135)	(96)
Changes in assets and liabilities:		
Receivables from others	160	(85)
Other receivables/payables with Caterpillar	(41)	63
Payable to dealers and others	(147)	6
Accrued interest payable	35	78
Accrued expenses and other liabilities, net	(15)	43
Income taxes payable	64	(56)
Proceeds/(payments) on interest rate swaps	<u>189</u>	<u>(7)</u>
Net cash provided by operating activities	<u>890</u>	<u>797</u>
Cash flows from investing activities:		
Expenditures for equipment on operating leases and for non-leased equipment	(753)	(1,115)
Proceeds from disposals of equipment	725	727
Additions to finance receivables	(15,518)	(29,272)
Collections of finance receivables	18,796	24,430
Proceeds from sales of receivables	983	1,861
Net change in variable lending to Caterpillar	34	(10)
Additions to other notes receivable with Caterpillar	(1,550)	-
Collections on other notes receivable with Caterpillar	500	-
Other, net	<u>(232)</u>	<u>(29)</u>
Net cash provided by (used in) investing activities	<u>2,985</u>	<u>(3,408)</u>
Cash flows from financing activities:		
Payable to Caterpillar – borrowings and other	(427)	(239)
Proceeds from debt issued (original maturities greater than three months)	9,833	13,971
Payments on debt issued (original maturities greater than three months)	(9,420)	(10,713)
Short-term borrowings, net (original maturities three months or less)	<u>(2,720)</u>	<u>427</u>
Net cash (used in) provided by financing activities	<u>(2,734)</u>	<u>3,446</u>
Effect of exchange rate changes on cash	<u>19</u>	<u>(3)</u>
Increase in cash and cash equivalents	1,160	832
Cash and cash equivalents at beginning of year	<u>1,080</u>	<u>185</u>
Cash and cash equivalents at end of period	<u>\$ 2,240</u>	<u>\$ 1,017</u>

Non-cash activity:

During 2009, an obligation for \$232 million related to a financing arrangement, which provided us a return, was fulfilled through the release of a security deposit.

See Notes to Consolidated Financial Statements (unaudited).

Notes to Consolidated Financial Statements

(Unaudited)

A. 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 months and nine months ended September 30, 2009 and 2008, (b) the consolidated financial position as of September 30, 2009 and December 31, 2008, (c) the consolidated changes in stockholder's equity for the nine months ended September 30, 2009 and 2008 and (d) the consolidated cash flows for the nine months ended September 30, 2009 and 2008. The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission (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, 2008.

Comprehensive income (loss) is comprised of Profit of consolidated companies, as well as adjustments for foreign currency translation, derivative instruments designated as cash flow hedges and retained interests. Total Comprehensive income (loss) for the three months ended September 30, 2009 and 2008 was income of \$220 million and a loss of \$219 million, respectively. Total Comprehensive income for the nine months ended September 30, 2009 and 2008 was \$526 million and \$130 million, respectively.

The December 31, 2008 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, 2008, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

We have performed a review of subsequent events through October 30, 2009, the date the financial statements were issued, and concluded there were no events or transactions occurring during this period that required recognition or disclosure in our financial statements.

B. New Accounting Pronouncements

Fair value measurements - In September 2006, the Financial Accounting Standards Board (FASB) issued accounting guidance on fair value measurements, which provides a common definition of fair value and a framework for measuring assets and liabilities at fair values when a particular standard prescribes it. In addition, this guidance expands disclosures about fair value measurements. In February 2008, the FASB issued additional guidance that (1) deferred the effective date of the original guidance for one year for certain nonfinancial assets and nonfinancial liabilities and (2) removed certain leasing transactions from the scope of the original guidance. We applied this new guidance to all other fair value measurements effective January 1, 2008. The adoption of this guidance did not have a material impact on our financial statements. See Note C for additional information.

Employers' accounting for defined benefit pension and other postretirement plans - In September 2006, the FASB issued accounting guidance on employers' accounting for defined benefits pension and other postretirement plans. This guidance requires recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. Also, the measurement date - the date at which the benefit obligation and plan assets are measured - is required to be the company's fiscal year-end. Caterpillar adopted the balance sheet recognition

provision at December 31, 2006, and adopted the year-end measurement date effective January 1, 2008 using the "one measurement" approach. Under the one measurement approach, net periodic benefit cost for the period between any early measurement date and the end of the fiscal year that the measurement provision is applied are allocated proportionately between amounts to be recognized as an adjustment of retained earnings and net periodic benefit cost for the fiscal year. Previously, we used a November 30th measurement date for our U.S. pension and other postretirement benefit plans and September 30th for our non-U.S. plans. The adoption of this guidance did not have a material impact to our Statements of Financial Position since Cat Financial is considered a participant in the Caterpillar retirement plan for which we are charged a share of plan expenses, but are not required to record assets or liabilities of the plan.

Business combinations and noncontrolling interests in consolidated financial statements - In December 2007, the FASB issued accounting guidance on business combinations and noncontrolling interests in consolidated financial statements. The guidance on business combinations requires the acquiring entity in a business combination to recognize the assets acquired and liabilities assumed. Further, it also changes the accounting for acquired in-process research and development assets, contingent consideration, partial acquisitions and transaction costs. Under the guidance on noncontrolling interests, all entities are required to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. In addition, transactions between an entity and noncontrolling interests will be treated as equity transactions. We adopted this new guidance on January 1, 2009. As required, the guidance on noncontrolling interest was adopted through retrospective application, and all prior period information has been adjusted accordingly. The adoption of this guidance did not have a material impact on our financial statements.

Disclosures about derivative instruments and hedging activities - In March 2008, the FASB issued accounting guidance on disclosures about derivative instruments and hedging activities. This guidance expands disclosures for derivative instruments by requiring entities to disclose the fair value of derivative instruments and their gains or losses in tabular format. It also requires disclosure of information about credit risk-related contingent features in derivative agreements, counterparty credit risk and strategies and objectives for using derivative instruments. We adopted this new guidance on January 1, 2009. The adoption of this guidance did not have a material impact on our financial statements. See Note E for additional information.

Interim disclosures about fair value of financial instruments - In April 2009, the FASB issued accounting guidance that requires that the fair value disclosures previously required on an annual basis be included for interim reporting periods. We adopted this guidance on April 1, 2009. The adoption of this guidance did not have a material impact on our financial statements. See Note C for additional information.

Recognition and presentation of other-than-temporary impairments - In April 2009, the FASB issued accounting guidance on the recognition and presentation of other-than-temporary impairments. This new guidance amends the existing impairment guidance relating to certain debt securities and requires a company to assess the likelihood of selling the security prior to recovering its cost basis. When a security meets the criteria for impairment, the impairment charges related to credit losses would be recognized in earnings, while non-credit losses would be reflected in other comprehensive income. Additionally, it requires a more detailed, risk-oriented breakdown of major security types and related information. We adopted this guidance on April 1, 2009. The adoption of this guidance did not have a material impact on our financial statements. See Note H for additional information.

Subsequent events - In May 2009, the FASB issued accounting guidance on subsequent events that establishes standards of accounting for and disclosure of subsequent events. In addition, it requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. This new guidance was adopted for our financial statements for the quarterly period ending June 30, 2009. The adoption of this guidance did not have a material impact on our financial statements. See Note A 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 by including: 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 will adopt this new guidance effective January 1, 2010. We do not expect the adoption of this guidance to have a material impact on our financial statements.

Consolidation of variable-interest entities - In June 2009, the FASB issued accounting guidance on the consolidation of variable-interest entities (VIEs). This new guidance revises previous guidance by eliminating the exemption for qualifying special purpose entities, by establishing a new approach for determining who should consolidate a variable-interest entity and by changing when it is necessary to reassess who should consolidate a variable-interest entity. We will adopt this new guidance effective January 1, 2010. We do not expect the adoption of this guidance to have a material impact on our financial statements.

C. Fair Value Disclosures

1. Fair Value Measurements

We adopted the accounting guidance on fair value measurements as of January 1, 2008. See Note B for additional information. This guidance 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.

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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 the 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 is based upon a valuation model that calculates the present value of future expected cash flows using key assumptions for credit losses, prepayment rates and discount rates. These assumptions are 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 at fair value included in our Consolidated Statements of Financial Position as of September 30, 2009 and December 31, 2008 are summarized below:

(Millions of dollars)	September 30, 2009			Total Assets/Liabilities, at Fair Value
	Level 1	Level 2	Level 3	
Assets				
Derivative financial instruments, net	\$ -	\$ 50	\$ -	\$ 50
Securitized retained interests	<u>-</u>	<u>-</u>	<u>99</u>	<u>99</u>
Total assets	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 99</u>	<u>\$149</u>
Liabilities				
Guarantees	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 3</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 3</u>

(Millions of dollars)	December 31, 2008			Total Assets/Liabilities, at Fair Value
	Level 1	Level 2	Level 3	
Assets				
Derivative financial instruments, net	\$ -	\$331	\$ -	\$331
Securitized retained interests	<u>-</u>	<u>-</u>	<u>52</u>	<u>52</u>
Total assets	<u>\$ -</u>	<u>\$331</u>	<u>\$52</u>	<u>\$383</u>
Liabilities				
Guarantees	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>

Below are roll-forwards of assets and liabilities measured at fair value using Level 3 inputs for the nine months ended September 30, 2009 and 2008. These instruments were valued using pricing models that, in management's judgment, reflect the assumptions a marketplace participant would use.

(Millions of dollars)	Securitized Retained Interests	Guarantees
Balance as of December 31, 2008	\$ 52	\$ 2
Gains or (losses) included in earnings (realized / unrealized)	(31)	-
Changes in Accumulated other comprehensive income (loss)	3	-
Purchases, issuances and settlements	<u>75</u>	<u>1</u>
Balance as of September 30, 2009	<u>\$ 99</u>	<u>\$ 3</u>

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(Millions of dollars)	Securitized Retained	
	Interests	Guarantees
Balance as of December 31, 2007	\$49	\$ 7
Gains or (losses) included in earnings (realized / unrealized)	(7)	-
Changes in Accumulated other comprehensive income (loss)	(12)	-
Purchases, issuances and settlements	<u>38</u>	<u>2</u>
Balance as of September 30, 2008	<u>\$68</u>	<u>\$ 9</u>

The amount of unrealized net losses on securitized retained interests included in earnings for the nine months ended September 30, 2009 related to assets still held at September 30, 2009 was \$28 million. The amount of unrealized net losses on securitized retained interests included in earnings for the nine months ended September 30, 2008 related to assets still held at September 30, 2008 was \$6 million. These losses were reported in Other revenues, net, in the Consolidated Statements of Profit.

In addition to the amounts above, we have impaired loans of \$212 million and \$108 million as of September 30, 2009 and December 31, 2008, respectively. A loan is considered impaired when management determines that collection of contractual amounts due is not probable. In these cases, an allowance for loan 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.

2. 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. Effective April 1, 2009, we adopted the guidance on interim disclosures about fair value of financial instruments. See Note B for additional information.

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.

Short-term borrowings – carrying amount approximated fair value.

Long-term debt – fair value on fixed-rate debt was estimated based on quoted market prices. Floating-rate notes carrying amounts were considered a reasonable estimate of fair value. For deposit obligations, carrying value approximated fair value.

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The estimated fair values of financial instrument assets and (liabilities) are as follows:

(Millions of dollars)	<u>September 30, 2009</u>		<u>December 31, 2008</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 2,240	\$ 2,240	\$ 1,080	\$ 1,080
Foreign currency contracts:				
In a receivable position	\$ 10	\$ 10	\$ 70	\$ 70
In a payable position	\$ (41)	\$ (41)	\$ (113)	\$ (113)
Finance receivables, net (excluding finance leases ¹)	\$ 15,027	\$ 14,465	\$ 18,051	\$ 17,089
Short-term borrowings	\$ (3,969)	\$ (3,969)	\$ (7,077)	\$ (7,077)
Long-term debt	\$ (21,691)	\$ (22,391)	\$ (20,634)	\$ (19,759)
Interest rate swaps:				
In a receivable position	\$ 189	\$ 189	\$ 501	\$ 501
In a payable position	\$ (108)	\$ (108)	\$ (127)	\$ (127)
Securitized retained interests	\$ 99	\$ 99	\$ 52	\$ 52
Guarantees	\$ (3)	\$ (3)	\$ (2)	\$ (2)

¹Represents finance leases with a net carrying value of \$8,124 million and \$8,951 million as of September 30, 2009 and December 31, 2008, respectively.

D. 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 four operating segments offer primarily the same types of services within each of the respective segments. The four operating segments are as follows:

- North America: We have offices in the United States and Canada that serve local dealers and customers.
- Europe: We have five regions in Europe that serve dealers and customers in Europe, Africa, Middle East and the Confederation of Independent States.
- Diversified Services: Included is our Marine Services Division, which primarily finances marine vessels with Caterpillar engines, for all countries; Cat Power Finance and our offices in Latin America that serve local dealers and customers. Cat Power Finance primarily 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, for all countries.
- Asia-Pacific: We have offices in Australia, New Zealand, China, Japan, South Korea and Southeast Asia that serve local dealers and customers, as well as mining customers worldwide. This segment also provides project financing in various countries.

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On January 1, 2009, \$1.195 billion of Inter-segment assets related to the Cat Power Finance segment were consolidated within the Diversified Services segment. This consolidation of segments was made in order to maintain alignment with management responsibility. Prior year data has been reclassified to conform to the new structure.

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 generally accepted accounting principles.

Supplemental segment data for the three months ended September 30,

(Millions of dollars)

	<u>North America</u>	<u>Europe</u>	<u>Diversified Services</u>	<u>Asia-Pacific</u>	<u>Total</u>
2009					
External revenue	\$ 329	\$ 107	\$ 118	\$ 122	\$ 676
Inter-segment revenue	11	-	-	-	11
Profit	4	25	19	28	76
2008					
External revenue	\$ 379	\$ 144	\$ 122	\$ 115	\$ 760
Inter-segment revenue	24	-	-	-	24
Profit	42	32	23	21	118

Supplemental segment data for the nine months ended September 30,

(Millions of dollars)

	<u>North America</u>	<u>Europe</u>	<u>Diversified Services</u>	<u>Asia-Pacific</u>	<u>Total</u>
2009					
External revenue	\$ 1,040	\$ 329	\$ 336	\$ 352	\$ 2,057
Inter-segment revenue	37	-	-	-	37
Profit	37	68	46	65	216
2008					
External revenue	\$ 1,241	\$ 420	\$ 347	\$ 316	\$ 2,324
Inter-segment revenue	70	-	-	-	70
Profit	145	82	81	64	372

(Millions of dollars)

	<u>North America</u>	<u>Europe</u>	<u>Diversified Services</u>	<u>Asia-Pacific</u>	<u>Total</u>
Assets as of September 30, 2009	\$18,436	\$5,320	\$6,919	\$4,847	\$35,522
Assets as of December 31, 2008	\$21,272	\$5,877	\$6,608	\$5,106	\$38,863

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(Millions of dollars)		
Reconciliation of assets:	<u>September 30, 2009</u>	<u>December 31, 2008</u>
Assets from segments	\$35,522	\$38,863
Less: Investment in subsidiaries	(1,075)	(1,027)
Less: Inter-segment balances	<u>(3,510)</u>	<u>(4,754)</u>
Total	<u>\$30,937</u>	<u>\$33,082</u>

E. Derivative Instruments and Hedging Activities

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, 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 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) until they are reclassified to earnings in the same period or periods during which the hedge 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 flows from designated derivative financial instruments are classified within the same category as the item being hedged on the Consolidated Statements of Cash Flows. Cash flows from undesignated derivative financial instruments are 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. 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.

We adopted new accounting guidance on disclosures about derivative instruments and hedging activities as of January 1, 2009. See Note B for additional information.

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 match funding reduces the volatility of margins between interest-bearing assets and interest-bearing liabilities, regardless of which direction interest rates move.

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, 2009, \$38 million of deferred net losses, net of tax, included in equity, related to our floating-to-fixed interest rate swaps, are expected to be reclassified to Interest expense over the next twelve months.

We have, at certain times, liquidated fixed-to-floating and floating-to-fixed interest rate swaps. During the first quarter of 2009, we liquidated fixed-to-floating interest rate swaps that resulted in deferred gains of \$187 million, which are included in Long-term debt in the Consolidated Statements of Financial Position. The deferred gains associated with these interest rate swaps at the time of liquidation are amortized to Interest expense over the remaining term of the underlying hedged item.

The location and fair value of derivative instruments reported in the Consolidated Statements of Financial Position as of September 30, 2009 are as follows:

(Millions of dollars)		
	Statements of Financial Position Location	Asset (Liability) Fair Value
Designated derivatives		
Interest rate contracts	Other assets	\$186
Interest rate contracts	Accrued expenses	<u>(98)</u>
		<u>\$ 88</u>
Undesignated derivatives		
Foreign exchange contracts	Other assets	\$ 10
Foreign exchange contracts	Accrued expenses	(41)
Interest rate contracts	Other assets	3
Interest rate contracts	Accrued expenses	<u>(10)</u>
		<u>\$ (38)</u>

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

(Millions of dollars)

		Three Months Ended September 30, 2009		Nine Months Ended September 30, 2009	
		Gains (Losses) on Derivatives	Gains (Losses) on Borrowings	Gains (Losses) on Derivatives	Gains (Losses) on Borrowings
Fair Value Hedges	Classification				
Interest rate contracts	Other income (expense)	\$ 74	\$ (74)	\$ (146)	\$ 160
		<u>\$ 74</u>	<u>\$ (74)</u>	<u>\$ (146)</u>	<u>\$ 160</u>

(Millions of dollars)

Three Months Ended September 30, 2009				
Recognized in Earnings				
	Recognized in AOCI (Effective Portion)	Classification of Gains (Losses)	Reclassified from AOCI (Effective Portion)	Recognized in Earnings (Ineffective Portion)
Cash flow hedges				
Interest rate contracts	\$(13)	Interest expense	\$ (21)	\$ -
		Other income (expense)	-	1
	<u>\$(13)</u>		<u>\$ (21)</u>	<u>\$ 1</u>
Nine Months Ended September 30, 2009				
Recognized in Earnings				
	Recognized in AOCI (Effective Portion)	Classification of Gains (Losses)	Reclassified from AOCI (Effective Portion)	Recognized in Earnings (Ineffective Portion)
Cash flow hedges				
Interest rate contracts	\$(31)	Interest expense	\$(63)	\$ -
		Other income (expense)	-	6
	<u>\$(31)</u>		<u>\$(63)</u>	<u>\$ 6</u>

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

(Millions of dollars)		Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
	Classification of Gains or (Losses)		
Foreign exchange contracts	Other income (expense)	\$(75)	\$(141)
Interest rate contracts	Other income (expense)	<u>1</u>	<u>2</u>
		<u>\$(74)</u>	<u>\$(139)</u>

F. 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. Our guarantees with customers increased from December 31, 2008 primarily due to standby letters of credit issued to third parties.

We have provided a limited indemnity to a third-party bank for \$22 million as of September 30, 2009 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 noted above. The recorded liability for these guarantees was \$3 million as of September 30, 2009 and \$2 million as of December 31, 2008. The maximum potential amount of future payments (undiscounted and without reduction for any amount that may possibly be recovered under recourse or collateralized provisions) we could be required to make under the guarantees and the limited indemnity are as follows:

(Millions of dollars)	September 30, 2009	December 31, 2008
Guarantees with customers	\$176	\$119
Limited indemnity	<u>22</u>	<u>25</u>
Total guarantees	<u>\$198</u>	<u>\$144</u>

We provide guarantees to repurchase certain loans of Caterpillar dealers from a financial trust ("Trust") that qualifies as a variable interest entity. The purpose of the Trust is to provide short-term working capital loans to Caterpillar dealers. This Trust issues commercial paper and uses the proceeds to fund its loan program. We have a loan purchase agreement with the Trust 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 Trust. At December 31, 2008, we determined that we were the primary beneficiary of the Trust as our guarantees would require us to absorb a majority of the entity's expected losses, and therefore consolidated the financial position of the Trust in the Consolidated Statement of Financial Position. As of September 30, 2009, the Trust's assets of \$261 million are primarily comprised of loans to dealers, which are included in Retail notes receivable in the Consolidated Statement of Financial Position, and the Trust's liabilities of \$261 million are primarily comprised of commercial paper, which is included in Short-term borrowings in the Consolidated Statement 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 Trust, except to the extent we may be obligated to perform under the guarantee, and assets of the Trust are not available to pay our creditors.

G. 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.

H. Sales and Servicing of Finance Receivables

We sell certain finance receivables relating to our retail installment sale contracts and finance leases as part of our asset-backed securitization program. In addition, we have sold interests in wholesale receivables to third-party commercial paper conduits. 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 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 sell 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, typically trusts, are considered to be qualifying special-purpose entities (QSPEs) and thus, in accordance with accounting for transfers and servicing of financial assets, are not consolidated. The QSPEs 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 QSPEs. The assets of the QSPEs are legally isolated and are not available to pay our creditors or any other of our affiliates. For bankruptcy analysis purposes, we sold the finance receivables to the QSPEs in a true sale and the QSPEs are separate legal entities. The investors and the securitization trusts have no recourse to any of our other assets for failure of debtors to pay when due.

We retain interests in the retail finance receivables that are sold through our asset-backed securitization program. Retained interests include subordinated certificates, an interest in future cash flows (excess) and reserve accounts. Retained interests in securitized assets are classified as available-for-sale securities and are included in Other assets in our Consolidated Statements of Financial Position at fair value. We estimate fair value and cash flows using a valuation model and key assumptions for credit losses, prepayment rates and discount rates. These assumptions are based on our historical experience, market trends and anticipated performance relative to the particular assets securitized. We periodically evaluate for impairment and recognize the credit component of an other-than-temporary impairment in profit and the noncredit component in Accumulated other comprehensive income (loss) for those retained interests in which we do not intend to sell and it is not likely that we will be required to sell prior to recovery.

During the second quarter of 2008, we sold certain finance receivables relating to our retail installment sale contracts and finance leases to a SPE as part of our asset-backed securitization program. Net cash proceeds received were \$600 million and a net gain of \$12 million was recorded in Other revenues, net, on our Consolidated Statements of Profit at the time of sale and was based on the estimated fair value of the assets sold and retained and liabilities incurred, net of transaction costs. Retained interests include subordinated certificates with an initial fair value of \$27 million, an interest in future cash flows (excess) with an initial fair value of \$8 million and a reserve account with an initial fair value of \$9 million. Significant assumptions used to estimate the fair value of the retained interests include a 7.2 percent discount rate, a weighted-average prepayment rate of 14.5 percent and expected credit losses of 1.55 percent.

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To maintain competitiveness in the capital markets and to have effective and efficient use of alternative funding sources, we may from time to time provide additional reserve support to previously issued asset-backed securitizations. During the second quarter of 2009 and third quarter of 2008, we deposited \$80 million and \$19 million, respectively, into supplemental reserve accounts for the securitization transactions to maintain the credit ratings assigned to the transactions, as loss experiences have been higher than anticipated primarily due to the adverse economic conditions in the U.S. Due to the significant value of the deposit in second quarter of 2009, written consent was obtained from the third-party beneficial interest holders of the securitization transactions. The QSPE conditions were reviewed and the trusts continue to maintain QSPE status. These deposits resulted in an increase in our retained interests.

The fair value of the retained interests in all securitizations of retail finance receivables outstanding totaled \$99 million (cost basis of \$107 million) and \$52 million (cost basis of \$61 million) as of September 30, 2009 and December 31, 2008, respectively. The fair value of the retained interests as of September 30, 2009 that has been in a continuous unrealized loss position for twelve months or longer totaled \$99 million (cost basis of \$107 million). As of December 31, 2008, there were no retained interests in a continuous unrealized loss position for twelve months or longer. Key assumptions used to determine the fair value of the retained interests as of such dates were:

(Millions of dollars)	September 30, 2009	December 31, 2008
Cash flow weighted-average discount rates on retained interests	9.4% to 12.6%	16.7% to 23.3%
Weighted-average maturity in months	24	28
Expected prepayment rate	17.5%	19.0%
Expected credit losses	4.8%	1.7% to 3.1%

To estimate the impact on income due to changes to the key economic assumptions used to estimate the fair value of residual cash flows in retained interests from retail finance receivable securitizations, we perform a sensitivity analysis of the fair value of the retained interests by applying a 10 percent and 20 percent adverse change to the individual assumptions. This estimate does not adjust for other variations that may occur should one of the assumptions actually change. Accordingly, no assurance can be given that actual results would be consistent with the results of our estimate. The effect of a variation in a particular assumption on the fair value of residual interest in securitization transactions was calculated without changing any other assumptions and changes in one factor may result in changes in another. Our sensitivity analysis indicated that the impact of a 20 percent adverse change in individual assumptions used to calculate the fair value of all our retained interests as of September 30, 2009 and December 31, 2008 would be \$11 million or less and \$8 million or less, respectively.

During 2009 and 2008, the assumptions used to determine the expected cash flows for our securitization transactions were revised, which resulted in other-than-temporary impairments. The impairments recognized in earnings were primarily driven by an increase in the credit loss assumption due to the continuing adverse economic conditions in the U.S. The noncredit related component recorded in Accumulated other comprehensive income (loss) was primarily driven by changes in discount rates.

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(Millions of dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Total other-than-temporary impairment losses	\$ -	\$ 6	\$ 46	\$ 13
Portion of losses recognized in Accumulated other comprehensive income (loss) before taxes ¹	<u>2</u>	<u>-</u>	<u>(13)</u>	<u>-</u>
Net impairment losses recognized in earnings ²	<u>\$ 2</u>	<u>\$ 6</u>	<u>\$ 33</u>	<u>\$ 13</u>

¹Balances above exclude \$5 million of gross gains recorded in OCI related to the securitization retained interest for the three and nine months ended September 30, 2009.

²Recorded in Other revenues, net, on the Consolidated Statements of Profit.

The following tables present a roll forward of the balance of the credit-related impairment losses on the securitized retained interests for which a portion of the other-than-temporary impairment was recognized in Accumulated other comprehensive income (loss):

(Millions of dollars)	Three Months Ended September 30, 2009
Cumulative credit loss as of July 1, 2009	\$ 8
Credit losses for which an other-than-temporary impairment was previously recognized	<u>2</u>
Cumulative credit loss as of September 30, 2009	<u>\$ 10</u>

(Millions of dollars)	Nine Months Ended September 30, 2009
Cumulative credit loss as of January 1, 2009	\$ -
Credit losses for which an other-than-temporary impairment was previously recognized	<u>10</u>
Cumulative credit loss as of September 30, 2009	<u>\$ 10</u>

We also retained servicing responsibilities and receive a servicing fee of approximately one percent of the remaining value of the finance receivables for our servicing responsibilities. We generally do not record a servicing asset or liability since the servicing fee is considered fair market compensation. Servicing income is included in Other revenues, net, on our Consolidated Statements of Profit.

Sale of Interests in Wholesale Receivables

We purchase North American Caterpillar Dealer trade receivables (NACD Receivables) at a discount. The discount is an estimate of the amount of financing revenue that would be earned at a market rate on the NACD Receivables over their expected life. We have sold interests in the NACD Receivables through a revolving structure to third-party commercial paper conduits, asset-backed commercial paper issuers that are SPEs of the sponsor bank and are not consolidated by us. In accordance with accounting for transfers and servicing of financial assets, the transfers to the conduits are accounted for as sales. The gain, included in Other revenues, net, on our Consolidated Statements of Profit, is principally the difference between the unearned discount on the NACD Receivables sold to the third-party commercial paper conduits less related costs incurred over their remaining term. Expected credit losses are assumed to be zero because dealer receivables have historically had no losses and none are expected in the future. We receive an annual servicing fee of approximately 0.5 percent of the average outstanding principal balance of the interests in the NACD Receivables sold to the third-party commercial paper conduits. We generally do not record a servicing asset or liability since the servicing fee is considered fair market compensation. During the three months ended September 30, 2009 and 2008, we recognized a pre-tax gain on the sale of wholesale receivables of \$2 million and \$1 million, respectively, and \$9 million and \$6 million for the nine months ended September 30, 2009 and 2008, respectively. As of December 31, 2008, the outstanding principal balance of the NACD Receivables sold to the conduits was \$240 million. The NACD Receivables not sold to the third-party commercial paper conduits as of December 31, 2008 of \$1.432 billion are included in Wholesale notes receivable in our Consolidated Statements of Financial Position. As of September 30, 2009 there were no NACD Receivables sold to the conduits.

The cash collections from the NACD Receivables are first applied to satisfy any obligations to the third-party commercial paper conduits. The third-party commercial paper conduits have no recourse to our assets, other than the NACD Receivables that we continue to hold.

In addition to the NACD Receivables, we purchase other 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 NACD and other trade receivables were \$38 million and \$48 million for the three months ended September 30, 2009 and 2008, respectively, and \$130 million and \$193 million for the nine months ended September 30, 2009 and 2008, respectively. In the Consolidated Statements of Cash Flows, collection of the discount is included in investing activities as the receivables are collected.

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 \$556 million and \$633 million as of September 30, 2009 and December 31, 2008, respectively. Since we do not receive a servicing fee for these assets, a servicing liability is recorded. As of September 30, 2009, this liability is not significant.

I. Income Taxes

The provision for income taxes for the three months ended September 30, 2009 generally reflects an estimated annual income tax rate of 20 percent as compared to 24 percent for the three months ended September 30, 2008. The decrease is primarily attributable to expected changes in our geographic mix of pre-tax results.

During the three months ended September 30, 2009, the estimated annual income tax rate was reduced from 23 to 20 percent due to expected changes in our geographic mix of pre-tax results. Also, as a result of this decrease, the provision for income taxes for the three months ended September 30, 2009 includes a \$6 million favorable impact related to the first six months of 2009. In addition, the provision for income taxes for the three months ended September 30, 2009 includes discrete income tax benefits of \$10 million related to the conclusion of two separate prior years' income tax examinations.

The provision for income taxes for the nine months ended September 30, 2009 generally reflects an estimated annual income tax rate of 20 percent as compared to 27 percent for the nine months ended September 30, 2008. The decrease is primarily attributable to expected changes in our geographic mix of pre-tax results. In addition, the provision for income taxes for the nine months ended September 30, 2009 includes discrete income tax benefits of \$10 million related to the conclusion of two separate prior years' income tax examinations.

Due to the conclusion of a non-U.S. income tax examination, the total amount of our unrecognized income tax benefits that, if recognized, would impact our effective tax rate decreased by \$4 million.

J. Employee Separation Charges

During first quarter 2009, we recognized employee separation charges of \$10 million, which is included in Other expenses in the Consolidated Statements of Profit, related to various voluntary and involuntary separation programs. These programs, impacting 159 employees worldwide, were in response to a sharp decline in new business due to the global recession.

The various voluntary and involuntary separation programs initiated are as follows:

U.S. Voluntary Separation Program - During December 2008, Caterpillar Inc. announced a voluntary separation program for certain support and management employees based in the U.S. Eligible employees had until January 12, 2009 to sign up for the program, and generally until January 31, 2009 to make a final decision. Participating employees receive severance pay based on current salary level and years of service. During the first quarter 2009, 71 of our employees accepted the program, the majority of which had separated by March 31, 2009.

Other Separation Programs - During the first quarter of 2009, we initiated several other separation programs. These programs, designed specific to the laws and regulations of the individual countries, represent voluntary and involuntary plans for support and management employees. During the first quarter of 2009, 59 non-U.S. and 29 U.S. employees were subject to the various programs.

Subsequent to the first quarter of 2009, 3 additional non-U.S. employees were subject to the various separation programs.

Our accounting for separations is dependent upon how the particular program is designed. For voluntary programs, eligible separation costs are recognized at the time of employee acceptance. For involuntary programs, eligible costs are recognized when management has approved the program, the affected employees have been properly

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identified and the costs are estimable. The following table summarizes the separation charges:

(Millions of dollars)	
Liability balance as of December 31, 2008	<u>\$ -</u>
Q1 2009 Separation charges	\$10
Q1 2009 Benefit payments and other adjustments	<u>(7)</u>
Liability balance as of March 31, 2009	<u>\$ 3</u>
Q2 2009 Separation charges	\$ -
Q2 2009 Benefit payments and other adjustments	<u>(1)</u>
Liability balance as of June 30, 2009	<u>\$ 2</u>
Q3 2009 Separation charges	\$ -
Q3 2009 Benefit payments and other adjustments	<u>(1)</u>
Liability balance as of September 30, 2009	<u>\$ 1</u>

The remaining balance as of September 30, 2009 represents costs for employees that have either not yet separated from the Company or their full severance has not yet been paid. The majority of these remaining costs will be paid by the end of 2009.

The following table summarizes the numbers of employees that accepted or were subject to the programs:

	Third Quarter 2009	Second Quarter 2009	First Quarter 2009
Impacted employees as of beginning of period	<u>9</u>	<u>20</u>	<u>-</u>
Impacted employees during the period	2	1	159
Employee separations during the period	<u>(8)</u>	<u>(12)</u>	<u>(139)</u>
Impacted employees remaining as of the end of the period	<u>3</u>	<u>9</u>	<u>20</u>

The employees that accepted or were subject to the programs, but that were still employed as of September 30, 2009 will be separated by the end of 2009.

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

OVERVIEW: THIRD QUARTER 2009 VS. THIRD QUARTER 2008

We reported third-quarter revenues of \$676 million, a decrease of \$84 million, or 11 percent, compared with the third quarter of 2008. Third-quarter profit was \$76 million, a \$42 million, or 36 percent, decrease from the third quarter of 2008.

- The decrease in revenues was principally due to a \$77 million impact from a decrease in earning assets (finance receivables and operating leases at constant interest rates) and a \$23 million impact from returned or repossessed equipment, partially offset by a \$20 million impact from higher interest rates on new and existing finance receivables.
- Profit before income taxes was \$80 million, a \$79 million, or 50 percent, decrease over the third quarter of 2008. The decrease was principally due to a \$33 million impact from net currency exchange gains and losses, a \$29 million increase in the provision for credit losses, a \$29 million unfavorable impact from lower average earning assets and a \$23 million impact from returned or repossessed equipment. These decreases in pre-tax profit were partially offset by a \$21 million decrease in general, operating and administrative expense and a \$13 million impact from increased net yield on average earning assets.
- Provision for income taxes decreased \$38 million compared with the third quarter of 2008. The decrease was primarily attributable to lower pre-tax results and income tax benefits related to the conclusion of two separate prior years' income tax examinations.
- New retail financing was \$1.8 billion, a decrease of \$2.6 billion, or 59 percent, from the third quarter of 2008. The decrease occurred across all Cat Financial operating segments.
- At the end of the third quarter 2009, past dues were 5.79 percent compared with 5.53 percent at the end of the second quarter. At the end of the third quarter 2008, past dues were 3.64 percent. During the third quarter 2009, there were increases in North America and Europe, with decreases in Latin America and Asia. Write-offs, net of recoveries, were \$65 million for the third quarter of 2009, up from \$55 million in the second quarter of 2009, and more significantly up from \$22 million for the third quarter of 2008. The \$43 million year-over-year increase was driven by adverse economic conditions primarily in North America and, to a lesser extent, in Europe. Year-to-date annualized losses are 0.90 percent of the year-to-date average retail portfolio compared to 0.32 percent in the same period last year. The rate of write-offs is higher than the most recent periods of economic weakness in 2001 and 2002, which were 0.65 and 0.69 percent, respectively.
- Our Allowance for credit losses totaled \$381 million as of September 30, 2009, compared to \$390 million as of September 30, 2008, which is 1.62 percent of net finance receivables as of September 30, 2009, compared with 1.41 percent as of September 30, 2008. The decrease of \$9 million in Allowance for credit losses resulted from a \$58 million decrease due to a reduction in the overall net finance receivable portfolio, partially offset by a \$49 million increase in the allowance rate.

REVIEW OF CONSOLIDATED STATEMENTS OF PROFIT**THREE MONTHS ENDED SEPTEMBER 30, 2009 VS. THREE MONTHS ENDED SEPTEMBER 30, 2008****REVENUES**

Retail and wholesale revenue for the third quarter of 2009 was \$440 million, a decrease of \$55 million from the same period in 2008. The decrease was due to a \$58 million decrease from the impact of lower earning assets (finance receivables at constant interest rates), partially offset by a \$3 million impact from higher interest rates on new and existing retail and wholesale receivables. Yield was positively impacted by an increase in earned discounts on certain North America purchased wholesale receivables. The annualized average yield was 7.13 percent for the third quarter of 2009 compared to 7.09 percent for the third quarter of 2008.

Operating lease revenue for the third quarter of 2009 was \$234 million, or \$3 million lower than the third quarter of 2008 due to the impact of lower interest rates on operating leases, partially offset by the impact of higher earning assets (operating leases at constant interest rates).

Other revenue, net, for the third quarter of 2009 was \$2 million, a decrease of \$26 million from the same period in 2008 primarily due to a \$23 million impact from returned or repossessed equipment. Other revenue, net, items were as follows:

(Millions of dollars)	Three Months Ended September 30,	
	2009	2008
Finance receivable and operating lease fees (including late charges)	\$ 18	\$ 19
Miscellaneous other revenue, net	5	7
Gain on sales of receivables	2	1
Service fee income on sold receivables	2	3
Net loss related to retained interests in securitized retail receivables	(5)	(5)
Net gain/(loss) on returned or repossessed equipment	(20)	3
Total Other revenues, net	<u>\$ 2</u>	<u>\$28</u>

UNAUDITED

EXPENSES

Interest expense for the third quarter of 2009 was \$255 million, a decrease of \$37 million from the same period in 2008. This decrease was primarily due to a decrease of 47 basis points in the average cost of borrowing to 3.91 percent for the third quarter of 2009, down from 4.38 percent for the third quarter of 2008 and the impact of a 2 percent decrease in average borrowings.

Depreciation expense on equipment leased to others was \$180 million, down \$6 million over the third quarter of 2008 due to a decrease in the average operating lease portfolio.

General, operating and administrative expenses were \$80 million for the third quarter of 2009, compared to \$101 million for the same period in 2008. The decrease resulted primarily from decreases in labor costs and other operating expenses as a result of our cost reduction actions. There were 1,541 full-time employees as of September 30, 2009, compared to 1,714 as of December 31, 2008 and 1,699 as of September 30, 2008.

The provision for credit losses was \$63 million for the third quarter of 2009, up \$29 million from the third quarter of 2008. The provision for credit losses was higher due to a \$60 million impact from increased stress in the portfolio, partially offset by a \$31 million decrease related to lower new business. The Allowance for credit losses as of September 30, 2009 was 1.62 percent of finance receivables (excluding Notes receivable from Caterpillar), net of unearned income, compared to 1.41 percent as of September 30, 2008. The third quarter 2009 rate of 1.62 percent is higher than the most recent periods of economic weakness in 2001 and 2002, which were 1.42 percent and 1.47 percent, respectively.

Other expenses were \$10 million for the third quarter of 2009 compared to \$5 million for the same period in 2008. The increase was primarily attributable to higher expenses related to repossessions.

Other income (expense) for the third quarter of 2009 was an expense of \$8 million, compared to income of \$17 million from the same period in 2008 due to a \$25 million impact from net currency exchange gains and losses. Other income (expense) items were as follows:

(Millions of dollars)	Three Months Ended September 30,	
	2009	2008
Net gain/(loss) on undesignated foreign exchange contracts (including forward points)	\$(75)	\$151
Currency exchange gain/(loss)	65	(136)
Net currency exchange gain/(loss)	(10)	15
Net gain from interest rate derivatives	2	2
Total Other income (expense)	\$ (8)	\$ 17

Provision for income taxes decreased \$38 million compared with the third quarter of 2008. The decrease was primarily attributable to lower pre-tax results and income tax benefits related to the conclusion of two separate prior years' income tax examinations.

PROFIT

As a result of the performance discussed above, we had profit of \$76 million for the third quarter of 2009, down \$42 million, or 36 percent, from the third quarter of 2008.

UNAUDITED

NINE MONTHS ENDED SEPTEMBER 30, 2009 VS. NINE MONTHS ENDED SEPTEMBER 30, 2008

REVENUES

Retail and wholesale revenue for the first nine months of 2009 was \$1.365 billion, a decrease of \$146 million from the same period in 2008. The decrease was due to a \$94 million decrease from the impact of lower interest rates on new and existing retail and wholesale receivables and a \$52 million decrease from the impact of lower earning assets (finance receivables at constant interest rates). Yield was negatively impacted by lower interest rates on finance receivables and a decrease in earned discounts on certain North America purchased wholesale receivables. The annualized average yield was 6.95 percent for the first nine months of 2009 compared to 7.44 percent for the first nine months of 2008.

Operating lease revenue for the first nine months of 2009 was \$677 million, or \$27 million lower than the first nine months of 2008 due to the impacts of lower interest rates on operating leases and lower earning assets (operating leases at constant interest rates).

Other revenue, net, for the first nine months of 2009 was \$15 million, a decrease of \$94 million from the same period in 2008 primarily due to a \$54 million impact from returned or repossessed equipment, a \$20 million unfavorable impact from the write-down on retained interests related to the securitized asset portfolio and the absence of a \$12 million gain related to the sale of receivables in the third quarter of 2008. Other revenue, net, items were as follows:

(Millions of dollars)	Nine Months Ended September 30,	
	2009	2008
Finance receivable and operating lease fees (including late charges)	\$52	\$52
Miscellaneous other revenue, net	17	17
Gain on sales of receivables	12	21
Service fee income on sold receivables	6	10
Partnership/dividend income	-	1
Net loss related to retained interests in securitized retail receivables	(33)	(7)
Net gain/(loss) on returned or repossessed equipment	<u>(39)</u>	<u>15</u>
Total Other revenues, net	<u>\$15</u>	<u>\$109</u>

UNAUDITED

EXPENSES

Interest expense for the first nine months of 2009 was \$809 million, a decrease of \$46 million from the same period in 2008. This decrease was primarily due to a decrease of 41 basis points in the average cost of borrowing to 4.03 percent for the nine months of 2009, down from 4.44 percent for the first nine months of 2008, partially offset by the impact of an increase of 4 percent in average borrowings in order to provide a cash position appropriate for current market conditions.

Depreciation expense on equipment leased to others was \$527 million, down \$20 million over the first nine months of 2008 due to a decrease in the average operating lease portfolio.

General, operating and administrative expenses were \$241 million for the first nine months of 2009, compared to \$294 million for the same period in 2008. The decrease resulted primarily from decreases in labor costs and other operating expenses as a result of our cost reduction actions. There were 1,541 full-time employees as of September 30, 2009, compared to 1,714 as of December 31, 2008 and 1,699 as of September 30, 2008.

The provision for credit losses was \$144 million for the first nine months of 2009, up \$32 million from the first nine months of 2008. The provision for credit losses was higher due to a \$144 million impact from increased stress in the portfolio, partially offset by a \$112 million decrease related to lower new business. The Allowance for credit losses as of September 30, 2009 was 1.62 percent of finance receivables (excluding Notes receivable from Caterpillar), net of unearned income, compared to 1.41 percent as of September 30, 2008. The third quarter 2009 rate of 1.62 percent is higher than the most recent periods of economic weakness in 2001 and 2002, which were 1.42 percent and 1.47 percent, respectively.

Other expenses were \$37 million for the first nine months of 2009 compared to \$15 million for the same period in 2008. The increase was primarily attributable to higher expenses related to repossessions and employee separation charges.

Other income (expense) for the first nine months of 2009 was an expense of \$26 million, compared to income of \$25 million from the same period in 2008. The decrease is primarily due to a \$71 million impact from net currency exchange gains and losses, partially offset by a \$23 million favorable impact from mark-to-market adjustments on interest rate derivative contracts. Other income (expense) items were as follows:

(Millions of dollars)	Nine Months Ended	
	<u>September 30,</u>	
	<u>2009</u>	<u>2008</u>
Net gain/(loss) on undesignated foreign exchange contracts (including forward points)	\$(141)	\$ 45
Currency exchange gain/(loss)	<u>93</u>	<u>(22)</u>
Net currency exchange gain/(loss)	(48)	23
Net gain/(loss) from interest rate derivatives	22	(1)
Partnership/dividend income (gain on sale of affiliates)	<u>-</u>	<u>3</u>
Total Other income (expense)	<u>\$ (26)</u>	<u>\$ 25</u>

Provision for income taxes decreased \$98 million, or 68 percent, compared with the first nine months of 2008. The decrease was primarily attributable to lower pre-tax results and changes in the geographic mix of our pre-tax results.

UNAUDITED

PROFIT

As a result of the performance discussed above, we had profit of \$216 million for the first nine months of 2009, down \$156 million, or 42 percent, from the first nine months of 2008.

REVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

Total assets were \$30.94 billion as of September 30, 2009, a decrease of \$2.15 billion over December 31, 2008, principally due to a decrease of \$2.84 billion in the net finance receivable portfolio.

During the nine months ended September 30, 2009, we financed new retail business of \$5.194 billion, a decrease of \$7.257 billion, or 58 percent, from the same period in 2008. The decrease occurred across all operating segments.

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/leases are not available to pay our creditors. Off-balance sheet managed assets were as follows:

(Millions of dollars)	September 30, 2009	December 31, 2008
Securitized Retail Installment Sale Contracts and Finance Leases		
Installment sale contracts securitized	\$ 423	\$ 877
Finance leases securitized	12	32
Less: retained interests (included in Other assets)	<u>(99)</u>	<u>(52)</u>
Off-balance sheet securitized retail receivables	<u>\$ 336</u>	<u>\$ 857</u>
Sales of Interests in Wholesale Receivables		
Wholesale receivables	\$ -	\$ 240
Other Managed Assets		
Retail installment sale contracts	\$ 224	\$ 283
Retail finance leases	207	198
Operating leases	103	122
Retail notes receivable	<u>22</u>	<u>30</u>
Other managed receivables/leases	<u>\$ 556</u>	<u>\$ 633</u>
Total off-balance sheet managed assets	<u>\$ 892</u>	<u>\$1,730</u>

ALLOWANCE FOR CREDIT LOSSES

The following table shows activity related to the Allowance for credit losses:

(Millions of dollars)	Three Months Ended		Nine Months Ended	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Balance at beginning of the period	\$378	\$391	\$395	\$353
Provision for credit losses	63	34	144	112
Receivables written off	(72)	(28)	(184)	(76)
Recoveries on receivables previously written off	7	6	17	15
Adjustment due to securitization of receivables	-	-	-	(7)
Foreign currency translation adjustment	<u>5</u>	<u>(13)</u>	<u>9</u>	<u>(7)</u>
Balance at end of the period	<u>\$381</u>	<u>\$390</u>	<u>\$381</u>	<u>\$390</u>

Write-offs, net of recoveries, were \$65 million for the third quarter of 2009, up from \$55 million in the second quarter of 2009 and more significantly from \$22 million for the third quarter of 2008. The \$43 million year-over-year increase was driven by adverse economic conditions primarily in North America and, to a lesser extent, in Europe. Year-to-date annualized losses are 0.90 percent of year-to-date average retail portfolio compared to 0.32 percent in the same period last year. The rate of write-offs is higher than the most recent periods of economic weakness in 2001 and 2002, which were 0.65 and 0.69 percent, respectively.

Our Allowance for credit losses totaled \$381 million as of September 30, 2009 compared to \$390 million as of September 30, 2008, which is 1.62 percent of finance receivables (excluding Notes receivable from Caterpillar) as of September 30, 2009, compared with 1.41 percent as of September 30, 2008. The decrease of \$9 million in Allowance for credit losses resulted from a \$58 million decrease due to a reduction in the overall net finance receivable portfolio, partially offset by a \$49 million increase in the allowance rate.

TOTAL PAST DUE FINANCE AND RENTS RECEIVABLES

Finance receivables (excluding Notes receivable from Caterpillar) plus rents receivable for operating leases (included in Other assets) that were past due over 30 days were 5.79 percent compared with 5.53 percent at the end of the second quarter. At the end of the third quarter 2008 past dues were 3.64 percent. During the third quarter 2009, there were increases in North America and Europe, with decreases in Latin America and Asia.

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 have been able to access ample liquidity to cover all maturing debt obligations utilizing a broad and diverse global funding program. Through the first nine months of 2009, we have issued \$3.0 billion in U.S. medium-term notes, \$690 million in U.S. retail notes, €650 million in euro medium-term notes and C\$500 million in Canadian dollar medium-term notes. These debt issuances, combined with year-to-date cash receipts, have allowed us to cover all 2009 debt maturities and generate a cash balance of \$2.2 billion at the end of the third quarter of 2009. As a result, our liquidity position remains strong. Our 2010 debt maturities are approximately \$4.9 billion, of which a portion will be funded by current cash balances and projected cash receipts. We will remain selective and opportunistic in issuing new term debt over the remainder of 2009 and into 2010.

We have maintained good access to commercial paper (CP) markets throughout the third quarter of 2009. While we operated with lower average CP balances in the third quarter of 2009 due to historically high cash balances, market access remained good in the U.S., Canada and Europe with attractive pricing levels. Commercial paper in Japan experienced continued improvements in access and rate levels during the third quarter while broader CP market conditions in Australia remained less favorable. As the global liquidity situation evolves, we will continue to monitor and adapt our funding approach accordingly. We continue to maintain higher levels of cash, which has increased our net interest costs.

Uncertain economic conditions have continued the risk that one or more of the credit rating agencies may decrease their credit rating for us or our debt securities. 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.

If global conditions deteriorate so significantly that access to debt markets becomes unavailable, we would rely on cash flow from our existing portfolio of approximately \$1 billion per month, utilization of existing cash balances, access to our revolving credit facilities and other credit line facilities held by us and potential borrowings from Caterpillar. In addition, Caterpillar maintains a support agreement with us which requires Caterpillar to remain the sole owner of us 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 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.

UNAUDITED

Total borrowings outstanding as of September 30, 2009 were \$25.68 billion, a decrease of \$2.47 billion over December 31, 2008, reflecting declining portfolio balances. Outstanding borrowings were as follows:

(Millions of dollars)	September 30, <u>2009</u>	December 31, <u>2008</u>
Medium-term notes, net of unamortized discount	\$20,508	\$19,647
Commercial paper, net of unamortized discount	2,510	5,717
Bank borrowings – long-term	1,183	755
Bank borrowings – short-term	840	817
Variable denomination floating rate demand notes	619	543
Notes payable to Caterpillar	16	435
Deposit obligation	<u>-</u>	<u>232</u>
Total outstanding borrowings	<u>\$25,676</u>	<u>\$28,146</u>

Medium-term notes

We regularly issue medium-term unsecured notes through securities dealers or underwriters in the U.S., Canada, Europe, Australia and Japan 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, 2009, mature as follows:

(Millions of dollars)	
2009	\$ 352
2010	4,916
2011	2,483
2012	2,712
2013	2,344
Thereafter	<u>7,701</u>
Total	<u>\$20,508</u>

Medium-term notes issued and matured for the nine months ended September 30, 2009 totaled \$5.06 billion and \$4.25 billion, respectively.

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 \$6.989 billion (Credit Facility 1) 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 1 available to us as of September 30, 2009 was \$5.488 billion.

- The five-year facility of \$1.625 billion expires in September 2012.
- The five-year facility of \$2.975 billion expires in September 2011.
- In September 2009, we renewed the 364-day facility. The amount was increased from \$2.253 billion to \$2.389 billion and expires in September 2010.

We also have a 364-day revolving credit facility (Credit Facility 2) with a syndicate of banks totaling \$1.375 billion, which expires in March 2010 and is jointly available to both Caterpillar and us. Based on management's allocation decision, which can be revised at any time, 100 percent was allocated to Caterpillar as of September 30, 2009.

During September 2009, certain of the covenants applicable to Caterpillar or us under Credit Facility 1 and Credit Facility 2 (the Credit Facilities), among other things, were revised.

At September 30, 2009, Caterpillar's consolidated net worth was \$13.50 billion which was above the \$9.00 billion required under the Credit Facilities. The consolidated net worth is defined as the consolidated stockholder's equity including preferred stock but excluding the pension and other post-retirement benefits balance within Accumulated other comprehensive income.

At September 30, 2009, our interest coverage ratio was 1.25 to 1. This is above the 1.15 to 1 minimum ratio of (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.

In addition, at September 30, 2009, our leverage ratio was 7.18 to 1. This is below the maximum ratio of debt to net worth of 10 to 1, calculated 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 at each December 31 required by the Credit Facilities.

In the event Caterpillar or we do not meet one or more of the respective financial covenants under the Credit Facilities in the future (and are unable to obtain a consent or waiver), the bank group may terminate the commitments allocated to the parties. Additionally, in such event, certain of our other lenders under other loan agreements where such financial covenants are applicable, may, at their election, choose to pursue remedies under such loan agreements, including accelerating outstanding borrowings. At September 30, 2009, there were no borrowings under the Credit Facilities.

Bank borrowings

Credit lines with banks as of September 30, 2009 totaled \$3.56 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, 2009, we had \$2.02 billion outstanding against these credit lines compared to \$1.57 billion as of December 31, 2008, 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 \$2.33 billion from Caterpillar, and Caterpillar may borrow up to \$2.33 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 payable of \$16 million and notes receivable of \$1.1 billion outstanding as of September 30, 2009, compared to notes payable of \$435 million and notes receivable of \$81 million as of December 31, 2008.

Deposit obligation

A deposit obligation of \$232 million has a corresponding security deposit, which is included in Other assets in the Consolidated Statements of Financial Position as of December 31, 2008. This deposit obligation and corresponding security deposit related to a financing arrangement, which provided us a return. This arrangement required that we commit to a certain long-term obligation and provide a security deposit. This obligation was fulfilled in the second quarter of 2009.

OFF-BALANCE SHEET ARRANGEMENTS

We lease all of our facilities. In addition, we have guarantees to third parties of \$198 million as of September 30, 2009.

CASH FLOWS

Operating cash flow was \$890 million for the first nine months of 2009, compared with \$797 million for the same period in 2008. Net cash provided by investing activities was \$2.985 billion for the first nine months of 2009, compared to a use of cash of \$3.408 billion for the same period in 2008. This change is primarily the result of lower levels of new retail financing, partially offset by lower collections. Net cash used for financing activities was \$2.734 billion for the first nine months of 2009, compared to a source of cash of \$3.446 billion for the nine months of 2008, primarily due to lower funding requirements.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements, in conformity with accounting principles generally accepted 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, represent 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 residual 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. 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 factor in 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, which have resulted in an allowance presented in accordance with generally accepted accounting principles, there can be no assurance that in the future, changes in economic conditions or other factors might cause changes in the financial health of our customers, which could change the timing and level of payments received, and thus result in losses greater than the estimated losses or necessitate 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" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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. In this context, words such as "believes," "expects," "estimates," "anticipates," "will," "should" and similar words or phrases often identify forward-looking statements made on behalf of Cat Financial. 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 ongoing significant challenges and disruptions in the global financial and credit markets, and change in laws and regulations and political stability, as well as factors specific to Cat Financial and the markets we serve, including the market's acceptance of the Company's products and services, the creditworthiness of customers, interest rate and currency rate fluctuations and estimated residual values of leased equipment. Those 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. All of the 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 on February 20, 2009. 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.

Remediation of Previously Disclosed Material Weakness

Management previously concluded as of June 30, 2009, that we did not maintain effective controls over the preparation and review of our Consolidated Statements of Cash Flows. This control deficiency resulted in the restatement of our interim consolidated financial statements for the six months ended June 30, 2009. Additionally, this control deficiency could have resulted in a misstatement of operating and investing cash flows in the consolidated

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financial statements that would have resulted in a material misstatement in the annual or interim consolidated financial statements that would not have been prevented or detected. Accordingly, management determined that this control deficiency constituted a material weakness in internal control over financial reporting as of June 30, 2009.

Management implemented enhanced procedural and review controls to remediate the material weakness noted above. We tested the newly implemented controls and found them to be effective and have concluded as of September 30, 2009, this material weakness has been remediated.

Changes in Internal Control Over Financial Reporting

Other than noted above, there have been no changes in our internal control over financial reporting during the three months ended September 30, 2009, 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 profit.

ITEM 1A. RISK FACTORS

See Part I. Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008 for a discussion of the risks and uncertainties that may affect our business. There has been no material change in this information.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

- 3.1 Certificate of Incorporation of the Company, as amended (incorporated by reference from Exhibit 3.1 to the Company's Form 10 for the year ended December 31, 1984).
- 3.2 Bylaws of the Company, as amended (incorporated by reference from Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, for the quarter ended June 30, 2005).
- 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 Five-Year Credit Agreement, dated as of September 21, 2006 (2006 Five-Year Credit Agreement), among the Company, Caterpillar, Caterpillar International Finance plc, Caterpillar Finance Corporation, certain other financial institutions named therein and Citibank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International plc, ABN AMRO Bank N.V., Bank of America, N.A., Barclays Bank PLC, J.P. Morgan Securities, Inc., Société Générale and Citigroup Global Markets Inc. (incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K, filed September 27, 2006, Commission File No. 0-11241).
- 10.3 Japan Local Currency Addendum to the 2006 Five-Year Credit Agreement among the Company, Caterpillar, 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 99.2 to the Company's Current Report on Form 8-K, filed September 27, 2006).
- 10.4 Amendment No. 1 to Japan Local Currency Addendum to the 2006 Five-Year Credit Agreement among the Company, Caterpillar, 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 99.5 to the Company's Current Report on Form 8-K, filed January 26, 2009).

- 10.5 Local Currency Addendum to the 2006 Five-Year Credit Agreement among the Company, Caterpillar International Finance p.l.c., 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 27, 2006).
- 10.6 Amendment No. 1 to Local Currency Addendum to the 2006 Five-Year Credit Agreement among the Company, Caterpillar International Finance p.l.c., the Local Currency Banks named therein, Citibank, N.A. and Citibank International plc (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K, filed January 26, 2009).
- 10.7 Amendment No. 1 to the 2006 Five-Year Credit Agreement among the Company, Caterpillar, Caterpillar Finance Corporation and Caterpillar International Finance p.l.c., the Banks, Japan Local Currency Banks and Local Currency Banks named therein, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International plc and Citibank, N.A. (incorporated by reference from Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, filed October 31, 2008).
- 10.8 Omnibus Amendment and Waiver Agreement (Amendment No. 2) to the 2006 Five-Year Credit Agreement among the Company, Caterpillar, Caterpillar Finance Corporation, Caterpillar International Finance p.l.c., the Banks and Local Currency Banks named therein, Citibank International plc and Citibank, N.A. (incorporated by reference from Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q, filed October 31, 2008).
- 10.9 Amendment No. 3 to the 2006 Five-Year Credit Agreement among the Company, Caterpillar, Caterpillar Finance Corporation and Caterpillar International Finance Limited (f/k/a Caterpillar International Finance p.l.c.), the Banks, Japan Local Currency Banks and Local Currency Banks named therein, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International plc and Citibank, N.A. (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K, filed September 23, 2008).
- 10.10 Amendment No. 4 to the 2006 Five-Year Credit Agreement among the Company, Caterpillar, Caterpillar Finance Corporation and Caterpillar International Finance Limited (f/k/a Caterpillar International Finance p.l.c.), the Banks, Japan Local Currency Banks and Local Currency Banks named therein, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International plc and Citibank, N.A. (incorporated by reference from Exhibit 99.3 to the Company's Current Report on Form 8-K, filed January 26, 2009).
- 10.11 Amendment No. 5 to the 2006 Five-Year Credit Agreement among the Company, Caterpillar, Caterpillar Finance Corporation and Caterpillar International Finance Limited (f/k/a Caterpillar International Finance p.l.c.), the Banks, Japan Local Currency Banks and Local Currency Banks named therein, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International plc and Citibank, N.A. (incorporated by reference from Exhibit 99.5 to the Company's Current Report on Form 8-K, filed September 23, 2009).
- 10.12 Five-Year Credit Agreement, dated as of September 20, 2007 (2007 Five-Year Credit Agreement), among the Company, Caterpillar, Caterpillar Finance Corporation, certain financial institutions named therein, Citibank, N.A., The Bank of Tokyo-Mitsubishi UFJ Ltd., ABN AMRO Bank N.V., Bank of America, N.A., Barclays Bank PLC, J.P. Morgan Securities, Inc., Société Générale and Citigroup Global Markets Inc. (incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K, filed September 26, 2007).
- 10.13 Japan Local Currency Addendum to the 2007 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 99.2 to the Company's Current Report on Form 8-K, filed September 26, 2007).
- 10.14 Amendment No. 1 to Japan Local Currency Addendum to the 2007 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 January 26, 2009).
- 10.15 Amendment No. 1 to the 2007 Five-Year Credit Agreement among the Company, Caterpillar and Caterpillar Finance Corporation, the Banks and Japan Local Currency Banks named therein, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Citibank, N.A. (incorporated by reference from Exhibit 99.3 to the Company's Current Report on Form 8-K, filed September 23, 2008).
- 10.16 Amendment No. 2 to the 2007 Five-Year Credit Agreement among the Company, Caterpillar and Caterpillar Finance Corporation, the Banks and Japan Local Currency Banks named therein, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Citibank, N.A. (incorporated by reference from Exhibit 99.2 to the Company's Current Report on Form 8-K, filed January 26, 2009).
- 10.17 Amendment No. 3 to the 2007 Five-Year Credit Agreement among the Company, Caterpillar and Caterpillar Finance Corporation, the Banks and Japan Local Currency Banks named therein, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Citibank, N.A. (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K, filed September 23, 2009).

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- 10.18 364-Day Credit Agreement dated September 17, 2009 (2009 364-Day Credit Agreement) among the Company, Caterpillar, Caterpillar Finance Corporation, the Banks named therein, Citibank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Royal Bank of Scotland PLC, Bank of America, N.A., Barclays Capital, The Investment Banking Division of Barclays Bank PLC, J.P. Morgan Securities, Inc., Société Générale and Citigroup Global Markets Inc. (incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K, filed September 23, 2009).
- 10.19 Japan Local Currency Addendum to the 2009 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 99.2 to the Company's Current Report on Form 8-K, filed September 23, 2009).
- 10.20 364-Day Credit Agreement dated March 31, 2009 (2009 364-Day Credit Agreement) among the Company, Caterpillar, the Banks named therein and Citibank, N.A. (as Administrative Agent) (incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K, filed on April 6, 2009).
- 10.21 Amendment No. 1 to the 2009 364-Day Credit Agreement among the Company, Caterpillar, the Banks named therein and Citibank, N.A. (as Administrative Agent) (incorporated by reference from Exhibit 99.3 to the Company's Current Report on Form 8-K, filed on September 23, 2009).
- 10.22 Notice of Bank Addition and Assumption and Acceptance dated April 7, 2009, adding the Bank of Tokyo-Mitsubishi UFJ, Ltd. as a party to the 2009 364-Day Credit Agreement (incorporated by reference from Exhibit 99.2 to the Company's Amendment No. 1 to Current Report on Form 8-K/A, filed on April 7, 2009).
- 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.

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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: October 30, 2009

Date: October 30, 2009

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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Profit	\$ 76	\$118	\$216	\$372
Add:				
Provision for income taxes	-	38	45	143
Deduct:				
Partnership income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>
Profit before income taxes and partnership income	<u>\$ 76</u>	<u>\$156</u>	<u>\$ 261</u>	<u>\$ 512</u>
Fixed charges:				
Interest expense	\$255	\$292	\$809	\$855
Rentals at computed interest*	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>
Total fixed charges	<u>\$256</u>	<u>\$293</u>	<u>\$ 813</u>	<u>\$ 859</u>
Profit before income taxes plus fixed charges	<u>\$332</u>	<u>\$449</u>	<u>\$1,074</u>	<u>\$1,371</u>
Ratio of profit before income taxes plus fixed charges to fixed charges	<u>1.30</u>	<u>1.53</u>	<u>1.32</u>	<u>1.60</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: October 30, 2009

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: October 30, 2009

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, 2009, 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: October 30, 2009

/s/ Kent M. Adams

Kent M. Adams
President, Director
and Chief Executive Officer

Date: October 30, 2009

/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.