

LETTER TO SHAREHOLDERS

FROM THE CHAIRMAN, PRESIDENT AND CEO



My fellow shareholders,

Our world changed significantly in 2020. Our daily lives turned upside down as we focused on staying healthy and safe. Electricity served an even more critical role in our lives, powering hospitals and homes, virtual employment and education, and the devices we used to stay connected with loved ones. Our infrastructure - your investment - was essential.

At PNM Resources, our teams came together with a clear purpose. Updated protocols and plans were quickly implemented. Our teams looked beyond our safe and reliable service and developed new programs for customer relief funds and community contributions. They delivered meals and personal protective equipment. They volunteered virtually and in person. They showed the very best of PNM Resources.

We had already taken the first steps on our path to emissions-free energy by 2040 with our first coal retirements in 2017, and in 2020 we reinforced our commitment to Environmental, Social and Governance (ESG) principles.

PNM moved further down this coal-free path when regulators finalized the plans to discontinue and replace power from the San Juan Generating Station in 2022 and we announced an agreement to exit the Four Corners Power Plant by the end of 2024, seven years earlier than planned. These plans uniquely couple Environmental and Social considerations by including securitization to create greater savings for customers and provide funds to support the communities impacted by the transition away from coal, particularly tribal communities.

Our commitment to Social principles was highlighted as we moved through the pandemic, prioritizing the safety and well-being of our teams, customers and communities, with consideration to tribal communities that have been disproportionately impacted. The focus on diversity, equity and inclusion also moved to the forefront across the country. We continue to foster the development of our diverse, inclusive workforce through leadership development programs and culture alignment initiatives. Our corporate giving initiatives included increased support for new programs in our communities with a focus on these values, and we doubled down on matching employee donations to these programs.

While the challenges of 2020 were substantial, our achievements were greater. Underscoring our ESG strategy is a well-executed utility business plan focused on critical infrastructure to meet energy needs in New Mexico and Texas. PNM transmission and distribution investments were bolstered to support a reliable, resilient and secure grid to carry New Mexico into its clean energy future. TNMP completed the most significant capital investment year in its company's history with transmission line upgrades, distribution substation and feeder expansion programs, and new service delivery to subdivisions and small commercial areas across the service territory. Early this year, winter storms reduced generation capacity in Texas and left customers across the state without power for an extended period. Reliability is core to our business and our TNMP teams worked tirelessly to address this power emergency and ensure our system was ready to restore service to customers when ERCOT market resources became available. We remain committed to providing transmission and distribution infrastructure to support the growing needs of our customers in the Texas market.

Our merger agreement with Avangrid, announced in October 2020, combines PNM Resources with a family of companies that are aligned in our strategies and values, and better equips us to continue this progress into the future. The transaction recognizes the value of your investments with a premium return and provides increased benefits to employees, customers and communities.

We anticipate closing this transaction in the second half of this year. I am personally honored to have spent more than the last decade at this company and couldn't be more proud of our team who will carry forward our plans to exceed our customers' expectations, value our employees at the highest level, and remain a vital part of our community.

While we work toward the remaining regulatory approvals for the merger, we continue to focus on our strategic and financial objectives and execute plans to strengthen our infrastructure and transform our generation portfolio. This year, through our PNM Integrated Resource Plan, we became the first U.S. energy company to layout a detailed plan to achieve emissions-free electricity by 2040. We have also committed to investing nearly \$1 billion in 2021 and a total of \$4 billion through 2025 in our transmission and distribution systems for improvements and expansion.

We have an amazing team who is ready to carry forward our core values of safety, caring and integrity to face the challenges of tomorrow.

Many thanks for your support over the years.

Sincerely,

Pat Vincent-Collawn
Chairman, President, and CEO



2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE HIGHLIGHTS



Accelerated our **EXIT FROM COAL** by seven years to 2024 as part of our industry-leading goal for

100% EMISSIONS-FREE electricity by 2040



PNM Resources named to Newsweek's 2021 list of

America's Most Responsible Companies

New goals to **reduce freshwater use** by 90% from 2005 levels and raise the level of light duty **electric vehicle fleet** purchases to 50% by 2030



651 megawatts of renewable capacity from solar, wind and geothermal generation and purchases across PNM's system

PNM ENERGY EFFICIENCY PROGRAMS



Almost **5.2 billion** kilowatt-hours of electricity saved since programs began in 2007 – enough to power 763,000 homes for a year

1.7 billion gallons of water saved.

Kept an estimated **3.1 million metric** tons of carbon dioxide out of the air

TNMP ENERGY EFFICIENCY PROGRAMS

Since 2002,

227 million kilowatt-hours

of electricity saved – enough to power 27,000 homes for a year

\$46 million in customer incentives, honored by Energy Star **five years in a row**



Kept **160,370 metric tons** of carbon dioxide out of the air

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE HIGHLIGHTS



Workplace diversity includes **50% minorities**,
26% women and 8% veterans

JD Power Scores climbed

to another year of all-time high averages as PNM continued the upward trend for both **Trust** and **Value**

772 Power, Quality and Reliability

804 Customer Service

804 Billing and Payment



PNM recognition as a

top performer

in the electric utility industry for improved customer impression based on COVID-19 response

CARING FOR CUSTOMERS AND COMMUNITIES THROUGHOUT COVID-19

\$4.5 million

invested in our **New Mexico** and **Texas** communities



Over **350 non-profit organizations**

supported through employee volunteer hours and grants

PNM Good Neighbor Fund provided \$487,000 in support to assist nearly

3,500 families

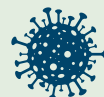


Supported

TRIBAL COMMUNITIES

with donations of masks, shields, gloves and collaborations to support

remote learning



COVID-19 CUSTOMER RELIEF PROGRAMS

provide \$2 million in bill assistance



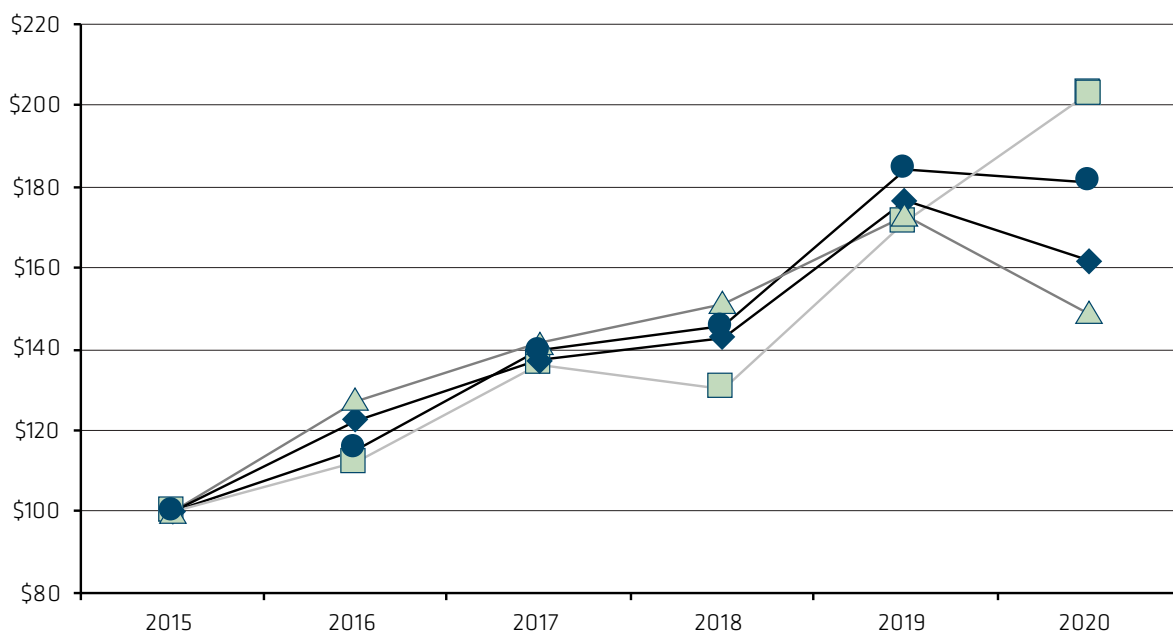
PNM recognized as

Corporate Champion for Philanthropy

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, 2015, in PNM Resources common stock, the S&P 500 Stock Index and the S&P Midcap 400 Utilities Index, and all dividends were reinvested through December 31, 2020. 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



| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------------------|----------|----------|----------|----------|----------|----------|
| ● PNM Resources | \$100.00 | \$115.35 | \$139.50 | \$145.67 | \$184.25 | \$181.07 |
| ■ S&P 500 Index | \$100.00 | \$111.95 | \$136.38 | \$130.39 | \$171.44 | \$202.96 |
| ◆ EEI Peer Index | \$100.00 | \$122.58 | \$137.18 | \$142.77 | \$176.60 | \$161.65 |
| ▲ S&P 400 MidCap Utilities Index | \$100.00 | \$127.35 | \$141.47 | \$151.16 | \$172.88 | \$148.91 |

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 news release 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 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. 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 required governmental and regulatory approvals of the pending Merger that could reduce anticipated benefits or cause the parties to abandon the transaction, (ii) the failure by AVANGRID to obtain the necessary financing arrangement set forth in commitment letter received in connection with the Merger, (iii) the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement, (iv) the risk that the parties may not be able to satisfy the conditions to the proposed Merger in a timely manner or at all, (v) risks related to disruption of management time from ongoing business operations due to the proposed Merger, and (vi) the risk that the proposed transaction and its announcement 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.