

LETTER TO SHAREHOLDERS

FROM THE CHAIRMAN, PRESIDENT AND CEO



My fellow shareholders,

I am proud to report that PNM Resources delivered another year of positive results in 2021. As we navigated a year of continued pandemic challenges and pursuit of our merger with AVANGRID, we remained focused on executing our strategic objectives and implementing plans to benefit our customers, communities, employees and shareholders.

As our teams gathered throughout the year, virtually or in-person, we focused on building and strengthening our company culture. I heard stories of recognition for coworkers who filled in the gaps when their colleagues could not be there, employees who stepped up for customers in their time of need, and agile teams achieving success in the face of adversity. These are the stories behind our results and the values that will carry us forward.

In New Mexico, the clean energy transition is center stage. Our resource portfolio at PNM grew to more than 40 percent carbon-free in 2021. We joined the Western Energy Imbalance Market in April, contributing to significant reductions in carbon dioxide emissions by maximizing regional renewable resources, while also saving PNM customers \$12.5 million. We named our first Chief Environmental Officer at PNM as part of our continued commitment to environmental, social and governance principles.

We continued to expand the transmission and distribution infrastructure needed to deliver new clean energy resources and reliably meet demand growth across New Mexico and Texas. The PNM acquisition of the Western Spirit project expanded transmission capacity to support renewable development in New Mexico. TNMP investment plans continued at record levels to support both an increase in demand and the ERCOT resources supplying this demand, including a growing amount of renewables and battery storage. Our teams excel at storm preparedness and emergency response, and the industry has recognized our work in these areas along with assistance for neighboring utilities.

We further supported our communities with additional grants from the PNM Resources Foundation in 2021 to our non-profit community partners in New Mexico and Texas, specifically in response to Winter Storm Uri in Texas. Overall, charitable donations increased nearly 40 percent over 2020 levels, including continued COVID-19 financial assistance for customers.

The right path is not always the easy path, and our journey is not without obstacles. We continue to seek solutions that align the interests of customers, employees and shareholders as we deliver on our commitments. We're not just delivering energy, we're delivering results.

We will also continue to pursue our merger with AVANGRID. The benefits offered to our customers, communities, employees and shareholders as part of the merger are unprecedented, and as we look into the future this partnership with AVANGRID will open the door to better ways to meet the challenges of tomorrow.

On behalf of myself and the entire PNM Resources team, thank you for your support and trust.

Sincerely,



Pat Vincent-Collawn
Chairman, President, and CEO



2021 ENVIRONMENTAL, SOCIAL AND GOVERNANCE HIGHLIGHTS

For the **second consecutive year**, PNM Resources named to Newsweek's list of

America's Most Responsible Companies

Named our first **Chief Environmental Officer at PNM** and increased our resource capacity portfolio to

more than 40% carbon-free electricity as we transition to **100% CARBON-FREE** electricity

Joined the Western Energy Imbalance Market contributing to **reduced carbon dioxide** and **\$12.5 million in PNM customer savings** all while **maximizing renewable energy** across the region



Acquired the 150-mile Western Spirit transmission line and facilities to **provide transmission service** to approximately **800 MW of new wind in New Mexico**

Nearly

doubled our wind capacity as we increased our resource capacity to **MORE THAN 30% RENEWABLES**



PNM ENERGY EFFICIENCY PROGRAMS



Almost **5.9 billion** kilowatt-hours of electricity saved since programs began in 2007 – enough to power 869,000 homes for a year

1.9 billion gallons of water saved



Kept an estimated **3.5 million metric tons** of carbon dioxide out of the air



TNMP ENERGY EFFICIENCY PROGRAMS

Since 2002, **246 million kilowatt-hours** of electricity saved – enough to power 31,600 homes for a year



\$51 million in customer incentives and kept an estimated **174,334** metric tons of carbon dioxide out of the air



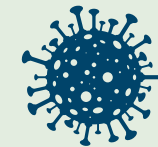
2021 ENVIRONMENTAL, SOCIAL AND GOVERNANCE HIGHLIGHTS



Workplace diversity includes 26% women, 14% disabled, 8% veterans, and

52% minorities

\$6.2 million invested in **New Mexico** and **Texas** communities nearly **40% over 2020 levels**



Through collaboration and partnerships, made available more than **\$7 million in cumulative assistance** for customers impacted by **COVID-19**

Employees volunteered 8,741 hours to nonprofit and community organizations throughout New Mexico and Texas



PNM Good Neighbor Fund assisted **4,147 families**



Employees and customers participated in the Great Global Cleanup for Earth Day resulting in more than **2,200 GALLONS OF TRASH COLLECTED**



Accelerated adoption of **Electric Vehicles** with approval of the **PNM Transportation Electrification Program**

Joined the

National Electric Highway Coalition,



committed to providing fast charging ports across the country's major roadways by the end of 2023



TNMP honored for the **sixth consecutive year**

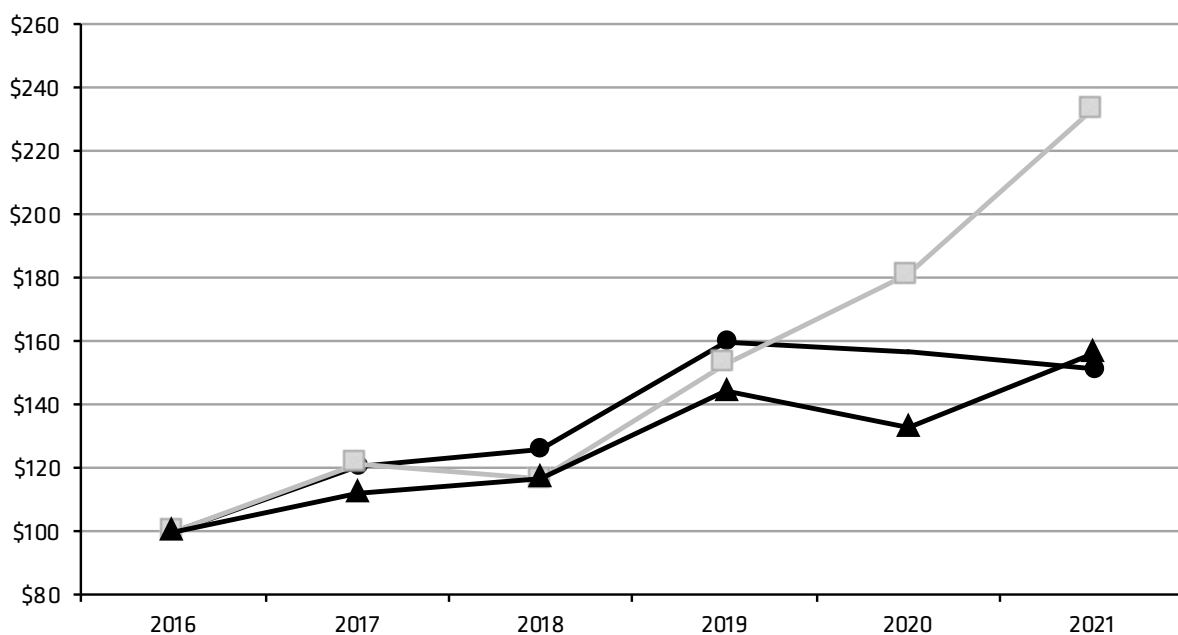
by the **EPA's ENERGY STAR** program, earning recognition with a fourth consecutive

Partner of the Year Sustained Excellence Award for its High-Performance Homes program

PNM RESOURCES, INC. AND SUBSIDIARIES

PNM Resources is an investor-owned holding company of two electric utilities, PNM and TNMP. PNM is a regulated utility in New Mexico with operations primarily engaged in the generation, transmission and distribution of electricity. TNMP is a regulated utility operating in Texas, providing transmission and distribution services. The graph below assumes that \$100 was invested on December 31, 2016, in PNM Resources common stock, the S&P 500 Index and the EEI Peer Index, and all dividends were reinvested through December 31, 2021. The comparisons in the performance graph do not reflect current market conditions and are not intended to forecast or be indicative of possible future performance of our common stock.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN



	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
● PNM Resources	\$100.00	\$120.93	\$126.28	\$159.73	\$156.97	\$151.51
■ S&P 500 Index	\$100.00	\$121.82	\$116.47	\$153.13	\$181.29	\$233.28
▲ EEI Peer Index	\$100.00	\$112.23	\$116.73	\$144.88	\$132.88	\$156.26

Data Source: Bloomberg.

Historical performance does not necessarily predict future results. PNM Resources' common stock is traded on the NYSE.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements made in this letter for PNM Resources, Inc. ("PNMR"), Public Service Company of New Mexico ("PNM"), or Texas-New Mexico Power Company ("TNMP") (collectively, the "Company") that relate to future events or expectations, projections, estimates, intentions, goals, targets, and strategies, including the preliminary unaudited financial results and earnings guidance, are made pursuant to the Private Securities Litigation Reform Act of 1995. Readers are cautioned that all forward-looking statements are based upon current expectations and estimates and apply only as of the date of this report. PNMR, PNM, and TNMP assume no obligation to update this information. Because actual results may differ materially from those expressed or implied by these forward-looking statements, PNMR, PNM, and TNMP caution readers not to place undue reliance on these statements. PNMR's, PNM's, and TNMP's business, financial condition, cash flow, and operating results are influenced by many factors, which are often beyond their control, that can cause actual results to differ from those expressed or implied by the forward-looking statements. Additionally, there are risks and uncertainties in connection with the proposed acquisition of us by AVANGRID which may adversely affect our business, future opportunities, employees and common stock, including without limitation, (i) the expected timing and likelihood of completion of the pending Merger, including the timing, receipt and terms and conditions of any remaining required governmental and regulatory approvals of the pending Merger that could reduce anticipated benefits or cause the parties to abandon the transaction, (ii) the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement, (iii) the risk that the parties may not be able to satisfy the conditions to the proposed Merger in a timely manner or at all, and (iv) the risk that the proposed transaction could have an adverse effect on the ability of PNMR to retain and hire key personnel and maintain relationships with its customers and suppliers, and on its operating results and businesses generally. For a discussion of risk factors and other important factors affecting forward-looking statements, please see the Company's Form 10-K, Form 10-Q filings and the information included in the Company's Forms 8-K with the Securities and Exchange Commission, which factors are specifically incorporated by reference herein.