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, 2012**

**Commission File No. 001-11241**

## CATERPILLAR FINANCIAL SERVICES CORPORATION

**(Exact name of Registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **37-1105865** |
| **(State of incorporation)** | **(IRS Employer I.D. No.)** |
| **2120 West End Ave.<br>Nashville, Tennessee** | **37203-0001** |
| **(Address of principal executive offices)** | **(Zip Code)** |

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

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

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

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

**Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ✓ ] Smaller reporting company [ ]**

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

**As of November 2, 2012, one share of common stock of the registrant was outstanding, which is owned by Caterpillar Inc.**

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

## PART I. FINANCIAL INFORMATION

### ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

In addition to the accompanying unaudited consolidated financial statements for Caterpillar Financial Services Corporation (together with its subsidiaries, "Cat Financial," "the Company," "we," "us" or "our"), we suggest that you read our 2011 Annual Report on Form 10-K, as supplemented by our Current Report on Form 8-K on August 7, 2012 to reflect a change in reportable operating segments. The Company files electronically with the Securities and Exchange Commission (SEC) required reports on Form 8-K, Form 10-Q and Form 10-K and registration statements on Form S-3 and other forms or reports as required. The public may read and copy any materials the Company has filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (www.sec.gov) that contains reports, proxies and information statements and other information regarding issuers that file electronically with the SEC. Copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports filed or furnished with the SEC are available free of charge through Caterpillar Inc.'s Internet site (www.caterpillar.com/secfilings) as soon as reasonably practicable after filing with the SEC. Copies may also be obtained free of charge by writing to: Legal Dept., Caterpillar Financial Services Corporation, 2120 West End Ave., Nashville, Tennessee 37203-0001. In addition, the public may obtain more detailed information about our parent company, Caterpillar Inc. (together with its subsidiaries, "Caterpillar" or "Cat") by visiting its Internet site (www.caterpillar.com). None of the information contained at any time on our Internet site, Caterpillar's Internet site or the SEC's Internet site is incorporated by reference into this document.

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

| | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Retail finance | $ 341 | $ 326 | $ 995 | $ 966 |
| Operating lease | 218 | 218 | 648 | 658 |
| Wholesale finance | 82 | 77 | 252 | 221 |
| Other, net | 37 | 47 | 119 | 138 |
| Total revenues | 678 | 668 | 2,014 | 1,983 |
| **Expenses:** | | | | |
| Interest | 201 | 211 | 603 | 624 |
| Depreciation on equipment leased to others | 174 | 173 | 515 | 520 |
| General, operating and administrative | 104 | 101 | 308 | 291 |
| Provision for credit losses | 39 | 38 | 92 | 124 |
| Other | 7 | 9 | 20 | 26 |
| Total expenses | 525 | 532 | 1,538 | 1,585 |
| Other income (expense) | — | (10) | (9) | (5) |
| **Profit before income taxes** | 153 | 126 | 467 | 393 |
| Provision for income taxes | 41 | 29 | 126 | 98 |
| **Profit of consolidated companies** | 112 | 97 | 341 | 295 |
| Less: Profit attributable to noncontrolling interests | 3 | 4 | 8 | 12 |
| **Profit [1]** | $ 109 | $ 93 | $ 333 | $ 283 |

[1] **Profit attributable to Caterpillar Financial Services Corporation.**

*See Notes to Consolidated Financial Statements (unaudited).*

**Caterpillar Financial Services Corporation**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(Unaudited)**

**(Dollars in Millions)**

| | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| Profit of consolidated companies | $ 112 | $ 97 | $ 341 | $ 295 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation, net of tax (expense)/benefit of : 2012-$18 three months, $(1) nine months; 2011-$(69) three months, $15 nine months | 89 | (293) | 28 | (42) |
| Derivative financial instruments: | | | | |
| Gains (losses) deferred, net of tax (expense)/benefit of: 2012-$1 three months, $2 nine months; 2011-$1 three months, $1 nine months | (3) | (3) | (4) | (4) |
| (Gains) losses reclassified to earnings, net of tax (expense)/benefit of: 2012-$- three months, $(1) nine months; 2011-$(1) three months, $(4) nine months | 1 | 2 | 2 | 11 |
| Total Other comprehensive income (loss), net of tax | 87 | (294) | 26 | (35) |
| **Comprehensive income (loss)** | 199 | (197) | 367 | 260 |
| Less: Comprehensive income attributable to the noncontrolling interests | 2 | 5 | 7 | 15 |
| **Comprehensive income (loss) attributable to Caterpillar Financial Services Corporation** | $ 197 | $ (202) | $ 360 | $ 245 |

*See Notes to Consolidated Financial Statements (unaudited).*

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

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| **Assets:** | | |
| Cash and cash equivalents | $ 2,188 | $ 1,176 |
| Finance receivables | | |
| Retail notes receivable | 10,358 | 8,840 |
| Wholesale notes receivable | 4,160 | 4,368 |
| Finance leases and installment sale contracts - Retail | 13,458 | 12,436 |
| Finance leases and installment sale contracts - Wholesale | 530 | 425 |
| | 28,506 | 26,069 |
| Less: Unearned income | (990) | (944) |
| Less: Allowance for credit losses | (404) | (369) |
| Total net finance receivables | 27,112 | 24,756 |
| | | |
| Notes receivable from Caterpillar | 372 | 327 |
| Equipment on operating leases, | | |
| less accumulated depreciation | 2,924 | 2,611 |
| Deferred and refundable income taxes | 151 | 159 |
| Other assets | 1,087 | 1,083 |
| **Total assets** | $ 33,834 | $ 30,112 |
| | | |
| **Liabilities and stockholder's equity:** | | |
| Payable to dealers and others | $ 110 | $ 100 |
| Payable to Caterpillar – other | 77 | 67 |
| Accrued expenses | 222 | 292 |
| Income taxes payable | 66 | 60 |
| Payable to Caterpillar - borrowings | 209 | — |
| Short-term borrowings | 4,460 | 3,895 |
| Current maturities of long-term debt | 6,993 | 5,102 |
| Long-term debt | 17,516 | 16,529 |
| Deferred income taxes and other liabilities | 594 | 597 |
| **Total liabilities** | 30,247 | 26,642 |
| | | |
| Commitments and contingent liabilities (Notes 7 and 9) | | |
| | | |
| Common stock - $1 par value | | |
| Authorized: 2,000 shares; Issued and | | |
| outstanding: one share (at paid-in amount) | 745 | 745 |
| Additional paid-in capital | 2 | 2 |
| Retained earnings | 2,595 | 2,512 |
| Accumulated other comprehensive income/(loss) | 143 | 116 |
| Noncontrolling interests | 102 | 95 |
| **Total stockholder's equity** | 3,587 | 3,470 |
| | | |
| **Total liabilities and stockholder's equity** | $ 33,834 | $ 30,112 |

*See Notes to Consolidated Financial Statements (unaudited).*

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

| Nine Months Ended September 30, 2011 | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income/(loss) | Noncontrolling interests | Total |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2010** | $ 745 | $ 2 | $ 2,734 | $ 217 | $ 83 | $ 3,781 |
| Profit of consolidated companies | | | 283 | | 12 | 295 |
| Dividend paid to Cat Inc. | | | (600) | | | (600) |
| Foreign currency translation, net of tax | | | | (45) | 3 | (42) |
| Derivative financial instruments, net of tax | | | | 7 | | 7 |
| **Balance at September 30, 2011** | $ 745 | $ 2 | $ 2,417 | $ 179 | $ 98 | $ 3,441 |
| | | | | | | |
| **Nine Months Ended September 30, 2012** | | | | | | |
| **Balance at December 31, 2011** | $ 745 | $ 2 | $ 2,512 | $ 116 | $ 95 | $ 3,470 |
| Profit of consolidated companies | | | 333 | | 8 | 341 |
| Dividend paid to Cat Inc. | | | (250) | | | (250) |
| Foreign currency translation, net of tax | | | | 29 | (1) | 28 |
| Derivative financial instruments, net of tax | | | | (2) | | (2) |
| **Balance at September 30, 2012** | $ 745 | $ 2 | $ 2,595 | $ 143 | $ 102 | $ 3,587 |

*See Notes to Consolidated Financial Statements (unaudited).*

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

| | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Profit of consolidated companies | $ 341 | $ 295 |
| Adjustments for non-cash items: | | |
| Depreciation and amortization | 529 | 535 |
| Amortization of receivables purchase discount | (181) | (157) |
| Provision for credit losses | 92 | 124 |
| Gain on sales of receivables | (2) | (2) |
| Other, net | (20) | (40) |
| Changes in assets and liabilities: | | |
| Receivables from others | (61) | 30 |
| Other receivables/payables with Caterpillar | 16 | 7 |
| Payable to dealers and others | (12) | 9 |
| Accrued interest payable | (14) | (29) |
| Accrued expenses and other liabilities, net | (12) | (35) |
| Income taxes payable | 24 | 58 |
| Payments on interest rate swaps | — | (1) |
| Net cash provided by operating activities | 700 | 794 |
| | | |
| **Cash flows from investing activities:** | | |
| Capital expenditures for equipment on operating leases and other capital expenditures | (1,232) | (830) |
| Proceeds from disposals of equipment | 688 | 878 |
| Additions to finance receivables | (14,195) | (12,192) |
| Collections of finance receivables | 11,255 | 11,158 |
| Net changes in Caterpillar purchased receivables | 366 | (833) |
| Proceeds from sales of receivables | 109 | 106 |
| Net change in variable lending to Caterpillar | (47) | 55 |
| Additions to other notes receivable with Caterpillar | (92) | (117) |
| Collections on other notes receivable with Caterpillar | 92 | 8 |
| Restricted cash and cash equivalents activity, net | 47 | 84 |
| Other, net | (1) | 4 |
| Net cash provided by (used for) investing activities | (3,010) | (1,679) |
| | | |
| **Cash flows from financing activities:** | | |
| Net change in variable lending from Caterpillar | 203 | — |
| Payments on borrowings with Caterpillar | — | (600) |
| Proceeds from debt issued (original maturities greater than three months) | 9,617 | 8,703 |
| Payments on debt issued (original maturities greater than three months) | (6,278) | (6,080) |
| Short-term borrowings, net (original maturities three months or less) | 125 | (809) |
| Dividend paid to Caterpillar | (250) | (600) |
| Net cash provided by (used for) financing activities | 3,417 | 614 |
| | | |
| Effect of exchange rate changes on cash and cash equivalents | (95) | 48 |
| | | |
| **Increase/(decrease) in cash and cash equivalents** | **1,012** | **(223)** |
| Cash and cash equivalents at beginning of year | 1,176 | 1,676 |
| Cash and cash equivalents at end of period | $ 2,188 | $ 1,453 |

*See Notes to Consolidated Financial Statements (unaudited)*.

## Notes to Consolidated Financial Statements
*(Unaudited)*

### 1. Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of (a) the consolidated profit for the three and nine months ended September 30, 2012 and 2011, (b) the consolidated comprehensive income for the three and nine months ended September 30, 2012 and 2011, (c) the consolidated financial position as of September 30, 2012 and December 31, 2011, (d) the consolidated changes in stockholder's equity for the nine months ended September 30, 2012 and 2011 and (e) the consolidated cash flows for the nine months ended September 30, 2012 and 2011. The financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC).

Certain amounts for prior periods have been reclassified to conform to the current period financial statement presentation. The investing activities on the Consolidated Statements of Cash Flows have additions and collections related to Caterpillar purchased receivables presented on a net basis. These receivables have short durations with a high turnover rate. The total cash flows for investing activities have not changed.

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, 2011, as supplemented by our Current Report on Form 8-K filed on August 7, 2012 to reflect a change in reportable operating segments.

The December 31, 2011 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, 2011, as supplemented by our Current Report on Form 8-K filed on August 7, 2012 to reflect a change in reportable operating segments, but does not include all disclosures required by U.S. GAAP.

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

### 2. Accumulated Other Comprehensive Income/(Loss)

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

| (Millions of dollars) | September 30, 2012 | September 30, 2011 |
|---|---|---|
| Foreign currency translation | $ 151 | $ 186 |
| Derivative financial instruments | (8) | (7) |
| Total Accumulated other comprehensive income/(loss) | $ 143 | $ 179 |

## 3. New Accounting Pronouncements

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

**Presentation of comprehensive income –** In June 2011, the FASB issued accounting guidance on the presentation of comprehensive income. The guidance provides two options for presenting net income and other comprehensive income. The total of comprehensive income, the components of net income, and the components of other comprehensive income may be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. We elected to present two separate statements. This guidance was effective January 1, 2012.

**Disclosures about offsetting assets and liabilities –** In December 2011, the FASB issued accounting guidance on disclosures about offsetting assets and liabilities. The guidance requires entities to disclose both gross and net information about instruments and transactions that are offset in the statement of financial position as well as instruments and transactions that are subject to an enforceable master netting arrangement or similar agreement. This guidance is effective January 1, 2013, with retrospective application required. We are currently reviewing the impact of this guidance on our financial statements and expect to complete this evaluation in 2012.

## 4. Financing Activities

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

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

- **Customer** - Finance receivables with retail customers.
- **Dealer** - Finance receivables with Caterpillar dealers.
- **Caterpillar Purchased Receivables** - Trade receivables purchased from Caterpillar entities.

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

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

**Impaired loans and finance leases**

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

There were no impaired loans or finance leases as of September 30, 2012 and December 31, 2011, for the Dealer and Caterpillar Purchased Receivables portfolio segments. The average recorded investment for impaired loans and finance leases for the Dealer and Caterpillar Purchased Receivables portfolio segments was zero for the three and nine months ended September 30, 2012 and 2011.

Individually impaired loans and finance leases for the customer portfolio segment were as follows:

| (Millions of dollars) | As of September 30, 2012 | | | As of December 31, 2011 | | |
|---|---|---|---|---|---|---|
| **Impaired Loans and Finance Leases With No Allowance Recorded** | **Recorded Investment** | **Unpaid Principal Balance** | **Related Allowance** | **Recorded Investment[(1)]** | **Unpaid Principal Balance[(1)]** | **Related Allowance** |
| **Customer** | | | | | | |
| North America | $ 42 | $ 41 | $ — | $ 83 | $ 80 | $ — |
| Europe | 44 | 44 | — | 47 | 46 | — |
| Asia/Pacific | 4 | 4 | — | 4 | 4 | — |
| Mining | 9 | 9 | — | 8 | 8 | — |
| Latin America | 7 | 7 | — | 9 | 9 | — |
| Caterpillar Power Finance | 269 | 268 | — | 175 | 170 | — |
| Total | $ 375 | $ 373 | $ — | $ 326 | $ 317 | $ — |
| **Impaired Loans and Finance Leases With An Allowance Recorded** | | | | | | |
| **Customer** | | | | | | |
| North America | $ 38 | $ 34 | $ 9 | $ 69 | $ 64 | $ 15 |
| Europe | 50 | 48 | 17 | 36 | 33 | 12 |
| Asia/Pacific | 34 | 34 | 7 | 13 | 13 | 3 |
| Mining | 68 | 67 | 7 | 13 | 13 | 4 |
| Latin America | 53 | 53 | 17 | 25 | 25 | 6 |
| Caterpillar Power Finance | 112 | 110 | 18 | 93 | 92 | 16 |
| Total | $ 355 | $ 346 | $ 75 | $ 249 | $ 240 | $ 56 |
| **Total Impaired Loans and Finance Leases** | | | | | | |
| **Customer** | | | | | | |
| North America | $ 80 | $ 75 | $ 9 | $ 152 | $ 144 | $ 15 |
| Europe | 94 | 92 | 17 | 83 | 79 | 12 |
| Asia/Pacific | 38 | 38 | 7 | 17 | 17 | 3 |
| Mining | 77 | 76 | 7 | 21 | 21 | 4 |
| Latin America | 60 | 60 | 17 | 34 | 34 | 6 |
| Caterpillar Power Finance | 381 | 378 | 18 | 268 | 262 | 16 |
| Total | $ 730 | $ 719 | $ 75 | $ 575 | $ 557 | $ 56 |

[(1)]Amounts previously disclosed have been revised due to immaterial errors.

| (Millions of dollars) | Three Months Ended September 30, 2012 | | Three Months Ended September 30, 2011 | |
|---|---|---|---|---|
| **Impaired Loans and Finance Leases With No Allowance Recorded** | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment[1] | Interest Income Recognized |
| **Customer** | | | | |
| North America | $ 42 | $ 1 | $ 91 | $ 1 |
| Europe | 45 | — | 10 | — |
| Asia/Pacific | 3 | — | 5 | 1 |
| Mining | 9 | — | 8 | — |
| Latin America | 6 | — | 11 | — |
| Caterpillar Power Finance | 220 | 1 | 240 | — |
| Total | $ 325 | $ 2 | $ 365 | $ 2 |
| **Impaired Loans and Finance Leases With An Allowance Recorded** | | | | |
| **Customer** | | | | |
| North America | $ 51 | $ — | $ 126 | $ — |
| Europe | 44 | 1 | 44 | 1 |
| Asia/Pacific | 29 | — | 9 | — |
| Mining | 68 | 1 | 10 | — |
| Latin America | 58 | 1 | 40 | — |
| Caterpillar Power Finance | 110 | — | 126 | — |
| Total | $ 360 | $ 3 | $ 355 | $ 1 |
| **Total Impaired Loans and Finance Leases** | | | | |
| **Customer** | | | | |
| North America | $ 93 | $ 1 | $ 217 | $ 1 |
| Europe | 89 | 1 | 54 | 1 |
| Asia/Pacific | 32 | — | 14 | 1 |
| Mining | 77 | 1 | 18 | — |
| Latin America | 64 | 1 | 51 | — |
| Caterpillar Power Finance | 330 | 1 | 366 | — |
| Total | $ 685 | $ 5 | $ 720 | $ 3 |

[1]Amounts previously disclosed have been revised due to immaterial errors.

(Millions of dollars)

| | Nine Months Ended September 30, 2012 | | Nine Months Ended September 30, 2011 | |
|---|---|---|---|---|
| **Impaired Loans and Finance Leases With No Allowance Recorded** | **Average Recorded Investment** | **Interest Income Recognized** | **Average Recorded Investment**[1] | **Interest Income Recognized** |
| **Customer** | | | | |
| North America | $ 56 | $ 2 | $ 93 | $ 3 |
| Europe | 45 | — | 8 | — |
| Asia/Pacific | 3 | — | 5 | 1 |
| Mining | 8 | — | 8 | — |
| Latin America | 6 | — | 8 | — |
| Caterpillar Power Finance | 204 | 3 | 234 | 1 |
| Total | $ 322 | $ 5 | $ 356 | $ 5 |
| **Impaired Loans and Finance Leases With An Allowance Recorded** | | | | |
| **Customer** | | | | |
| North America | $ 63 | $ 1 | $ 160 | $ 4 |
| Europe | 42 | 1 | 53 | 2 |
| Asia/Pacific | 24 | 1 | 18 | 1 |
| Mining | 41 | 2 | 4 | — |
| Latin America | 42 | 2 | 44 | 2 |
| Caterpillar Power Finance | 94 | — | 79 | — |
| Total | $ 306 | $ 7 | $ 358 | $ 9 |
| **Total Impaired Loans and Finance Leases** | | | | |
| **Customer** | | | | |
| North America | $ 119 | $ 3 | $ 253 | $ 7 |
| Europe | 87 | 1 | 61 | 2 |
| Asia/Pacific | 27 | 1 | 23 | 2 |
| Mining | 49 | 2 | 12 | — |
| Latin America | 48 | 2 | 52 | 2 |
| Caterpillar Power Finance | 298 | 3 | 313 | 1 |
| Total | $ 628 | $ 12 | $ 714 | $ 14 |

[1] Amounts previously disclosed have been revised due to immaterial errors.

**Non-accrual and past due loans and finance leases**

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

As of September 30, 2012 and December 31, 2011, there were no loans or finance leases on non-accrual status for the Dealer or Caterpillar Purchased Receivables portfolio segments.

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

| (Millions of dollars) | September 30, 2012 | December 31, 2011 |
|---|---|---|
| **Customer** | | |
| North America | $ 77 | $ 112 |
| Europe | 44 | 58 |
| Asia/Pacific | 40 | 24 |
| Mining | 12 | 12 |
| Latin America | 150 | 108 |
| Caterpillar Power Finance | 286 | 158 |
| Total | $ 609 | $ 472 |

Aging related to loans and finance leases was as follows:

| (Millions of dollars) | September 30, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31-60 Days Past Due | 61-90 Days Past Due | 91+ Days Past Due | Total Past Due | Current | Total Finance Receivables | 91+ Still Accruing |
| **Customer** | | | | | | | |
| North America | $ 35 | $ 9 | $ 76 | $ 120 | $ 5,716 | $ 5,836 | $ — |
| Europe | 28 | 12 | 44 | 84 | 2,371 | 2,455 | 5 |
| Asia/Pacific | 76 | 22 | 51 | 149 | 3,366 | 3,515 | 17 |
| Mining | 2 | — | 12 | 14 | 1,825 | 1,839 | — |
| Latin America | 57 | 25 | 136 | 218 | 2,478 | 2,696 | — |
| Caterpillar Power Finance | 17 | 47 | 154 | 218 | 2,945 | 3,163 | 12 |
| **Dealer** | | | | | | | |
| North America | — | — | — | — | 2,759 | 2,759 | — |
| Europe | — | — | — | — | 487 | 487 | — |
| Asia/Pacific | — | — | — | — | 923 | 923 | — |
| Mining | — | — | — | — | 1 | 1 | — |
| Latin America | — | — | — | — | 892 | 892 | — |
| Caterpillar Power Finance | — | — | — | — | — | — | — |
| **Caterpillar Purchased Receivables** | | | | | | | |
| North America | 20 | 5 | 1 | 26 | 1,597 | 1,623 | 1 |
| Europe | 1 | — | — | 1 | 386 | 387 | — |
| Asia/Pacific | — | — | — | — | 516 | 516 | — |
| Mining | — | — | — | — | — | — | — |
| Latin America | — | — | — | — | 394 | 394 | — |
| Caterpillar Power Finance | 5 | 1 | — | 6 | 24 | 30 | — |
| Total | $ 241 | $ 121 | $ 474 | $ 836 | $ 26,680 | $ 27,516 | $ 35 |

(Millions of dollars)

| | December 31, 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31-60 Days Past Due | 61-90 Days Past Due | 91+ Days Past Due | Total Past Due | Current | Total Finance Receivables | 91+ Still Accruing |
| **Customer** | | | | | | | |
| North America | $ 75 | $ 39 | $ 111 | $ 225 | $ 5,448 | $ 5,673 | $ 9 |
| Europe | 27 | 11 | 57 | 95 | 2,129 | 2,224 | 10 |
| Asia/Pacific | 48 | 23 | 38 | 109 | 3,102 | 3,211 | 14 |
| Mining | — | — | 12 | 12 | 1,473 | 1,485 | — |
| Latin America | 32 | 15 | 99 | 146 | 2,339 | 2,485 | — |
| Caterpillar Power Finance | 14 | 16 | 125 | 155 | 2,765 | 2,920 | 25 |
| **Dealer** | | | | | | | |
| North America | — | — | 2 | 2 | 2,412 | 2,414 | 2 |
| Europe | — | — | — | — | 334 | 334 | — |
| Asia/Pacific | — | — | — | — | 516 | 516 | — |
| Mining | — | — | — | — | — | — | — |
| Latin America | — | — | — | — | 709 | 709 | — |
| Caterpillar Power Finance | — | — | — | — | — | — | — |
| **Caterpillar Purchased Receivables** | | | | | | | |
| North America | 25 | 4 | 6 | 35 | 1,801 | 1,836 | 6 |
| Europe | 3 | — | — | 3 | 399 | 402 | — |
| Asia/Pacific | — | — | — | — | 465 | 465 | — |
| Mining | — | — | — | — | — | — | — |
| Latin America | — | — | — | — | 422 | 422 | — |
| Caterpillar Power Finance | — | — | — | — | 29 | 29 | — |
| Total | $ 224 | $ 108 | $ 450 | $ 782 | $ 24,343 | $ 25,125 | $ 66 |

**Allowance for credit losses**

In estimating the Allowance for credit losses, we review loans and finance leases that are past due, non-performing or in bankruptcy. The Allowance for credit losses as of September 30, 2012 and December 31, 2011 was as follows:

| (Millions of dollars) | September 30, 2012 | | | |
|---|---|---|---|---|
| **Allowance for Credit Losses:** | **Customer** | **Dealer** | **Caterpillar Purchased Receivables** | **Total** |
| Balance at beginning of year | $ 360 | $ 6 | $ 3 | $ 369 |
| Receivables written off | (92) | — | — | (92) |
| Recoveries on receivables previously written off | 36 | — | — | 36 |
| Provision for credit losses | 90 | 1 | — | 91 |
| Adjustment due to sale of receivables | (1) | — | — | (1) |
| Foreign currency translation adjustment | 1 | — | — | 1 |
| Balance at end of period | $ 394 | $ 7 | $ 3 | $ 404 |
| | | | | |
| Individually evaluated for impairment | $ 75 | $ — | $ — | $ 75 |
| Collectively evaluated for impairment | 319 | 7 | 3 | 329 |
| Ending Balance | $ 394 | $ 7 | $ 3 | $ 404 |
| | | | | |
| **Recorded Investment in Finance Receivables:** | | | | |
| Individually evaluated for impairment | $ 730 | $ — | $ — | $ 730 |
| Collectively evaluated for impairment | 18,774 | 5,062 | 2,950 | 26,786 |
| Ending Balance | $ 19,504 | $ 5,062 | $ 2,950 | $ 27,516 |

| (Millions of dollars) | December 31, 2011 | | | |
|---|---|---|---|---|
| **Allowance for Credit Losses:** | **Customer** | **Dealer** | **Caterpillar Purchased Receivables** | **Total** |
| Balance at beginning of year | $ 357 | $ 5 | $ 1 | $ 363 |
| Receivables written off | (210) | — | — | (210) |
| Recoveries on receivables previously written off | 52 | — | — | 52 |
| Provision for credit losses | 167 | 1 | 2 | 170 |
| Adjustment due to sale of receivables | (3) | — | — | (3) |
| Foreign currency translation adjustment | (3) | — | — | (3) |
| Balance at end of year | $ 360 | $ 6 | $ 3 | $ 369 |
| | | | | |
| Individually evaluated for impairment | $ 56 | $ — | $ — | $ 56 |
| Collectively evaluated for impairment | 304 | 6 | 3 | 313 |
| Ending Balance | $ 360 | $ 6 | $ 3 | $ 369 |
| | | | | |
| **Recorded Investment in Finance Receivables[1]:** | | | | |
| Individually evaluated for impairment | $ 575 | $ — | $ — | $ 575 |
| Collectively evaluated for impairment | 17,423 | 3,973 | 3,154 | 24,550 |
| Ending Balance | $ 17,998 | $ 3,973 | $ 3,154 | $ 25,125 |

[1]Amounts previously disclosed for the customer segment have been revised due to immaterial errors.

**Credit quality of finance receivables**

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

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

| (Millions of dollars) | September 30, 2012 | | | |
|---|---|---|---|---|
| | Customer | Dealer | Caterpillar Purchased Receivables | Total |
| **Performing** | | | | |
| North America | $ 5,759 | $ 2,759 | $ 1,623 | $ 10,141 |
| Europe | 2,411 | 487 | 387 | 3,285 |
| Asia/Pacific | 3,475 | 923 | 516 | 4,914 |
| Mining | 1,827 | 1 | — | 1,828 |
| Latin America | 2,546 | 892 | 394 | 3,832 |
| Caterpillar Power Finance | 2,877 | — | 30 | 2,907 |
| Total Performing | $ 18,895 | $ 5,062 | $ 2,950 | $ 26,907 |
| **Non-Performing** | | | | |
| North America | $ 77 | $ — | $ — | $ 77 |
| Europe | 44 | — | — | 44 |
| Asia/Pacific | 40 | — | — | 40 |
| Mining | 12 | — | — | 12 |
| Latin America | 150 | — | — | 150 |
| Caterpillar Power Finance | 286 | — | — | 286 |
| Total Non-Performing | $ 609 | $ — | $ — | $ 609 |
| **Total Performing and Non-Performing** | | | | |
| North America | $ 5,836 | $ 2,759 | $ 1,623 | $ 10,218 |
| Europe | 2,455 | 487 | 387 | 3,329 |
| Asia/Pacific | 3,515 | 923 | 516 | 4,954 |
| Mining | 1,839 | 1 | — | 1,840 |
| Latin America | 2,696 | 892 | 394 | 3,982 |
| Caterpillar Power Finance | 3,163 | — | 30 | 3,193 |
| Total | $ 19,504 | $ 5,062 | $ 2,950 | $ 27,516 |

(Millions of dollars)

| | December 31, 2011 | | | |
|---|---|---|---|---|
| | Customer | Dealer | Caterpillar Purchased Receivables | Total |
| **Performing** | | | | |
| North America | $ 5,561 | $ 2,414 | $ 1,836 | $ 9,811 |
| Europe | 2,166 | 334 | 402 | 2,902 |
| Asia/Pacific | 3,187 | 516 | 465 | 4,168 |
| Mining | 1,473 | — | — | 1,473 |
| Latin America | 2,377 | 709 | 422 | 3,508 |
| Caterpillar Power Finance | 2,762 | — | 29 | 2,791 |
| Total Performing | $ 17,526 | $ 3,973 | $ 3,154 | $ 24,653 |
| **Non-Performing** | | | | |
| North America | $ 112 | $ — | $ — | $ 112 |
| Europe | 58 | — | — | 58 |
| Asia/Pacific | 24 | — | — | 24 |
| Mining | 12 | — | — | 12 |
| Latin America | 108 | — | — | 108 |
| Caterpillar Power Finance | 158 | — | — | 158 |
| Total Non-Performing | $ 472 | $ — | $ — | $ 472 |
| **Total Performing and Non-Performing** | | | | |
| North America | $ 5,673 | $ 2,414 | $ 1,836 | $ 9,923 |
| Europe | 2,224 | 334 | 402 | 2,960 |
| Asia/Pacific | 3,211 | 516 | 465 | 4,192 |
| Mining | 1,485 | — | — | 1,485 |
| Latin America | 2,485 | 709 | 422 | 3,616 |
| Caterpillar Power Finance | 2,920 | — | 29 | 2,949 |
| Total | $ 17,998 | $ 3,973 | $ 3,154 | $ 25,125 |

**Troubled Debt Restructurings**

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

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

There were no loans or finance lease receivables modified as TDRs during the three and nine months ended September 30, 2012 and 2011 for the Dealer or Caterpillar Purchased Receivables portfolio segments.

Loan and finance lease receivables in the customer portfolio segment modified as TDRs during the three and nine months ended September 30, 2012 and 2011, were as follows:

| (Dollars in millions) | Three Months Ended September 30, 2012 | | | Three Months Ended September 30, 2011 | | |
|---|---|---|---|---|---|---|
| | Number of Contracts | Pre-TDR Outstanding Recorded Investment | Post-TDR Outstanding Recorded Investment | Number of Contracts | Pre-TDR Outstanding Recorded Investment | Post-TDR Outstanding Recorded Investment |
| **Customer** | | | | | | |
| North America | 17 | $ 4 | $ 4 | 14 | $ 2 | $ 2 |
| Europe | 14 | 1 | 1 | — | — | — |
| Asia/Pacific | 12 | 3 | 3 | — | — | — |
| Mining | — | — | — | — | — | — |
| Latin America | — | — | — | — | — | — |
| Caterpillar Power Finance [1] [2] | 15 | 151 | 151 | — | — | — |
| Total[3] | 58 | $ 159 | $ 159 | 14 | $ 2 | $ 2 |

| | Nine Months Ended September 30, 2012 | | | Nine Months Ended September 30, 2011 | | |
|---|---|---|---|---|---|---|
| | Number of Contracts | Pre-TDR Outstanding Recorded Investment | Post-TDR Outstanding Recorded Investment | Number of Contracts | Pre-TDR Outstanding Recorded Investment | Post-TDR Outstanding Recorded Investment |
| **Customer** | | | | | | |
| North America | 58 | $ 8 | $ 8 | 53 | $ 11 | $ 11 |
| Europe | 21 | 8 | 8 | 6 | 7 | 7 |
| Asia/Pacific | 12 | 3 | 3 | — | — | — |
| Mining | — | — | — | — | — | — |
| Latin America | — | — | — | 12 | 10 | 10 |
| Caterpillar Power Finance [1] [2] | 20 | 183 | 183 | 31 | 113 | 113 |
| Total[3] | 111 | $ 202 | $ 202 | 102 | $ 141 | $ 141 |

[1] Four customers comprise $148 million of the $151 million pre-TDR and post-TDR outstanding recorded investment for the three months ended September 30, 2012. Seven customers comprise $180 million of the $183 million pre-TDR and post-TDR outstanding recorded investment for the nine months ended September 30, 2012. Three customers comprise $104 million of the $113 million pre-TDR and post-TDR outstanding recorded investment for the nine months ended September 30, 2011.
[2] During the three and nine months ended September 30, 2012, $4 million and $22 million, respectively, of additional funds were subsequently loaned to a borrower whose terms had been modified in a TDR. The $4 million and $22 million of additional funds are not reflected in the tables above as no incremental modifications have been made with the borrower during the periods presented. At September 30, 2012, remaining commitments to lend additional funds to a borrower whose terms have been modified in a TDR were $3 million.
[3] Modifications include extended contract maturities, inclusion of interest only periods, below market interest rates, and extended skip payment periods.

TDRs in the customer portfolio segment with a payment default during the three and nine months ended September 30, 2012 and 2011, which had been modified within twelve months prior to the default date, were as follows:

| (Dollars in millions) | Three Months Ended September 30, 2012 | | Three Months Ended September 30, 2011 | |
|---|---|---|---|---|
| | Number of Contracts | Post-TDR Recorded Investment | Number of Contracts | Post-TDR Recorded Investment |
| **Customer** | | | | |
| North America | 8 | $ 1 | 3 | $ 16 |
| Europe | — | — | — | — |
| Asia/Pacific | 2 | 1 | — | — |
| Mining | — | — | — | — |
| Latin America | — | — | 7 | 4 |
| Caterpillar Power Finance | — | — | 5 | 65 |
| Total | 10 | $ 2 | 15 | $ 85 |

| | Nine Months Ended September 30, 2012 | | Nine Months Ended September 30, 2011 | |
|---|---|---|---|---|
| | Number of Contracts | Post-TDR Recorded Investment | Number of Contracts | Post-TDR Recorded Investment |
| **Customer** | | | | |
| North America | 39 | $ 3 | 44 | $ 25 |
| Europe | — | — | 1 | 1 |
| Asia/Pacific | 2 | 1 | — | — |
| Mining | — | — | — | — |
| Latin America | — | — | 7 | 4 |
| Caterpillar Power Finance | 16 | 21 | 14 | 70 |
| Total | 57 | $ 25 | 66 | $ 100 |

### B. Sales and Servicing of Finance Receivables

Individual loans and leases are sold to third parties with limited or no recourse to us to mitigate the concentration of credit risk with certain customers. In accordance with accounting for transfers and servicing of financial assets, the transfers to the third parties are accounted for as sales. We typically maintain servicing responsibilities for these third-party assets, which totaled $269 million and $235 million as of September 30, 2012 and December 31, 2011, respectively. Because we do not receive a servicing fee for these assets, a servicing liability is recorded. As of September 30, 2012 and December 31, 2011, these liabilities were not significant.

In addition, we have periodically securitized certain finance receivables relating to our retail installment sale contracts and finance leases as part of our asset-backed securitization program. On April 25, 2011, we exercised a cleanup call on our only outstanding asset-backed securitization transaction. As a result, we had no assets or liabilities related to our securitization program as of September 30, 2012 or December 31, 2011.

These transactions provide a source of liquidity and allow for better management of our balance sheet capacity. None of the receivables that are directly or indirectly sold or transferred to third parties in any of the foregoing transactions are available to pay our creditors.

**C. Purchases of trade receivables from Caterpillar entities**

We purchase trade receivables from Caterpillar entities at a discount. The discount is an estimate of the amount of financing revenue that would be earned at a market rate on these trade receivables over their expected life. The discount is amortized into revenue on an effective yield basis over the life of the receivables and recognized as Wholesale finance revenue. Amortized discounts for the trade receivables were $61 million and $55 million for the three months ended September 30, 2012 and 2011, respectively, and $181 million and $157 million for the nine months ended September 30, 2012 and 2011, respectively. In the Consolidated Statements of Cash Flows, collection of the discount is included in investing activities as the receivables are collected.

**5. Derivative Financial Instruments and Risk Management**

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

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

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

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

**Foreign Currency Exchange Rate Risk**

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

**Interest Rate Risk**

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

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

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, 2012, $3 million of deferred net losses, net of tax, included in equity (AOCI in the Consolidated Statements of Financial Position), related to our floating-to-fixed interest rate swaps, are expected to be reclassified to Interest expense over the next twelve months. The actual amount recorded in Interest expense will vary based on interest rates at the time the hedged transactions impact earnings.

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

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

| (Millions of dollars) | | Asset (Liability) Fair Value | |
|---|---|---|---|
| | Consolidated Statements of Financial Position Location | September 30, 2012 | December 31, 2011 |
| **Designated derivatives** | | | |
| Interest rate contracts | Other assets | $ 252 | $ 248 |
| Interest rate contracts | Accrued expenses | (11) | (6) |
| | | $ 241 | $ 242 |
| **Undesignated derivatives** | | | |
| Foreign exchange contracts | Other assets | $ 9 | $ 7 |
| Foreign exchange contracts | Accrued expenses | (7) | (16) |
| Interest rate contracts | Accrued expenses | (2) | (1) |
| | | $ — | $ (10) |

For the nine months ended September 30, 2012 and 2011, the deferred gains (losses) recorded in AOCI on the Consolidated Statements of Changes in Stockholder's Equity associated with our cash flow interest rate contract hedges were as follows:

| **(Millions of dollars)** | | |
|---|---|---|
| Balance as of December 31, 2011, net of tax of $3 | $ | (6) |
| Gains (losses) deferred during the period, net of tax of $2 | | (4) |
| (Gains) losses reclassified to earnings, net of tax of $1 | | 2 |
| Balance as of September 30, 2012, net of tax of $4 | $ | (8) |

| **(Millions of dollars)** | | |
|---|---|---|
| Balance as of December 31, 2010, net of tax of $6 | $ | (14) |
| Gains (losses) deferred during the period, net of tax of $1 | | (4) |
| (Gains) losses reclassified to earnings, net of tax of $4 | | 11 |
| Balance as of September 30, 2011, net of tax of $3 | $ | (7) |

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

**Fair Value Hedges**
**(Millions of dollars)**

| | | **Three Months Ended September 30, 2012** | | **Three Months Ended September 30, 2011** | |
|---|---|---|---|---|---|
| | **Classification** | **Gains (Losses) on Derivatives** | **Gains (Losses) on Borrowings** | **Gains (Losses) on Derivatives** | **Gains (Losses) on Borrowings** |
| Interest rate contracts | Other income (expense) | $ 7 | $ (3) | $ 70 | $ (77) |

| | | **Nine Months Ended September 30, 2012** | | **Nine Months Ended September 30, 2011** | |
|---|---|---|---|---|---|
| | | **Gains (Losses) on Derivatives** | **Gains (Losses) on Borrowings** | **Gains (Losses) on Derivatives** | **Gains (Losses) on Borrowings** |
| Interest rate contracts | Other income (expense) | $ 4 | $ 7 | $ 59 | $ (65) |

**Cash Flow Hedges**
**(Millions of dollars)**

| | | Three Months Ended September 30, 2012 | |
|---|---|---|---|
| | Classification of Gains (Losses) | Reclassified from AOCI to Earnings (Effective Portion) | Recognized in Earnings (Ineffective Portion) |
| Interest rate contracts | Interest expense | $ (1) | $ — |
| Interest rate contracts | Other income (expense) | — | — |
| | | $ (1) | $ — |

| | | Three Months Ended September 30, 2011 | |
|---|---|---|---|
| | Classification of Gains (Losses) | Reclassified from AOCI to Earnings (Effective Portion) | Recognized in Earnings (Ineffective Portion) |
| Interest rate contracts | Interest expense | $ (3) | $ — |
| Interest rate contracts | Other income (expense) | — | (2) |
| | | $ (3) | $ (2) |

| | | Nine Months Ended September 30, 2012 | |
|---|---|---|---|
| | Classification of Gains (Losses) | Reclassified from AOCI to Earnings (Effective Portion) | Recognized in Earnings (Ineffective Portion) |
| Interest rate contracts | Interest expense | $ (3) | $ — |
| Interest rate contracts | Other income (expense) | — | (1) |
| | | $ (3) | $ (1) |

| | | Nine Months Ended September 30, 2011 | |
|---|---|---|---|
| | Classification of Gains (Losses) | Reclassified from AOCI to Earnings (Effective Portion) | Recognized in Earnings (Ineffective Portion) |
| Interest rate contracts | Interest expense | $ (15) | $ — |
| Interest rate contracts | Other income (expense) | — | (1) |
| | | $ (15) | $ (1) |

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

**Undesignated Derivatives**
**(Millions of dollars)**

| | | Three Months Ended September 30, | |
|---|---|---|---|
| | Classification of Gains (Losses) | 2012 | 2011 |
| Foreign exchange contracts | Other income (expense) | $ 5 | $ (10) |
| Interest rate contracts | Other income (expense) | — | — |
| | | $ 5 | $ (10) |

| | | Nine Months Ended September 30, | |
|---|---|---|---|
| | Classification of Gains (Losses) | 2012 | 2011 |
| Foreign exchange contracts | Other income (expense) | $ 7 | $ (12) |
| Interest rate contracts | Other income (expense) | — | — |
| | | $ 7 | $ (12) |

## 6. Segment Information

### A. Description of segments

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

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

To align with changes in our executive management responsibilities at Cat Financial, our management reporting structure was updated effective January 1, 2012. Prior year data has been revised to conform to the 2012 presentation.

### B. Measurement and reconciliations

Debt and other expenses are allocated to operating 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 operating segment's profit is based on each operating segment's share of the Company's Allowance for credit losses.

Reconciling items are created based on accounting differences between operating segment reporting and our consolidated external reporting. For the reconciliation of profit before income taxes, we have grouped the reconciling items as follows:

- **Unallocated** - This item is related to corporate requirements and strategies that are considered to be for the benefit of the entire organization. Also included are the consolidated results of the special purpose corporation (see Note 7 for additional information) and other miscellaneous items.
- **Timing** - Timing differences in the recognition of costs between operating segment reporting and consolidated external reporting.
- **Methodology** - Methodology differences between our operating segment reporting and our external reporting are as follows:
    - Segment assets include other managed assets for which we typically maintain servicing responsibilities.
    - Interest expense includes realized forward points on foreign currency forward contracts, with the mark-to-market elements of the forward exchange contracts included as a methodology difference.
    - The profit attributable to noncontrolling interests is considered a component of segment profit.

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

Supplemental segment data and reconciliations to consolidated external reporting for the three months ended September 30 was as follows:

| (Millions of dollars) 2012 | Revenues | Segment Profit | Interest Expense | Depreciation on equipment leased to others | Provision for credit losses | Segment Assets at September 30, 2012 | Capital expenditures |
|---|---|---|---|---|---|---|---|
| North America | $ 235 | $ 59 | $ 74 | $ 69 | $ 4 | $ 11,969 | $ 201 |
| Europe and CPF | 118 | 27 | 29 | 19 | 18 | 7,516 | 41 |
| Asia/Pacific | 105 | 35 | 41 | 7 | 7 | 5,442 | 25 |
| Latin America | 98 | 20 | 32 | 17 | 16 | 4,367 | 41 |
| Mining | 114 | 17 | 23 | 63 | 5 | 3,239 | 124 |
| Total Segments | 670 | 158 | 199 | 175 | 50 | 32,533 | 432 |
| Unallocated | 14 | (21) | 10 | (1) | (1) | 1,408 | — |
| Timing | (6) | 7 | 1 | — | (10) | 38 | — |
| Methodology | — | 9 | (9) | — | — | (15) | — |
| Inter-segment Eliminations | — | — | — | — | — | (130) | — |
| Total | $ 678 | $ 153 | $ 201 | $ 174 | $ 39 | $ 33,834 | $ 432 |

| 2011 | Revenues | Segment Profit | Interest Expense | Depreciation on equipment leased to others | Provision for credit losses | Segment Assets at December 31, 2011 | Capital expenditures |
|---|---|---|---|---|---|---|---|
| North America | $ 239 | $ 73 | $ 78 | $ 69 | $ (9) | $ 11,177 | $ 167 |
| Europe and CPF | 121 | (9) | 38 | 22 | 43 | 6,601 | 24 |
| Asia/Pacific | 89 | 34 | 35 | 4 | 5 | 4,557 | 8 |
| Latin America | 93 | 37 | 35 | 11 | (3) | 3,947 | 18 |
| Mining | 114 | 18 | 22 | 66 | 3 | 2,645 | 93 |
| Total Segments | 656 | 153 | 208 | 172 | 39 | 28,927 | 310 |
| Unallocated | 18 | (8) | 3 | 1 | (2) | 1,350 | — |
| Timing | (6) | (8) | 3 | — | 1 | 67 | 1 |
| Methodology | — | (11) | (3) | — | — | 15 | — |
| Inter-segment Eliminations | — | — | — | — | — | (247) | — |
| Total | $ 668 | $ 126 | $ 211 | $ 173 | $ 38 | $ 30,112 | $ 311 |

Supplemental segment data and reconciliations to consolidated external reporting for the nine months ended September 30 was as follows:

| (Millions of dollars) 2012 | Revenues | Segment Profit | Interest Expense | Depreciation on equipment leased to others | Provision for credit losses | Segment Assets at September 30, 2012 | Capital expenditures |
|---|---|---|---|---|---|---|---|
| North America | $ 713 | $ 198 | $ 219 | $ 204 | $ 5 | $ 11,969 | $ 385 |
| Europe and CPF | 351 | 90 | 95 | 58 | 35 | 7,516 | 184 |
| Asia/Pacific | 292 | 101 | 108 | 17 | 19 | 5,442 | 95 |
| Latin America | 287 | 86 | 96 | 46 | 23 | 4,367 | 90 |
| Mining | 342 | 55 | 69 | 190 | 10 | 3,239 | 477 |
| Total Segments | 1,985 | 530 | 587 | 515 | 92 | 32,533 | 1,231 |
| Unallocated | 46 | (65) | 34 | — | — | 1,408 | — |
| Timing | (17) | (7) | 3 | — | — | 38 | 1 |
| Methodology | — | 9 | (21) | — | — | (15) | — |
| Inter-segment Eliminations | — | — | — | — | — | (130) | — |
| Total | $ 2,014 | $ 467 | $ 603 | $ 515 | $ 92 | $ 33,834 | $ 1,232 |

| 2011 | Revenues | Segment Profit | Interest Expense | Depreciation on equipment leased to others | Provision for credit losses | Segment Assets at December 31, 2011 | Capital expenditures |
|---|---|---|---|---|---|---|---|
| North America | $ 734 | $ 176 | $ 241 | $ 210 | $ 17 | $ 11,177 | $ 380 |
| Europe and CPF | 372 | 35 | 111 | 68 | 82 | 6,601 | 73 |
| Asia/Pacific | 244 | 88 | 95 | 12 | 18 | 4,557 | 34 |
| Latin America | 259 | 89 | 96 | 31 | 8 | 3,947 | 92 |
| Mining | 337 | 58 | 66 | 196 | 2 | 2,645 | 247 |
| Total Segments | 1,946 | 446 | 609 | 517 | 127 | 28,927 | 826 |
| Unallocated | 54 | (33) | 15 | 3 | — | 1,350 | 3 |
| Timing | (17) | (11) | 8 | — | (3) | 67 | 1 |
| Methodology | — | (9) | (8) | — | — | 15 | — |
| Inter-segment Eliminations | — | — | — | — | — | (247) | — |
| Total | $ 1,983 | $ 393 | $ 624 | $ 520 | $ 124 | $ 30,112 | $ 830 |

## 7. Guarantees

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

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

No loss has been experienced or is anticipated under any of these guarantees. At September 30, 2012 and December 31, 2011, the related liability was $3 million and $2 million, respectively. The maximum potential amount of future payments (undiscounted and without reduction for any amounts that may possibly be recovered under recourse or collateralized provisions) we could be required to make under the guarantees was as follows:

| (Millions of dollars) | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Customer guarantees | $ 156 | $ 159 |
| Limited indemnity | 1 | 11 |
| Total guarantees | $ 157 | $ 170 |

We provide guarantees to repurchase certain loans of Caterpillar dealers from a special purpose corporation (SPC) that qualifies as a VIE (see Note 1 for additional information regarding the accounting guidance on the consolidation of VIEs). The purpose of the SPC is to provide short-term working capital loans to Caterpillar dealers. This SPC issues commercial paper and uses the proceeds to fund its loan program. We have a loan purchase agreement with the SPC that obligates us to purchase certain loans that are not paid at maturity. We receive a fee for providing this guarantee, which provides a source of liquidity for the SPC. We are the primary beneficiary of the SPC as our guarantees result in us having both the power to direct the activities that most significantly impact the SPC's economic performance and the obligation to absorb losses, and therefore we have consolidated the financial statements of the SPC. As of September 30, 2012 and December 31, 2011, the SPC’s assets of $940 million and $586 million, respectively, are primarily comprised of loans to dealers, which are included in Retail notes receivable in the Consolidated Statements of Financial Position, and the SPC's liabilities of $940 million and $586 million, respectively, are primarily comprised of commercial paper, which is included in Short-term borrowings in the Consolidated Statements of Financial Position. The assets of the SPC are not available to pay our creditors. We may be obligated to perform under the guarantee if the SPC experiences losses. No loss has been experienced or is anticipated under this loan purchase agreement.

## 8. Fair Value Measurements

### A. Fair Value Measurements

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

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

When available, we use quoted market prices to determine fair value, and we classify such measurements within Level 1. In some cases where market prices are not available, we make use of observable market-based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon internally developed models that use, where possible, current market-based parameters such as interest rates, yield curves and currency rates. These measurements are classified within Level 3.

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

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

**Guarantees**

The fair value of guarantees is based on our estimate of the premium a market participant 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.

Assets and liabilities measured on a recurring basis at fair value included in our Consolidated Statements of Financial Position as of September 30, 2012 and December 31, 2011 are summarized below:

| (Millions of dollars) | | | | |
|---|---|---|---|---|
| | September 30, 2012 | | | |
| | Level 1 | Level 2 | Level 3 | Total Assets/Liabilities, at Fair Value |
| **Assets** | | | | |
| Derivative financial instruments, net | $ — | $ 241 | $ — | $ 241 |
| **Total Assets** | $ — | $ 241 | $ — | $ 241 |
| **Liabilities** | | | | |
| Guarantees | $ — | $ — | $ 3 | $ 3 |
| **Total Liabilities** | $ — | $ — | $ 3 | $ 3 |
| | December 31, 2011 | | | |
| | Level 1 | Level 2 | Level 3 | Total Assets/Liabilities, at Fair Value |
| **Assets** | | | | |
| Derivative financial instruments, net | $ — | $ 232 | $ — | $ 232 |
| **Total Assets** | $ — | $ 232 | $ — | $ 232 |
| **Liabilities** | | | | |
| Guarantees | $ — | $ — | $ 2 | $ 2 |
| **Total Liabilities** | $ — | $ — | $ 2 | $ 2 |

Below are roll-forwards of assets and liabilities measured at fair value using Level 3 inputs for the nine months ended September 30, 2012 and 2011. These instruments were valued using pricing models that, in management's judgment, reflect the assumptions of a marketplace participant.

| (Millions of dollars) | | Guarantees |
|---|---|---|
| **Balance as of December 31, 2011** | $ | 2 |
| Issuance of guarantees | | 2 |
| Expiration of guarantees | | (1) |
| **Balance as of September 30, 2012** | $ | 3 |

| (Millions of dollars) | | Guarantees |
|---|---|---|
| **Balance as of December 31, 2010** | $ | 3 |
| Issuance of guarantees | | 2 |
| Expiration of guarantees | | (3) |
| **Balance as of September 30, 2011** | $ | 2 |

**Impaired loans**

In addition to the amounts above, we had impaired loans with a fair value of $201 million and $141 million as of September 30, 2012 and December 31, 2011, respectively. A loan is considered impaired when management determines that collection of contractual amounts due is not probable. In these cases, an allowance for credit losses is established based primarily on the fair value of associated collateral. As the collateral's fair value is based on observable market prices and/or current appraised values, the impaired loans are classified as Level 2 measurements.

## B. Fair Values of Financial Instruments

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

**Cash and cash equivalents –** carrying amount approximated fair value.

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

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

**Short-term borrowings** – carrying amount approximated fair value.

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

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

| (Millions of dollars) | September 30, 2012 | | December 31, 2011 | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Fair Value Levels | Reference |
| Cash and cash equivalents | $ 2,188 | $ 2,188 | $ 1,176 | $ 1,176 | 1 | |
| Foreign currency contracts: | | | | | | |
| In a receivable position | $ 9 | $ 9 | $ 7 | $ 7 | 2 | Note 5 |
| In a payable position | $ (7) | $ (7) | $ (16) | $ (16) | 2 | Note 5 |
| Finance receivables, net (excluding finance leases[(1)]) | $ 19,127 | $ 19,066 | $ 17,431 | $ 17,172 | 2 | Note 4 |
| Restricted cash and cash equivalents[(2)] | $ 17 | $ 17 | $ 64 | $ 64 | 1 | |
| Short-term borrowings | $ (4,460) | $ (4,460) | $ (3,895) | $ (3,895) | 1 | |
| Long-term debt | $ (24,509) | $ (25,607) | $ (21,631) | $ (22,674) | 2 | |
| Interest rate swaps: | | | | | | |
| In a net receivable position | $ 252 | $ 252 | $ 248 | $ 248 | 2 | Note 5 |
| In a net payable position | $ (13) | $ (13) | $ (7) | $ (7) | 2 | Note 5 |
| Guarantees | $ (3) | $ (3) | $ (2) | $ (2) | 3 | Note 7 |

[(1)] As of September 30, 2012 and December 31, 2011, represents finance leases with a net carrying value of $7,985 million and $7,325 million, respectively.
[(2)] Included in Other assets in the Consolidated Statements of Financial Position.

## 9. Contingencies

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

## 10. Income Taxes

The provision for income taxes in the third quarter of 2012 reflects an estimated annual tax rate of 27 percent compared with 25 percent in the third quarter of 2011.

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

### OVERVIEW: THIRD QUARTER 2012 VS. THIRD QUARTER 2011

We reported third-quarter 2012 revenues of $678 million, an increase of $10 million, or 1 percent, compared with the third quarter of 2011. Third-quarter 2012 profit after tax was $109 million, a $16 million, or 17 percent, increase from the third quarter of 2011.

- The increase in revenues was primarily due to a $63 million favorable impact from higher average earning assets (finance receivables and operating leases at constant rates), partially offset by a $44 million unfavorable impact from lower average financing rates on new and existing finance receivables and operating leases and a $9 million unfavorable impact from gains/losses on returned or repossessed equipment.

- Profit before income taxes was $153 million for the third quarter of 2012, compared with $126 million for the third quarter of 2011. The increase was primarily due to a $26 million favorable impact from higher average earning assets and a $14 million favorable impact from mark-to-market adjustments that were recorded on interest rate derivative contracts. These increases were partially offset by a $9 million unfavorable impact from gains/losses on returned or repossessed equipment.

- The provision for income taxes in the third quarter of 2012 reflects an estimated annual tax rate of 27 percent compared with 25 percent in the third quarter of 2011.

- New retail financing in the third quarter of 2012 was $3.21 billion, an increase of $565 million, or 21 percent, from the third quarter of 2011. The increase was a result of growth across all operating segments, with the largest increase occurring in our Europe and Caterpillar Power Finance operating segment.

- At the end of the third quarter of 2012, past dues were 2.80 percent compared with 3.35 percent at the end of the second quarter of 2012, 2.89 percent at the end of 2011 and 3.54 percent at the end of the third quarter of 2011. All Cat Financial operating segments reported improved past dues. Write-offs, net of recoveries, were $29 million for the third quarter of 2012, down from $50 million in the third quarter of 2011.

- As of September 30, 2012, our allowance for credit losses totaled $404 million or 1.47 percent of net finance receivables, compared with $369 million or 1.47 percent of net finance receivables at year-end 2011. The allowance for credit losses as of September 30, 2011, was $362 million, which was 1.49 percent of net finance receivables.

## REVIEW OF CONSOLIDATED STATEMENTS OF PROFIT

## THREE MONTHS ENDED SEPTEMBER 30, 2012 VS. THREE MONTHS ENDED SEPTEMBER 30, 2011

### REVENUES

Retail and wholesale revenue for the third quarter of 2012 was $423 million, an increase of $20 million from the same period in 2011. The increase was due to a $41 million favorable impact from higher average earning assets (finance receivables at constant interest rates), partially offset by a $21 million unfavorable impact from lower interest rates on new and existing retail and wholesale receivables. The annualized average yield was 6.25 percent for the third quarter of 2012, compared with 6.51 percent for the third quarter of 2011.

Operating lease revenue was $218 million for both the third quarter of 2012 and 2011. The $16 million favorable impact from higher average earning assets (operating leases at constant rates) was offset by a $16 million unfavorable impact from lower average financing rates on operating leases.

Other revenue, net, items were as follows:

| (Millions of dollars) | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 |
|---|---|---|
| Finance receivable and operating lease fees (including late charges) | $ 17 | $ 19 |
| Fees on committed credit facility extended to Caterpillar | 10 | 10 |
| Interest income on Notes Receivable from Caterpillar | 6 | 5 |
| Net gain (loss) on returned or repossessed equipment | (3) | 6 |
| Miscellaneous other revenue, net | 7 | 7 |
| Total Other revenue, net | $ 37 | $ 47 |

### EXPENSES

Interest expense for the third quarter of 2012 was $201 million, a decrease of $10 million from the same period in 2011. This decrease was primarily due to a reduction of 57 basis points in the average cost of borrowing to 2.81 percent for the third quarter of 2012, down from 3.38 percent for the third quarter of 2011, partially offset by the impact of a 14 percent increase in average borrowings.

Depreciation expense on equipment leased to others was $174 million, up $1 million from the third quarter of 2011.

General, operating and administrative expenses were $104 million for the third quarter of 2012, compared with $101 million for the same period in 2011.

The provision for credit losses was $39 million for the third quarter of 2012, up $1 million from the third quarter of 2011. The Allowance for credit losses as of September 30, 2012, was 1.47 percent of net finance receivables compared with 1.49 percent as of September 30, 2011. See Note 4A of Notes to Consolidated Financial Statements for further discussion.

Other expenses were $7 million for the third quarter of 2012, compared with $9 million for the third quarter of 2011.

Other income (expense) items were as follows:

| (Millions of dollars) | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 |
|---|---|---|
| Net gain (loss) from interest rate derivatives | $ 4 | $ (9) |
| Net currency exchange loss, including forward points | (4) | (1) |
| Total Other income (expense) | $ — | $ (10) |

The provision for income taxes was $41 million in the third quarter of 2012, compared with $29 million for the third quarter of 2011. The provision for income taxes in the third quarter of 2012 reflects an estimated annual tax rate of 27 percent compared with 25 percent in the third quarter of 2011.

**PROFIT**

As a result of the performance discussed above, profit after tax was $109 million for the third quarter of 2012, an increase of $16 million, or 17 percent, from the third quarter of 2011.

## NINE MONTHS ENDED SEPTEMBER 30, 2012 VS. NINE MONTHS ENDED SEPTEMBER 30, 2011

### REVENUES

Retail and wholesale revenue for the first nine months of 2012 was $1.25 billion, an increase of $60 million from the same period in 2011. The increase was due to a $93 million favorable impact from higher average earning assets (finance receivables at constant interest rates), partially offset by a $33 million unfavorable impact from lower interest rates on new and existing retail and wholesale receivables. The annualized average yield was 6.36 percent for the first nine months of 2012, compared with 6.53 percent for the same period in 2011.

Operating lease revenue for the first nine months of 2012 was $648 million, a decrease of $10 million from the same period in 2011. The decrease was due to a $25 million unfavorable impact from lower average financing rates on operating leases, partially offset by a $15 million favorable impact from higher average earning assets (operating leases at constant rates).

Other revenue, net, items were as follows:

| (Millions of dollars) | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|
| Finance receivable and operating lease fees (including late charges) | $ 53 | $ 52 |
| Fees on committed credit facility extended to Caterpillar | 30 | 30 |
| Interest income on Notes Receivable from Caterpillar | 16 | 11 |
| Net gain on returned or repossessed equipment | 2 | 23 |
| Miscellaneous other revenue, net | 18 | 22 |
| Total Other revenue, net | $ 119 | $ 138 |

### EXPENSES

Interest expense for the first nine months of 2012 was $603 million, a decrease of $21 million from the same period in 2011. This decrease was primarily due to a reduction of 46 basis points in the average cost of borrowing to 3.01 percent for the first nine months of 2012, down from 3.47 percent for the first nine months of 2011, partially offset by the impact of an 11 percent increase in average borrowings.

Depreciation expense on equipment leased to others was $515 million, down $5 million from the first nine months of 2011.

General, operating and administrative expenses were $308 million for the first nine months of 2012, compared with $291 million for the same period in 2011. The increase was primarily due to an increase in labor costs. There were 1,708 full-time employees as of September 30, 2012, compared with 1,661 as of September 30, 2011.

The provision for credit losses was $92 million for the first nine months of 2012, down $32 million from the first nine months of 2011, as a result of improved portfolio health, partially offset by the impact of portfolio growth. The Allowance for credit losses as of September 30, 2012, was 1.47 percent of net finance receivables compared with 1.49 percent as of September 30, 2011. See Note 4A of Notes to Consolidated Financial Statements for further discussion.

Other expenses were $20 million for the first nine months of 2012, down $6 million from the same period in 2011.

Other income (expense) items were as follows:

| (Millions of dollars) | Nine Months Ended September 30, 2012 | | Nine Months Ended September 30, 2011 | |
|---|---|---|---|---|
| Net gain (loss) from interest rate derivatives | $ | 10 | $ | (7) |
| Net currency exchange loss, including forward points | | (19) | | (1) |
| Other miscellaneous income | | — | | 3 |
| Total Other income (expense) | $ | (9) | $ | (5) |

The provision for income taxes was $126 million for the first nine months of 2012, compared with $98 million for the same period in 2011. The provision for income taxes for the nine months ended September 30, 2012, reflects an estimated annual tax rate of 27 percent compared with 25 percent for the nine months ended September 30, 2011.

### PROFIT

As a result of the performance discussed above, profit after tax was $333 million for the first nine months of 2012, an increase of $50 million, or 18 percent, from the first nine months of 2011.

## REVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### ASSETS

Total assets were $33.83 billion as of September 30, 2012, an increase of $3.72 billion, or 12 percent, from December 31, 2011, primarily due to an increase in net finance receivables and an increase in our cash position.

During the nine months ended September 30, 2012, new retail financing was $10.11 billion, an increase of $1.80 billion, or 22 percent, from the same period in 2011. The increase was a result of growth across all operating segments, with the largest increases occurring in our Europe and CPF, Asia/Pacific and Mining operating segments.

### Total Off-Balance Sheet Managed Assets

We manage and service receivables and leases that have been sold to third parties with limited or no recourse to us to mitigate the concentration of credit risk with certain customers. These receivables and leases are not available to pay our creditors.

Off-balance sheet managed assets were as follows:

| (Millions of dollars) | September 30, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| **Other Managed Assets** | | | | |
| Retail finance leases | $ | 117 | $ | 133 |
| Retail installment sale contracts | | 58 | | 48 |
| Retail notes receivable | | 55 | | 39 |
| Operating leases | | 39 | | 15 |
| Total off-balance sheet managed assets | $ | 269 | $ | 235 |

## TOTAL PAST DUE FINANCE AND RENTS RECEIVABLES

At the end of the third quarter of 2012, past dues were 2.80 percent compared with 3.35 percent at the end of the second quarter of 2012, 2.89 percent at the end of 2011 and 3.54 percent at the end of the third quarter of 2011. All Cat Financial operating segments reported improved past dues. Write-offs, net of recoveries, were $29 million for the third quarter of 2012, down from $50 million in the third quarter of 2011.

## 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.

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

### BORROWINGS

Borrowings consist primarily of medium-term notes, commercial paper, bank borrowings and variable denomination floating rate demand notes, the combination of which is used to manage interest rate risk and funding requirements.

Total borrowings outstanding as of September 30, 2012 were $29.18 billion, an increase of $3.65 billion over December 31, 2011, due to increasing portfolio balances and to provide for an increase in cash position. Outstanding borrowings were as follows:

| (Millions of dollars) | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Medium-term notes, net of unamortized discount | $ 22,932 | $ 20,048 |
| Commercial paper, net of unamortized discount | 3,544 | 2,818 |
| Bank borrowings – long-term | 1,577 | 1,583 |
| Bank borrowings – short-term | 429 | 527 |
| Variable denomination floating rate demand notes | 487 | 550 |
| Notes payable to Caterpillar | 209 | — |
| Total outstanding borrowings | $ 29,178 | $ 25,526 |

***Medium-term notes***

We issue medium-term unsecured notes through securities dealers or underwriters in the U.S., Canada, Europe, Australia, Japan, Hong Kong, Argentina and Mexico to both retail and institutional investors. These notes are offered in several currencies and with a variety of maturities. These notes are senior unsecured obligations of the Company. Medium-term notes outstanding as of September 30, 2012, mature as follows:

| **(Millions of dollars)** | | |
|---|---|---|
| 2012 | $ | 1,949 |
| 2013 | | 5,441 |
| 2014 | | 5,271 |
| 2015 | | 3,378 |
| 2016 | | 1,733 |
| Thereafter | | 5,160 |
| Total | $ | 22,932 |

Medium-term notes issued totaled $5.48 billion and redeemed totaled $2.57 billion for the nine months ended September 30, 2012.

***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 $10.00 billion (Credit Facility) available in the aggregate to both Caterpillar and us for general liquidity purposes. Based on management's allocation decision, which can be revised from time to time, the portion of the Credit Facility available to us as of September 30, 2012 was $7.25 billion.

- In September 2012, we renewed the 364-day facility. The amount was increased from $2.55 billion to $3.00 billion (of which $2.18 billion is available to us) and the facility now expires in September 2013.
- In September 2012, we amended and extended the 2010 four-year facility. The amount was increased from $2.09 billion to $2.60 billion (of which $1.88 billion is available to us) and the facility now expires in September 2015.
- In September 2012, we amended and extended the 2011 five-year facility. The amount was increased from $3.86 billion to $4.40 billion (of which $3.19 billion is available to us) and the facility now expires in September 2017.

At September 30, 2012, Caterpillar’s consolidated net worth was $24.39 billion, which was above the $9.00 billion required under the Credit Facility. The consolidated net worth is defined in the Credit Facility as the consolidated stockholder’s equity including preferred stock but excluding the pension and other postretirement benefits balance within Accumulated other comprehensive income/(loss).

At September 30, 2012, our covenant interest coverage ratio was 1.69 to 1. This is above the 1.15 to 1 minimum ratio, calculated as (1) profit excluding income taxes, interest expense and net gain/(loss) from interest rate derivatives to (2) interest expense calculated at the end of each calendar quarter for the rolling four quarter period then most recently ended, required by the Credit Facility.

In addition, at September 30, 2012, our covenant leverage ratio was 8.70 to 1. This is below the maximum ratio of debt to net worth of 10 to 1, calculated (1) on a monthly basis as the average of the leverage ratios determined on the last day of each of the six preceding calendar months and (2) at each December 31, required by the Credit Facility.

In the event that either Caterpillar or we do not meet one or more of our respective financial covenants under the Credit Facility in the future (and are unable to obtain a consent or waiver), the bank group may terminate the commitments allocated to the party that does not meet its covenants. Additionally, in such event, certain of our other lenders under other loan agreements where similar financial covenants or cross default provisions are applicable, may, at their election, choose to pursue remedies under those loan agreements, including accelerating the repayment of outstanding borrowings. At September 30, 2012 and December 31, 2011, there were no borrowings under the Credit Facility.

***Bank borrowings***

Credit lines with banks as of September 30, 2012 totaled $3.95 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, 2012, we had $2.01 billion outstanding against these credit lines compared with $2.11 billion as of December 31, 2011, 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 $2.45 billion from Caterpillar, and Caterpillar may borrow up to $1.66 billion from us. The agreements are in effect for indefinite periods of time and may be changed or terminated by either party with 30 days notice. We had notes receivable of $372 million and notes payable of $209 million outstanding under these agreements as of September 30, 2012, compared with notes receivable of $327 million as of December 31, 2011.

***Committed Credit Facility***

In addition, during the first quarter of 2011, we extended a $2 billion committed credit facility to Caterpillar, which expires in February 2019. We receive a fee from Caterpillar based on amounts drawn under the credit facility and a commitment fee for the undrawn amounts under the credit facility. At September 30, 2012 and December 31, 2011, there were no borrowings under this credit facility.

## OFF-BALANCE SHEET ARRANGEMENTS

We lease all of our facilities. In addition, we have potential payment exposure for guarantees issued to third parties totaling $157 million as of September 30, 2012.

## CASH FLOWS

Operating cash flow was $700 million in the first nine months of 2012, compared with $794 million for the same period a year ago. Net cash used for investing activities was $3.01 billion for the first nine months of 2012, compared with $1.68 billion for the same period in 2011. The change is primarily due to more net cash used for finance receivables and capital expenditures for equipment on operating leases due to increased growth in the portfolio. Net cash provided by financing activities was $3.42 billion for the first nine months of 2012, compared with $614 million for the same period in 2011. The change is primarily related to higher funding requirements, an increase in our cash position and the impact of intercompany borrowings.

## CRITICAL ACCOUNTING POLICIES

The preparation of financial statements, in conformity with generally accepted accounting principles, 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, our allowance for credit losses and the income tax reserve. Actual results may differ from these estimates.

### Residual Values for Leased Assets

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

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

### Allowance for Credit Losses

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

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. In addition, we may consider credit enhancements such as additional collateral and contractual third-party guarantees in determining the allowance for credit losses attributable to non-performing receivables. The allowance for credit losses attributable to the remaining accounts is a general allowance based upon the risk in the portfolio primarily using probabilities of default and an estimate of associated losses. In addition, qualitative factors not able to be fully captured in previous analysis including industry trends, macroeconomic factors and model imprecision are considered in the evaluation of the adequacy of the allowance for credit losses. These qualitative factors are subjective and require a degree of management judgment.

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

**Income Tax Reserve**

We are subject to the income tax laws of the many jurisdictions in which we operate. These tax laws are complex, and the manner in which they apply to our facts is sometimes open to interpretation. In establishing the provision for income taxes, we must make judgments about the application of these inherently complex tax laws.

Despite our belief that our tax return positions are consistent with applicable tax laws, we believe that taxing authorities could challenge certain positions. Settlement of any challenge can result in no change, a complete disallowance, or some partial adjustment reached through negotiations or litigation. We record tax benefits for uncertain tax positions based upon management's evaluation of the information available at the reporting date. To be recognized in the financial statements, a tax benefit must be at least more likely than not of being sustained based on technical merits. The benefit for positions meeting the recognition threshold is measured as the largest benefit more likely than not of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Significant judgment is required in making these determinations and adjustments to unrecognized tax benefits may be necessary to reflect actual taxes payable upon settlement. Adjustments related to positions impacting the effective tax rate affect the provision for income taxes. Adjustments related to positions impacting the timing of deductions impact deferred tax assets and liabilities.

Our income tax positions and analysis are based on currently enacted tax law. Future changes in tax law could significantly impact the provision for income taxes, the amount of taxes payable, and the deferred tax asset and liability balances. Deferred tax assets generally represent tax benefits for tax deductions or credits available in future tax returns. Certain estimates and assumptions are required to determine whether it is more likely than not that all or some portion of the benefit of a deferred tax asset will not be realized. In making this assessment, management analyzes and estimates the impact of future taxable income, reversing temporary differences and available prudent and feasible tax planning strategies. Should a change in facts or circumstances lead to a change in judgment about the ultimate realizability of a deferred tax asset, we record or adjust the related valuation allowance in the period that the change in facts and circumstances occurs, along with a corresponding increase or decrease in the provision for income taxes.

A provision for U.S. income taxes has not been recorded on undistributed profits of our non-U.S. subsidiaries that we have determined to be indefinitely reinvested outside the U.S. If management intentions or U.S. tax law changes in the future, there may be a significant negative impact on the provision for income taxes to record an incremental tax liability in the period the change occurs. A deferred tax asset is recognized only if we have definite plans to generate a U.S. tax benefit by repatriating earnings in the foreseeable future.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q may be considered "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements may relate to future events or our future financial performance, which may involve known and unknown risks and uncertainties and other factors that may cause our actual results, levels of activity, performance or achievement to be materially different from those expressed or implied by any forward-looking statements. From time to time, we may also provide forward-looking statements in oral presentations to the public or in other materials we issue to the public. Forward-looking statements give current expectations or forecasts of future events about the company. You may identify these statements by the fact that they do not relate to historical or current facts and may use words such as "believes," "expects," "estimates," "anticipates," "will," "should," "plan," "project," "intend," "could" and similar words or phrases. These statements are only predictions. Actual events or results may differ materially due to factors that affect international businesses, including changes in economic conditions and challenges in the global financial and credit markets, and changes in laws and regulations (including regulations implemented under the Dodd-Frank Wall Street Reform and Consumer Protection Act) and political stability, as well as factors specific to Cat Financial and the markets we serve, including the market's acceptance of our products and services, the creditworthiness of our customers, interest rate and currency rate fluctuations and estimated residual values of leased equipment. These risk factors may not be exhaustive. We operate in a continually changing business environment and new risk factors emerge from time to time. We cannot predict these new risk factors, nor can we assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. Moreover, we do not assume responsibility for the accuracy and completeness of those statements. Forward-looking statements are qualified in their entirety by reference to the factors discussed under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K filed with the Securities and Exchange Commission (SEC) on February 21, 2012, as supplemented by our Current Report on Form 8-K filed on August 7, 2012 to reflect a change in reportable operating segments, our Form 10-Q filed with the SEC on August 6, 2012 and in this Form 10-Q filing. We do not undertake to update our forward-looking statements.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

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

### Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended September 30, 2012 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

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

### ITEM 1A. RISK FACTORS

For a discussion of risks and uncertainties that may affect our business, please see Part I. Item 1A. Risk Factors in our annual report on Form 10-K filed with the SEC on February 21, 2012, for the year ended December 31, 2011. There has been no material change in this information for the current quarter.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

| Exhibit No. | Description of Exhibit |
|---|---|
| 10.1 | Credit Agreement (2012 364-Day Credit Agreement), dated as of September 13, 2012, among the Company, Caterpillar Inc., Caterpillar International Finance Limited and Caterpillar Finance Corporation, certain financial institutions named therein, Citibank, N.A., as Agent, Citibank International plc, as Local Currency Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Japan Local Currency Agent (incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K filed September 17, 2012). |
| 10.2 | Local Currency Addendum, dated as of September 13, 2012, to the 2012 364-Day Credit Agreement (incorporated by reference from Exhibit 99.2 to the Company's Current Report on Form 8-K filed September 17, 2012). |
| 10.3 | Japan Local Currency Addendum, dated as of September 13, 2012, to the 2012 364-Day Credit Agreement (incorporated by reference from Exhibit 99.3 to the Company's Current Report on Form 8-K filed September 17, 2012). |
| 10.4 | Amendment No. 2, dated as of September 13, 2012, to the Credit Agreement (4-Year Facility), dated as of September 16, 2010, by and among the Company, Caterpillar Inc., Caterpillar International Finance Limited and Caterpillar Finance Corporation, the Banks named therein, Local Currency Banks and Japan Local Currency Banks party thereto, Citibank, N.A., as Agent, Citibank International plc, as Local Currency Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Japan Local Currency Agent (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K filed September 17, 2012). |
| 10.5 | Amendment No. 1, dated as of September 13, 2012, to the Credit Agreement (5-Year Facility), dated as of September 15, 2011, by and among the Company, Caterpillar Inc., Caterpillar International Finance Limited and Caterpillar Finance Corporation, the Banks named therein, Local Currency Banks and Japan Local Currency Banks party thereto, Citibank, N.A., as Agent, Citibank International plc, as Local Currency Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Japan Local Currency Agent (incorporated by reference from Exhibit 99.5 to the Company's Current Report on Form 8-K filed September 17, 2012). |
| 12 | Computation of Ratio of Profit to Fixed Charges |
| 31.1 | Certification of Kent M. Adams, President, Director and Chief Executive Officer of Caterpillar Financial Services Corporation, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of James A. Duensing, Executive Vice President and Chief Financial Officer of Caterpillar Financial Services Corporation, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certifications of Kent M. Adams, President, Director and Chief Executive Officer of Caterpillar Financial Services Corporation, and James A. Duensing, Executive Vice President and Chief Financial Officer of Caterpillar Financial Services Corporation, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

***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.

**Caterpillar Financial Services Corporation**

**(Registrant)**

**Date:** November 2, 2012

**By:** /s/ Steven R. Elsesser

Steven R. Elsesser, Controller

**Date:** November 2, 2012

**By:** /s/ Kent M. Adams

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

## EXHIBIT INDEX

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**EXHIBIT 12**

**Caterpillar Financial Services Corporation**
**COMPUTATION OF RATIO OF PROFIT TO FIXED CHARGES**
**(Unaudited)**
**(Dollars in Millions)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Profit | $ 109 | $ 93 | $ 333 | $ 283 |
| Add: | | | | |
| Provision for income taxes | 41 | 29 | 126 | 98 |
| Profit before income taxes | $ 150 | $ 122 | $ 459 | $ 381 |
| Fixed charges: | | | | |
| Interest expense | $ 201 | $ 211 | $ 603 | $ 624 |
| Rentals at computed interest* | 1 | 1 | 4 | 4 |
| Total fixed charges | $ 202 | $ 212 | $ 607 | $ 628 |
| Profit before income taxes plus fixed charges | $ 352 | $ 334 | $ 1,066 | $ 1,009 |
| Ratio of profit before income taxes plus fixed charges to fixed charges | 1.74 | 1.58 | 1.76 | 1.61 |

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

**EXHIBIT 31.1**

## SECTION 302 CERTIFICATIONS

I, Kent M. Adams, certify that:

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

**Date:** November 2, 2012

**By:** /s/ Kent M. Adams

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

**EXHIBIT 31.2**

**SECTION 302 CERTIFICATIONS**

I, James A. Duensing, certify that:

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

**Date:** November 2, 2012

**By:** /s/ James A. Duensing

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

**EXHIBIT 32**

**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 ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | |
|---|---|
| **Date:** November 2, 2012 | /s/ Kent M. Adams |
| | Kent M. Adams |
| | President, Director and Chief Executive Officer |
| **Date:** November 2, 2012 | /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 to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.