



BNSF RAILWAY COMPANY
Consolidated Financial Statements
for the period ended September 30, 2021

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 5,591	\$ 5,001	\$ 16,420	\$ 14,698
Operating expenses:				
Compensation and benefits	1,167	1,106	3,476	3,306
Fuel	705	394	1,948	1,335
Depreciation and amortization	608	616	1,831	1,835
Purchased services	518	489	1,550	1,460
Equipment rents	170	174	507	493
Materials and other	151	213	727	700
Total operating expenses	3,319	2,992	10,039	9,129
Operating income	2,272	2,009	6,381	5,569
Interest expense	5	8	22	29
Interest income, related parties	(112)	(95)	(318)	(362)
Other (income) expense, net	(24)	(23)	(73)	(64)
Income before income taxes	2,403	2,119	6,750	5,966
Income tax expense	583	514	1,627	1,461
Net income	\$ 1,820	\$ 1,605	\$ 5,123	\$ 4,505

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 1,820	\$ 1,605	\$ 5,123	\$ 4,505
Other comprehensive income:				
Change in pension and retiree health and welfare benefits, net of tax	1	—	3	1
Change in accumulated other comprehensive income (loss) of equity method investees	—	—	—	1
Other comprehensive income (loss), net of tax	1	—	3	2
Total comprehensive income	<u>\$ 1,821</u>	<u>\$ 1,605</u>	<u>\$ 5,126</u>	<u>\$ 4,507</u>

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 601	\$ 552
Accounts receivable, net	1,984	1,738
Materials and supplies	886	803
Other current assets	240	130
Total current assets	3,711	3,223
Property and equipment, net of accumulated depreciation of \$14,587 and \$13,126, respectively	65,126	64,878
Goodwill	14,803	14,803
Operating lease right-of-use assets	1,638	1,898
Other assets	3,085	2,793
Total assets	\$ 88,363	\$ 87,595
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 3,747	\$ 3,496
Long-term debt and finance leases due within one year	338	217
Total current liabilities	4,085	3,713
Deferred income taxes	14,918	14,688
Operating lease liabilities	997	1,260
Long-term debt and finance leases	649	949
Casualty and environmental liabilities	465	451
Pension and retiree health and welfare liability	301	314
Other liabilities	1,323	1,334
Total liabilities	22,738	22,709
Commitments and contingencies (see Note 5)		
Stockholder's equity:		
Common stock, \$1 par value, 1,000 shares authorized; issued and outstanding and paid-in capital	42,920	42,920
Retained earnings	64,044	58,921
Intercompany notes receivable	(41,440)	(37,053)
Accumulated other comprehensive income (loss)	101	98
Total stockholder's equity	65,625	64,886
Total liabilities and stockholder's equity	\$ 88,363	\$ 87,595

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Operating Activities		
Net income	\$ 5,123	\$ 4,505
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,831	1,835
Deferred income taxes	228	269
Long-term casualty and environmental liabilities, net	19	(8)
Other, net	(252)	(110)
Changes in current assets and liabilities:		
Accounts receivable, net	(247)	33
Materials and supplies	(83)	66
Other current assets	(15)	(9)
Accounts payable and other current liabilities	154	(411)
Net cash provided by operating activities	6,758	6,170
Investing Activities		
Capital expenditures excluding equipment	(2,021)	(2,300)
Acquisition of equipment	(106)	(181)
Proceeds from sales of investments and maturities of time deposits	1	30
Other, net	(8)	32
Net cash used in investing activities	(2,134)	(2,419)
Financing Activities		
Payments on long-term debt and finance leases	(188)	(91)
Net increase in intercompany notes receivable classified as equity	(4,387)	(3,685)
Net cash used in financing activities	(4,575)	(3,776)
Increase (decrease) in cash and cash equivalents	49	(25)
Cash and cash equivalents:		
Beginning of period	552	557
End of period	\$ 601	\$ 532
Supplemental Cash Flow Information		
Interest paid, net of amounts capitalized	\$ 20	\$ 34
Capital investments accrued but not yet paid	\$ 193	\$ 199
Income taxes paid, net of refunds	\$ 1,436	\$ 1,283
Non-cash asset financing	\$ 12	\$ 14

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(In millions)
(Unaudited)

	Common Stock and Paid-in Capital	Retained Earnings	Intercompany Notes Receivable	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance as of December 31, 2019	\$ 42,920	\$ 52,655	\$ (31,210)	\$ 145	\$ 64,510
Change in intercompany notes receivable	—	—	(952)	—	(952)
Comprehensive income (loss), net of tax	—	1,515	—	1	1,516
Balance as of March 31, 2020	42,920	54,170	(32,162)	146	65,074
Change in intercompany notes receivable	—	—	(1,318)	—	(1,318)
Comprehensive income (loss), net of tax	—	1,385	—	1	1,386
Balance as of June 30, 2020	42,920	55,555	(33,480)	147	65,142
Change in intercompany notes receivable	—	—	(1,415)	—	(1,415)
Comprehensive income (loss), net of tax	—	1,605	—	—	1,605
Balance as of September 30, 2020	\$ 42,920	\$ 57,160	\$ (34,895)	\$ 147	\$ 65,332

	Common Stock and Paid-in Capital	Retained Earnings	Intercompany Notes Receivable	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance as of December 31, 2020	\$ 42,920	\$ 58,921	\$ (37,053)	\$ 98	\$ 64,886
Change in intercompany notes receivable	—	—	(1,198)	—	(1,198)
Comprehensive income (loss), net of tax	—	1,520	—	1	1,521
Balance as of March 31, 2021	42,920	60,441	(38,251)	99	65,209
Change in intercompany notes receivable	—	—	(1,474)	—	(1,474)
Comprehensive income (loss), net of tax	—	1,783	—	1	1,784
Balance as of June 30, 2021	42,920	62,224	(39,725)	100	65,519
Change in intercompany notes receivable	—	—	(1,715)	—	(1,715)
Comprehensive income (loss), net of tax	—	1,820	—	1	1,821
Balance as of September 30, 2021	\$ 42,920	\$ 64,044	\$ (41,440)	\$ 101	\$ 65,625

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Accounting Policies and Interim Results

The Consolidated Financial Statements should be read in conjunction with BNSF Railway Company's Consolidated Financial Statements for the year ended December 31, 2020, including the financial statements and notes thereto. The Consolidated Financial Statements include the accounts of BNSF Railway Company and its majority-owned subsidiaries, all of which are separate legal entities (collectively, BNSF Railway or the Company). BNSF Railway is a wholly-owned subsidiary of Burlington Northern Santa Fe, LLC (BNSF), and is the principal operating subsidiary of BNSF. All intercompany accounts and transactions have been eliminated.

On February 12, 2010, Berkshire Hathaway Inc., a Delaware corporation (Berkshire), acquired 100 percent of the outstanding shares of Burlington Northern Santa Fe Corporation common stock that it did not already own. The acquisition was completed through the merger (Merger) of a Berkshire wholly-owned merger subsidiary and Burlington Northern Santa Fe Corporation with the surviving entity renamed Burlington Northern Santa Fe, LLC. Earnings per share data is not presented because BNSF Railway has only one holder of its common stock.

The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the entire year. In the opinion of management, the unaudited financial statements reflect all adjustments (consisting of only normal recurring adjustments, except as disclosed) necessary for the fair statement of BNSF Railway's consolidated financial position as of September 30, 2021, and the results of operations for the three and nine months ended September 30, 2021 and 2020.

2. Revenue from Contracts with Customers

The Company disaggregates revenue from contracts with customers based on the characteristics of the services provided and the types of products transported (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Consumer Products	\$ 2,097	\$ 1,885	\$ 6,070	\$ 5,221
Agricultural Products	1,063	1,186	3,643	3,402
Industrial Products	1,371	1,190	3,949	3,815
Coal	867	651	2,320	1,958
Total freight revenues	5,398	4,912	15,982	14,396
Accessorial and other	193	89	438	302
Total operating revenues	\$ 5,591	\$ 5,001	\$ 16,420	\$ 14,698

Contract assets and liabilities are immaterial. Receivables from contracts with customers is a component of accounts receivable, net on the Consolidated Balance Sheets. As of September 30, 2021 and December 31, 2020, \$1.0 billion and \$0.9 billion, respectively, represented net receivables from contracts with customers.

Remaining performance obligations primarily consist of in-transit freight revenues, which will be recognized in the next reporting period. As of September 30, 2021 and December 31, 2020, remaining performance obligations were \$278 million and \$200 million, respectively.

3. Accounts Receivable, Net

Accounts receivable, net consists of freight and other receivables, reduced by an allowance for credit losses which is based upon expected collectability. As of September 30, 2021 and December 31, 2020, \$45 million and \$50 million, respectively, of such allowance had been recorded.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

4. Debt

Fair Value of Debt Instruments

As of September 30, 2021 and December 31, 2020, the fair value of BNSF Railway’s debt, excluding finance leases, was \$940 million and \$985 million, respectively, while the book value, which also excludes finance leases, was \$835 million and \$842 million, respectively. The fair value of BNSF Railway’s debt is primarily based on market value price models using observable market-based data for the same or similar issues, or on the estimated rates that would be offered to BNSF Railway for debt of the same remaining maturities (Level 2 inputs).

Guarantees

As of September 30, 2021, BNSF Railway has not been called upon to perform under the guarantees specifically disclosed in this footnote and does not anticipate a significant performance risk in the foreseeable future.

Debt and other obligations of non-consolidated entities guaranteed by the Company as of September 30, 2021, were as follows (dollars in millions):

	Guarantees					
	BNSF Railway Ownership Percentage	Principal Amount Guaranteed	Maximum Future Payments	Maximum Recourse Amount^a	Remaining Term (in years)	Capitalized Obligations
Kinder Morgan Energy Partners, L.P.	0.5 %	\$ 190	\$ 190	\$ —	Termination of Ownership	\$ 2 ^b
Chevron Phillips Chemical Company LP	— %	N/A ^d	N/A ^d	N/A ^d	6	\$ 12 ^c

^a Reflects the maximum amount the Company could recover from a third party other than the counterparty.

^b Reflects capitalized obligations that are recorded on the Company’s Consolidated Balance Sheets.

^c Reflects the asset and corresponding liability for the fair value of these guarantees required by authoritative accounting guidance related to guarantees.

^d There is no cap to the liability that can be sought from BNSF Railway for BNSF Railway’s negligence or the negligence of the indemnified party. However, BNSF Railway could receive reimbursement from certain insurance policies if the liability exceeds a certain amount.

Kinder Morgan Energy Partners, L.P.

Santa Fe Pacific Pipelines, Inc., an indirect, wholly-owned subsidiary of BNSF Railway, has a guarantee in connection with its remaining special limited partnership interest in Santa Fe Pacific Pipeline Partners, L.P. (SFPP), a subsidiary of Kinder Morgan Energy Partners, L.P., to be paid only upon default by the partnership. All obligations with respect to the guarantee will cease upon termination of ownership rights, which would occur upon a put notice issued by BNSF Railway or the exercise of the call rights by the general partners of SFPP.

Chevron Phillips Chemical Company LP

BNSF Railway has an indemnity agreement with Chevron Phillips Chemical Company LP (Chevron Phillips), granting certain rights of indemnity from BNSF Railway, in order to facilitate access to a storage facility. Under certain circumstances, payment under this obligation may be required in the event Chevron Phillips were to incur certain liabilities or other incremental costs resulting from trackage access.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

Indemnities

In the ordinary course of business, BNSF Railway enters into agreements with third parties that include indemnification clauses. The Company believes that these clauses are generally customary for the types of agreements in which they are included. At times, these clauses may involve indemnification for the acts of the Company, its employees and agents, indemnification for another party’s acts, indemnification for future events, indemnification based upon a certain standard of performance, indemnification for liabilities arising out of the Company’s use of leased equipment or other property, or other types of indemnification. Despite the uncertainty whether events which would trigger the indemnification obligations would ever occur, the Company does not believe that these indemnity agreements will have a material adverse effect on the Company’s results of operations, financial position, or liquidity. Additionally, the Company believes that, due to lack of historical payment experience, the fair value of indemnities cannot be estimated with any amount of certainty and that the fair value of any such amount would be immaterial to the Consolidated Financial Statements. Unless separately disclosed above, no fair value liability related to indemnities has been recorded in the Consolidated Financial Statements.

5. Commitments and Contingencies

Personal Injury

BNSF Railway’s personal injury liability includes the cost of claims for employee work-related injuries, third-party claims, and asbestos claims. BNSF Railway records a liability for asserted and unasserted claims when the expected loss is both probable and reasonably estimable. Because of the uncertainty of the timing of future payments, the liability is undiscounted. Defense and processing costs, which are recorded on an as-reported basis, are not included in the recorded liability. Expense accruals and adjustments are classified as materials and other in the Consolidated Statements of Income.

Personal injury claims by BNSF Railway employees are subject to the provisions of the Federal Employers’ Liability Act (FELA) rather than state workers’ compensation laws. Resolution of these cases under the FELA’s fault-based system requires either a finding of fault by a jury or an out of court settlement. Third-party claims include claims by non-employees for compensatory damages and may, from time to time, include requests for punitive damages or treatment of the claim as a class action.

BNSF Railway estimates its personal injury liability claims and expense using standard actuarial methodologies based on the covered population, activity levels and trends in frequency, and the costs of covered injuries. The Company monitors actual experience against the forecasted number of claims to be received, the forecasted number of claims closing with payment, and expected claim payments and records adjustments as new events or changes in estimates develop.

BNSF Railway is party to asbestos claims by employees and non-employees who may have been exposed to asbestos. Because of the relatively finite exposed population, the Company has recorded an estimate for the full amount of probable exposure. This is determined through an actuarial analysis based on estimates of the exposed population, the number of claims likely to be filed, the number of claims that will likely require payment, and the cost per claim. Estimated filing and dismissal rates and average cost per claim are determined utilizing recent claim data and trends.

The following table summarizes the activity in the Company’s accrued obligations for personal injury claims (in millions):

	Nine Months Ended September 30,	
	2021	2020
Beginning balance	\$ 296	\$ 298
Accruals / changes in estimates	55	39
Payments	(27)	(34)
Ending balance	\$ 324	\$ 303
Current portion of ending balance	\$ 80	\$ 75

The amount recorded by the Company for the personal injury liability is based upon the best information currently available. Because of the uncertainty surrounding the ultimate outcome of personal injury claims, it is reasonably possible that future costs to resolve these claims may be different from the recorded amounts. The Company estimates that costs to resolve the liability may range from approximately \$285 million to \$385 million.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

Although the final outcome of these personal injury matters cannot be predicted with certainty, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company’s financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

Environmental

BNSF Railway is subject to extensive federal, state, and local environmental regulation. The Company’s operating procedures include practices to protect the environment from the risks inherent in railroad operations, which frequently involve transporting chemicals and other hazardous materials. Additionally, many of BNSF Railway’s land holdings are or have been used for industrial or transportation-related purposes or leased to commercial or industrial companies whose activities may have resulted in discharges onto the property. Under federal (in particular, the Comprehensive Environmental Response, Compensation, and Liability Act) and state statutes, the Company may be held jointly and severally liable for cleanup and enforcement costs associated with a particular site without regard to fault or the legality of the original conduct. The Company participates in the study, cleanup, or both of environmental contamination at approximately 190 sites.

Environmental costs may include, but are not limited to, site investigations, remediation, and restoration. The liability is recorded when the expected loss is both probable and reasonably estimable and is undiscounted due to uncertainty of the timing of future payments. Expense accruals and adjustments are classified as materials and other in the Consolidated Statements of Income.

BNSF Railway estimates the cost of cleanup efforts at its known environmental sites based on experience gained from cleanup efforts at similar sites, estimated percentage to closure ratios, possible remediation work plans, estimates of the costs and likelihood of each possible outcome, historical payment patterns, and benchmark patterns developed from data accumulated from industry and public sources. The Company monitors actual experience against expectations and records adjustments as new events or changes in estimates develop.

The following table summarizes the activity in the Company’s accrued obligations for environmental costs (in millions):

	Nine Months Ended September 30,	
	2021	2020
Beginning balance	\$ 265	\$ 282
Accruals / changes in estimates	4	2
Payments	(13)	(15)
Ending balance	\$ 256	\$ 269
Current portion of ending balance	\$ 35	\$ 35

The amount recorded by the Company for the environmental liability is based upon the best information currently available. It has not been reduced by anticipated recoveries from third parties and includes both asserted and unasserted claims. BNSF Railway’s total cleanup costs at these sites cannot be predicted with certainty due to various factors, such as the extent of corrective actions that may be required, evolving environmental laws and regulations, advances in environmental technology, the extent of other parties’ participation in cleanup efforts, developments in ongoing environmental analyses related to sites determined to be contaminated, and developments in environmental surveys and studies of contaminated sites. Because of the uncertainty surrounding various factors, it is reasonably possible that future costs to settle these claims may be different from the recorded amounts. The Company estimates that costs to settle the liability may range from approximately \$210 million to \$345 million.

Although the final outcome of these environmental matters cannot be predicted with certainty, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company’s financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

Other Claims and Litigation

In addition to personal injury and environmental matters, BNSF Railway and its subsidiaries are also parties to a number of other legal actions and claims, governmental proceedings, and private civil suits arising in the ordinary course of business, including those related to disputes and complaints involving certain transportation rates and charges. Some of the legal proceedings include claims for compensatory damages and may, from time to time, include requests for punitive damages or treatment of the claim as a class action. Although the final outcome of these matters cannot be predicted with certainty, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

6. Employment Benefit Plans

BNSF provides a funded, noncontributory qualified pension plan (BNSF Retirement Plan), which covers most non-union employees, and an unfunded non-tax-qualified pension plan (BNSF Supplemental Retirement Plan), which covers certain officers and other employees. The benefits under these pension plans are based on years of credited service and the highest consecutive sixty months of compensation for the last ten years of salaried employment with the Company. In 2019, the Company amended the BNSF Retirement Plan and the BNSF Supplemental Retirement Plan. Non-union employees hired on or after April 1, 2019 are not eligible to participate in these retirement plans and instead receive an additional employer contribution as part of the qualified 401(k) plan based on the employees' age and years of service. Current plan participants are being transitioned away from the retirement plans and upon transition are eligible for the additional employer contribution.

BNSF Railway also provides a funded, noncontributory qualified pension plan which covers certain union employees of the former The Atchison, Topeka and Santa Fe Railway Company (Union Plan). The benefits under this pension plan are based on elections made at the time the plan was implemented.

With respect to the funded plans, the Company's funding policy is to contribute annually not less than the regulatory minimum and not more than the maximum amount deductible for income tax purposes. The BNSF Retirement Plan, the BNSF Supplemental Retirement Plan, and the Union Plan are collectively referred to herein as the Pension Plans.

Components of the net (benefit) cost for the Pension Plans were as follows (in millions):

	Pension Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Service cost	\$ 7	\$ 6	\$ 19	\$ 16
Interest cost	14	18	42	53
Expected return on plan assets	(44)	(42)	(132)	(126)
Amortization of net loss	1	—	2	1
Net (benefit) cost recognized	\$ (22)	\$ (18)	\$ (69)	\$ (56)

Service cost is included in compensation and benefits expense and the other components of net periodic benefit costs are included in other (income) expense, net in the Consolidated Statements of Income.

7. Related Party Transactions

BNSF Railway is involved with BNSF and certain of its subsidiaries in related party transactions in the ordinary course of business, which include payments made on each other's behalf and performance of services. Under the terms of a tax allocation agreement with BNSF, BNSF Railway made federal and state income tax payments, net of refunds, of \$1.4 billion and \$1.3 billion during the nine months ended September 30, 2021 and 2020, respectively, which are reflected in changes in current assets and liabilities in the Consolidated Statements of Cash Flows. As of September 30, 2021 and December 31, 2020, BNSF Railway had a tax payable to BNSF of \$486 million and \$522 million, respectively.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

At September 30, 2021 and December 31, 2020, BNSF Railway had \$737 million and \$616 million, respectively, of intercompany receivables, which are reflected in accounts receivable in the respective Consolidated Balance Sheets. At September 30, 2021 and December 31, 2020, BNSF Railway had \$37 million and \$22 million intercompany payables, respectively, which are reflected in accounts payable in the respective Consolidated Balance Sheets. Net intercompany balances are settled in the ordinary course of business.

At September 30, 2021 and December 31, 2020, BNSF Railway had \$41.4 billion and \$37.1 billion, respectively, of intercompany notes receivable from BNSF. The \$4.3 billion increase in intercompany notes receivable was due to loans to BNSF of \$4.3 billion. All intercompany notes have a variable interest rate of 1.0 percent above the monthly average of the daily effective Federal Funds rate. Interest is collected semi-annually on all intercompany notes receivable. Interest income from intercompany notes receivable is presented in interest income, related parties in the Consolidated Statements of Income.

BNSF Railway engages in various transactions with related parties in the ordinary course of business. The following table summarizes revenues earned by BNSF Railway for services provided to related parties and expenditures to related parties (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 25	\$ 28	\$ 70	\$ 98
Expenditures	\$ 110	\$ 98	\$ 327	\$ 296

BNSF Railway owns 17.3 percent of TTX Company (TTX) while other North American railroads own the remaining interest. As BNSF Railway possesses the ability to exercise significant influence, but not control, over the operating and financial policies of TTX, BNSF Railway applies the equity method of accounting to its investment in TTX. The investment in TTX recorded under the equity method is recorded in other assets. Equity income or losses are recorded in materials and other in the Consolidated Statements of Income. North American railroads pay TTX car hire to use TTX's freight equipment to serve their customers. BNSF Railway's car hire expenditures incurred with TTX are included in the table above. BNSF Railway had \$742 million and \$703 million recognized as investments related to TTX in its Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020, respectively.

Burlington Northern Santa Fe Insurance Company, Ltd. (BNSFIC), a wholly-owned subsidiary of BNSF, offers insurance coverage for certain risks, FELA claims, railroad protective and force account insurance claims and certain excess general liability and property coverage, and certain other claims which are subject to reinsurance. During the nine months ended September 30, 2021 and 2020, BNSF Railway recognized \$43 million and \$51 million, respectively, in expense related to these premiums, which is classified as purchased services in the Consolidated Statements of Income. During the nine months ended September 30, 2021 and 2020, BNSFIC made claim payments totaling \$22 million and \$212 million, respectively, for settlement of covered claims.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

8. Accumulated Other Comprehensive Income

Other comprehensive income refers to revenues, expenses, gains, and losses that under generally accepted accounting principles are included in accumulated other comprehensive income, a component of equity within the Consolidated Balance Sheets, rather than net income on the Consolidated Statements of Income. Under existing accounting standards, other comprehensive income may include, among other things, unrecognized gains and losses and prior service credit related to pension and other postretirement benefit plans.

The following table provides the components of accumulated other comprehensive income (loss) (AOCI) by component (in millions):

	Pension and Retiree Health and Welfare Benefit Items	Equity Method Investments	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2019	\$ 149	\$ (4)	\$ 145
Other comprehensive income (loss), net before reclassifications	—	1	1
Amounts reclassified from AOCI:			
Amortization of actuarial losses ^a	1	—	1
Balance as of September 30, 2020	\$ 150	\$ (3)	\$ 147
Balance as of December 31, 2020	\$ 101	\$ (3)	\$ 98
Other comprehensive income (loss), net before reclassifications	—	—	—
Amounts reclassified from AOCI:			
Amortization of actuarial losses ^a	4	—	4
Tax expense (benefit)	(1)	—	(1)
Balance as of September 30, 2021	\$ 104	\$ (3)	\$ 101

^a This accumulated other comprehensive income component is included in the computation of net periodic pension and retiree health and welfare costs (see Note 6 for additional details on pensions costs).

9. Accounting Pronouncements

In December 2019, the FASB issued Accounting Standards Update No. 2019-12 (ASU 2019-12), Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting and disclosure requirements for income taxes by clarifying existing guidance to improve consistency in application of Accounting Standards Codification (ASC) 740. BNSF adopted the standard as of January 1, 2021. Adoption of the standard did not have a material impact on the Company's Consolidated Financial Statements and disclosures.

Certification by Vice President

With respect to the quarterly financial statements and related footnotes of BNSF Railway Company (the Company) for the period ended September 30, 2021, the undersigned, Candace I. Palmarozzi, Vice President and Controller of the Company, hereby certifies that, to her knowledge as of the date hereof, the information contained in such attached financial statements and related footnotes fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2021

/s/ Candace I. Palmarozzi

Candace I. Palmarozzi
Vice President and Controller