

ASR Mortgage Fund

Annual Report 2020

General information

Supervisory Board

Mr. B. Vliegthart (chairman)

Mr. R.M.W.J. Beetsma

Mr. O.J. Labe

Office address of the Manager

ASR Vermogensbeheer N.V.

Archimedeslaan 10

3584 BA Utrecht

Website: www.asrvermogensbeheer.nl

Commercial Register of the Chamber of Commerce in Utrecht, number 30227237

Legal owner of the investments

Stichting Juridisch Eigenaar ASR Hypotheekfonds

Archimedeslaan 10

3584 BA Utrecht

Depository

BNP Paribas Securities Services SCA

Herengracht 595

1017 CE Amsterdam

External Auditor

KPMG Accountants N.V.

Papendorpseweg 83

3528 BJ Utrecht

Legal Advisor of the Manager

NautaDutilh N.V.

Beethovenstraat 400

1082 PR Amsterdam

Date of incorporation 17 March 2017

Board of the Manager

Mr. J.Th.M. Julicher

Mr. M.R. Lavooi

Mrs. W.M. Schouten

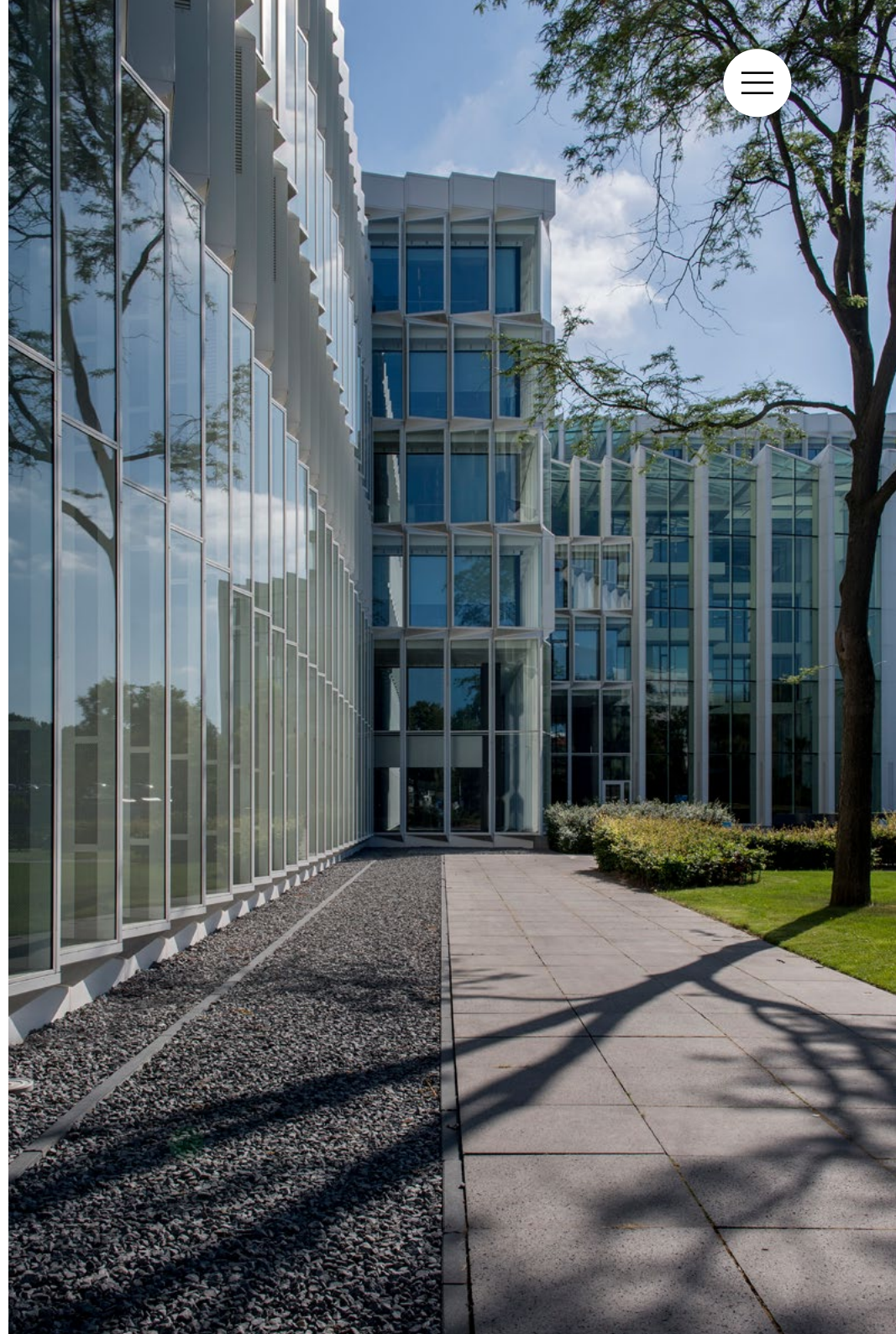


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Management board's report

General

ASR Vermogensbeheer N.V. (hereinafter referred to as 'a.s.r. vermogensbeheer' or 'the Manager') is the AIF (Alternative Investment Fund) manager of the ASR Mortgage Fund (the 'Fund'). a.s.r. vermogensbeheer has its registered office in Utrecht and is listed in the Commercial Register of the Chamber of Commerce in Utrecht under number 30227237. a.s.r. vermogensbeheer is wholly owned by ASR Nederland N.V.

a.s.r. vermogensbeheer's objective is to manage investment institutions and to provide investment services to group companies of ASR Nederland N.V. (hereinafter referred to as 'a.s.r.' or 'ASR Nederland') and on behalf of third parties. a.s.r. vermogensbeheer offers investment services for pension funds, insurers, guarantee and donor-advised funds, charitable organizations, regional authorities, healthcare and educational institutions, network companies, housing associations and other players in the social domain, with a focus on services as tailor-made solutions with a sound return and a sustainable character. a.s.r. vermogensbeheer also offers institutional investment funds. The product range consists of European corporate bonds, interest rate overlay, European government bonds, European stocks, balanced mandates, tailored bond portfolios, private loans, fixed-rate index investments, real estate and mortgages. Other investment categories are purchased by a.s.r. vermogensbeheer in accordance with a.s.r.'s quality and sustainability criteria.

a.s.r. vermogensbeheer does not employ any staff members. All activities are carried out by employees of ASR Nederland N.V. on the basis of an employee loan agreement.

Management of investment institutions (collective asset management) – AIFM license

a.s.r. vermogensbeheer holds a license as manager of alternative investment institutions as referred to in Section 2:65 (1) (a) of the Financial Supervision Act

(Wet op het financieel toezicht, "Wft"). This relates to the license under the AIFMD (Alternative Investment Fund Managers Directive). Pursuant to Section 1: 102, paragraph 2, of the Wft, the scope of the license is limited to the offering of participations in:

- investment institutions that invest in financial instruments; and
- investment institutions that invest in mortgage claims;
- investment institutions that invest in private loans (non-tradeable bonds or other non-tradeable debt instruments).

Under this license, a.s.r. vermogensbeheer acts as the manager of amongst other the following alternative investment institutions: ASR ESG IndexPlus Institutionele Fondsen, ASR ESG IndexPlus Fondsen, ASR Mortgage Fund, ASR Separate Account Mortgage Fund, ASR Private Debt Fund I, ASR Kapitaalmarkt Fondsen, ASR Deposito Fondsen, ASR Duurzaam Institutioneel Vermogensbeheer Beleggingsfondsen, Loyalis Global Funds, First Liability Matching N.V. and the Luxembourg alternative investment fund ASR Fonds SICAV ('Société d'investissement à Capital Variable').

The license of a.s.r. vermogensbeheer is extended with a license to manage or offer money market funds (MMFs), on the basis of Article 4 of the Money Market Fund Regulation (MMFR).

a.s.r. vermogensbeheer also acts as the manager of a number of investment funds which are not subject to a license obligation. Pursuant to Section 1:13a (1) (g) of the Wft, the management of these investment vehicles is exempt from the obligations set out in the Wft and derived regulations, and the management is therefore not subject to supervision by the Dutch Authority for the Financial Markets (AFM). These are investment funds in which ASR Levensverzekering N.V. invests for the purpose of its unit-linked products, such as ASR Pensioen Mixfondsen, ASR Pensioen Staatsobligatiefonds 15+ Jaar, ASR Pensioen Staatsobligatiefonds 10-15 Jaar, ASR Pensioen Staatsobligatiefonds 20+ Jaar, ASR Beleggingsmixfondsen, ASR Beleggingspools, ASR Basisfondsen and ASR Amerika Aandelen Basisfondsen.

Providing investment services (amongst other individual asset management)

Pursuant to Section 2:67a(2), paragraphs (a), (b) and (d), of the Financial Supervision Act (Wft), a.s.r. vermogensbeheer is also permitted to offer the following investment services to both professional and non-professional investors:

- (a) Managing individual assets;
- (b) Providing investment advice on financial instruments;
- (d) Receiving and forwarding orders with regard to financial instruments.

These services are regulated in the Wft and the MiFID II (Markets In Financial Instruments Directive).

On this basis, a.s.r. vermogensbeheer acts as an individual asset manager on behalf of the group companies of ASR Nederland N.V., such as entities subject to supervision (OTSOs) and for third parties with external mandates.

a.s.r. vermogensbeheer is a member of DUFAS (Dutch Fund and Asset Management Association), the Dutch association of investment institutions and asset managers. a.s.r. vermogensbeheer follows the code of conduct that has been drawn up by this industry organisation. This code of conduct sets out good practices relating to fund governance and offers further guidelines for the organisational structure and procedures of managers of investment institutions, with the aim of ensuring that managers act in the interests of the participants in their investment institutions and structure their organisations in a way that prevents conflicts of interest.

Profile

Structure

The ASR Mortgage Fund (the 'Fund') is a mutual fund consisting of two Subfunds, each with their own risk profile:

- The Subfund with a Dutch National Mortgage Guarantee (NHG Subfund). This Subfund only includes mortgage loans with a national mortgage guarantee (lower risk profile);
- The Subfund without a Dutch National Mortgage Guarantee (non-NHG Subfund). This Subfund only includes mortgage loans without a national mortgage guarantee (higher risk profile).

The Fund is classified as an Alternative Investment Fund (AIF) and was established on 17 March 2017. The first participations were issued on 21 March 2017. The official name of the Fund as stated in the fund documentation is ASR Mortgage Fund. The name 'ASR Hypotheekfonds' is used in the Dutch version of the documents.

Investment philosophy of the Fund

The Fund offers investors the opportunity to invest in private residential mortgages in the Netherlands. The aim of the fund is to generate a stable and direct income stream for the participants in the long term. The Subfunds do not use benchmarks.

The Fund invests in mortgage loans recently issued in the Netherlands by ASR Levensverzekering N.V. The Fund acquires mortgages by subscribing to a cross-section of the new mortgage production. Residential homes in the Netherlands serve as collateral for the loans. All loans acquired are subject to the Fund's strict selection criteria. The main selection criteria are: right of first mortgage, a fixed-rate period longer than five years, a Loan-to-Value (LTV) ratio of maximum 100% (106% in case of financing of energy saving measures), no savings-based mortgages and ceilings for the share of interest-only mortgages in the portfolio.

Manager and Legal Owner

The Fund has a Manager and a Legal Owner. The Manager of the Fund is a.s.r. vermogensbeheer. a.s.r. vermogensbeheer holds a license issued by the Dutch Authority for the Financial Markets ('AFM') as referred to in Section 2:65 and 2:67a, paragraph 2(a), (b) and (d) of the Financial Supervision Act (Wet op het financieel toezicht).

The Legal Owner of the Fund is Stichting Juridisch Eigenaar ASR Hypotheekfondsen. The Legal Owner was established on 30 June 2016 and is a foundation within the ASR Nederland group of companies. The Legal Owner has its registered office in Utrecht and is registered in the Commercial Register of the Chamber of Commerce under number 66366305.

The relationship between the Manager and the Legal Owner is set out in an agreement ('Agreement of Management and Custody'). This agreement governs the appointment of the Manager and determines the conditions under which the Manager is charged with the management of the Fund's assets.

Depository

BNP Paribas Securities Services SCA has been appointed Depository of the ASR Mortgage Fund. The Depository is an entity subject to regulatory supervision whose legal responsibilities include monitoring cash flows, complying with investment policy and verifying the ownership of the financial assets within the Fund.

Alternative Investment Fund Managers Directive (AIFMD)

a.s.r. vermogensbeheer holds an AIFMD license and meets the requirements applicable to an AIFM, a more detailed description of which can be found in the report of the Manager. These requirements include the appointment of an independent depository and having a risk management policy, a conflict of interest policy, an outsourcing policy, a remuneration policy (see also www.asr.nl) and a fund assets valuation policy. The requirements also relate to the annual reporting and capital requirements for the Manager and the Depository.

Supervisory Board

The Supervisory Board is responsible for supervising the Manager's policy and performance of tasks and the general state of affairs within the Fund. The Supervisory Board is also charged with supervising compliance by the Manager with the Fund Governance Code and advises the Manager. The Supervisory Board's tasks and activities are set out in the Supervisory Board regulations. In fulfilling their duties, the members of the Supervisory Board will focus on the interest of the Fund and the collective interests of all participants in the Fund.

Meetings of participants

A Meeting of Participants is held at least once a year, subject to the relevant provisions of the Information Memorandum.

During 2020, two Meetings of Participants were held. These meetings included amongst others the adoption of the 2019 annual report, a discussion of the impact of COVID-19 on the mortgage funds, initiatives in the field of ESG and the outlook for 2021.

Distribution of interest income

Interest income of the previous month is distributed to the Participants each month. Participants can choose to either have the income paid in cash or to reinvest the income in exchange for participations. Participations in a particular Subfund will receive an equal share of the monthly interest income of the preceding month per participation. The Manager will determine the final distribution upon the adoption of the annual report by the Meeting of Participants. The final distribution will be compared with the cumulative monthly distributions over the last year. If the annual income is higher than the monthly distributions, the remainder will be paid out. If the annual income is lower than the monthly distributions, the Participants must repay the amount overpaid.

Costs and fees

The Fund does not charge any costs for the issue and redemption of Participations.

Compensation in the event of an incorrectly calculated Net Asset Value

If the Net Asset Value of the Fund has been incorrectly calculated and the difference from the correct Net Asset Value is at least 1%, the Manager will compensate the current Participants in the Fund for any adverse effects. This compensation will only take place if the Manager identifies the incorrect calculation within thirty days after the date on which the Net Asset Value was incorrectly calculated. No such compensation took place in 2020.

Transactions with related parties

Where transactions are conducted with parties related to ASR Nederland, they will take place on the basis of conditions in line with the market. Where such transactions take place outside a regulated market, they will be carried out on an arm's length basis. If the transaction with a related party involves the issue and/or purchase of participation rights in an investment institution, the consideration will be calculated in the same way as for any other participant. In that case, an independent value assessment will not take place. The Fund is allocated mortgages produced by ASR Levensverzekering N.V. on a monthly basis according to an objective allocation method.

Available documentation

The Manager's articles of association and the Depositary's articles of association are available for inspection at the offices of the Manager. A copy of the license and of the articles of association can be obtained free of charge. Up-to-date information about the Subfunds, as well as the Information Memorandum, the (semi-)annual report can be obtained from the Manager free of charge upon written request. This information will also be published on the Manager's website www.asrvermogensbeheer.nl.

Complaints

Complaints may be submitted to the Manager in writing at the following address.

ASR Vermogensbeheer N.V.
Archimedeslaan 10
3584 BA Utrecht
The Netherlands

Specific enquiries regarding the mortgage fund can also be sent to hypotheekfonds@asr.nl.

The Manager is registered with the Netherlands Financial Services Complaints Tribunal (KiFiD).

Report of the Manager

Key figures

In 2020, the ASR Mortgage Fund Net Assets increased by €2,016 million to €6,242 million. €1,524 million of this increase was attributable to the non-NHG Subfund, and €492 million to the NHG Subfund. Further information on the Net Assets and return can be found in the Subfunds section.

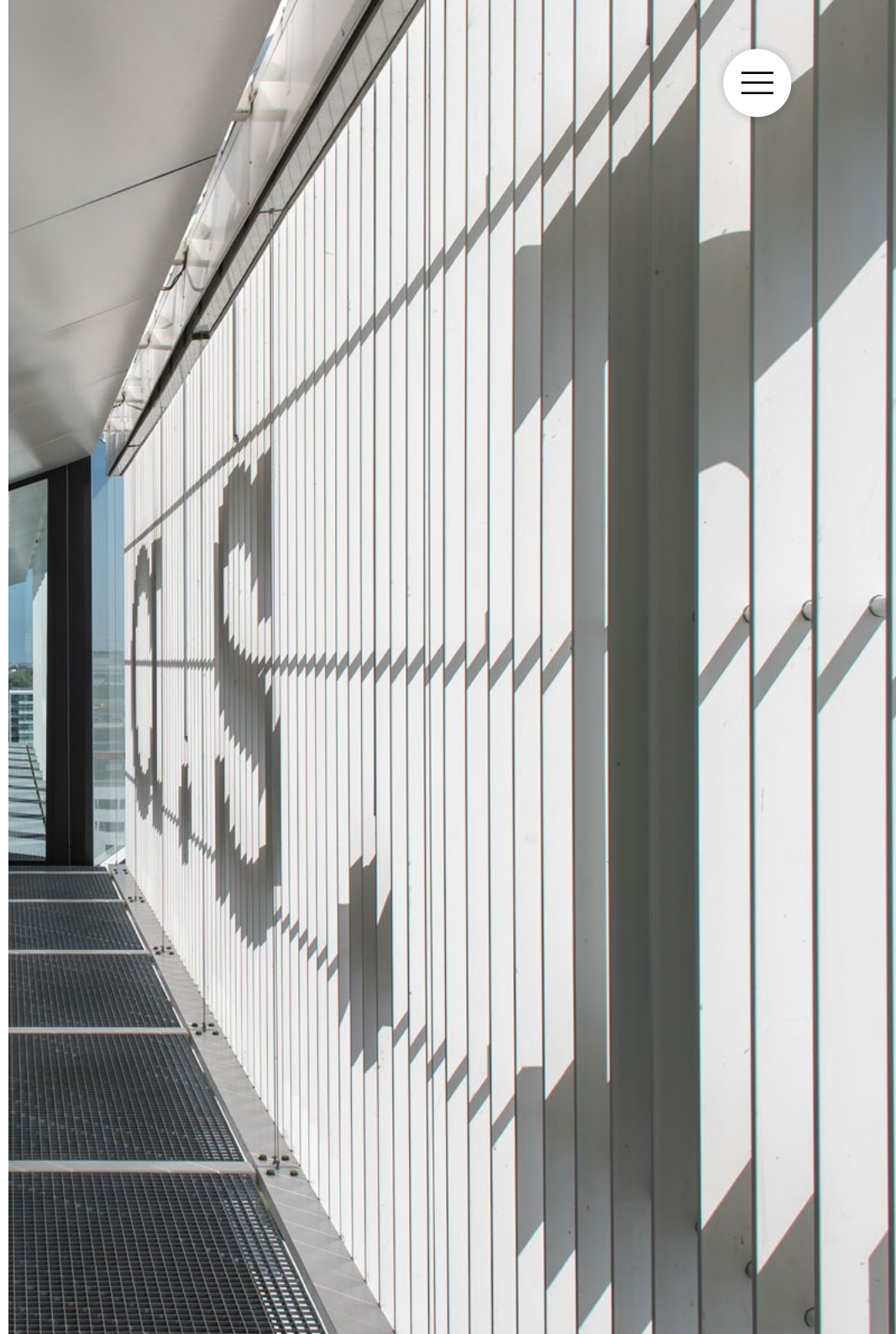
Developments affecting the fund during the reporting period

Composition of the Manager's management board

Mr. J.J.M. de Wit has resigned as director with effect from 11 November 2019. Mrs. W.M. Schouten was appointed on 1 May 2020. The directors of ASR Vermogensbeheer N.V. under the Articles of Association are Mr. J.Th.M. Julicher (chair), Mr. M.R. Lavooi and Mrs. W.M. Schouten.

In addition, Ms. A. van Melick, as member of the Executive Board of ASR Nederland N.V., is also considered a day-to-day co-policymaker of ASR Vermogensbeheer N.V. following the resignation of Mr. C. Figee, and on those grounds has undergone a reliability assessment as referred to in Section 4:9 of the Dutch Financial Supervision Act (Wft).

The persons mentioned have been assessed for reliability and have been approved by the AFM.



Risk management

Manager's risk structure

Risk management is the continuous and systematic risk monitoring of the organization and its activities in order to consciously take risks, reduce the likelihood of risks materializing or limit the consequences of such events. The objectives are controlled and ethical business practices, compliance with the laws and regulations and to act in the interest of the Participants. The key to this is ensuring that the main risks that affect management are identified and clarified so that appropriate management measures can be taken and the effectiveness of these measures can be monitored.

In line with the AIFMD legislation (Article 80), responsibility for risk management is a separate activity within the Manager's organization. In accordance with the AIFM Directive, a distinction is made between risks relating to the funds and risks relating to the Manager's organization.

The director responsible for risk management at the Manager reports on risk management in relation to funds subject to supervision directly to the CEO (Chief Executive Officer) of ASR Nederland N.V. The management organization's risk management complies with the Risk Charter that applies within ASR Nederland N.V. In accordance with the Risk Charter, the Manager reports for the management organization's risk management to the CFO (Chief Financial Officer) of ASR Nederland N.V., via the Manager's CFRO and ASR Nederland N.V.'s Finance & Risk director.

a.s.r. vermogensbeheer applies the 'Three lines of defense' model as its risk management model. This model clearly sets out the responsibilities in relation to risk management. The business units within the first line of defense are responsible for the adequate management of the risks related to the business

operations in the relevant business unit. The second line of defense is responsible for implementing an integrated and effective risk management framework for the first line of defense and monitoring risk management. The second line of defense is formed at ASR Nederland N.V. level and consists of the Group Risk Management division and the Integrity division (including Compliance). The Audit division forms the third line of defense and is responsible for independently assessing the effectiveness of the risk management system, the internal control structure and the soundness of the governance structure.

Risk management

Management of the mortgages included in the Subfunds has been outsourced to servicer ASR Levensverzekering N.V. The servicer is required to comply with the management conditions set out in both the Servicing Agreement and Mortgage Receivable Purchase Agreement. The obligations set out in these agreements include the periodic submission of reports on the development of arrears and losses. Developments in these areas are monitored by means of a number of agreed restrictions. The agreements also provide for the possibility of a "right to audit", and the servicer is required to issue an annual ISAE 3402 report.

The Manager uses a system of risk management measures to ensure that the Subfunds continuously comply with the requirements set out in the Fund Conditions and in the legal frameworks.

The Subfunds are sensitive to market movements in general (market risk), as well as to fluctuations in the value of collateral, the interest rate risk, liquidity risk and credit risk. However, the maximum loss for Participants is limited to the value of the Participations they hold. The main risks involved in investing in the Fund are described in the following table. An overview of all risk factors can be found in section 9 of the Information Memorandum.

Defined risk	Explanation
Credit risk	Credit risk concerns the possibility that the borrower will fail to make timely coupon payments and mortgage repayments. This risk is managed by imposing restrictions on the maximum Loan-to-Value ratio at the time of origination and a limit on the maximum concentration of interest-only mortgages. In the case of the Subfund with a national mortgage guarantee, this risk is further mitigated by the fact that the mortgages are covered by the National Mortgage Guarantee (Nationale Hypotheek Garantie, "NHG"). A strictly implemented acceptance and arrears policy at mortgage loan level by the servicer is essential to mitigate credit risks. Monitoring of these processes forms part of the ISAE 3402 Type II report for a.s.r. Hypotheken from the servicer ASR Levensverzekering N.V.
Counterparty risk	Counterparty risk is the risk that business will be conducted with an unreliable or uncreditworthy party. Customer due diligence procedures and measures apply for the purpose of managing this risk. The aim of these customer due diligence procedures and measures is to manage financial and/or non-financial losses resulting from the acceptance of potentially undesirable participants and transaction parties.
Concentration risk	Concentration risk is the risk that concentrations of mortgage loans with common characteristics will be held in the fund portfolio, which could have a negative impact on the Fund's performance. One of the ways of mitigating concentration risk within the Subfunds is by applying a lending limit to mortgage loans (€1 million for mortgages without the National Mortgage Guarantee and the NHG lending limit for mortgages with the National Mortgage Guarantee). A geographical diversification is achieved by the fact that approximately 5,000 intermediaries throughout the country are able to provide a.s.r. mortgage loans.
Liquidity risk	<p>Liquidity risk is the risk that the Fund will not be able to obtain the financial resources required to meet its obligations on time, and the risk that Participants will not have sufficient opportunity to withdraw from the Fund within a reasonable timeframe. The Fund invests in mortgage loans that cannot be converted into cash at short notice. Participants must submit a withdrawal request to the Manager, which the Manager is not obliged to grant. The Manager's decision will depend on the redemption requests received and/or cash available from interest and repayments received. The limited liquidity may limit the possibility, and prolong the process, of withdrawing from the fund.</p> <p>Participations in the Fund cannot be transferred to a third party, and can only be repurchased by the Manager depending on the available cash.</p>
Collateral risk	Developments within the housing market in the Netherlands can potentially have a negative impact on the value of the collateral furnished for a mortgage loan. The government has taken measures to mitigate this risk in recent years, for instance by reducing the maximum permitted Loan-to-Value ratio to 100%, limiting the interest deductibility of mortgage interest for income tax purposes to annuity and linear repayment mortgage loans since 1 January 2013, by permitting the refinancing of interest-only mortgages up to a maximum of 50% of the market value of the security and reducing the interest deductibility percentage over the coming years.

Defined risk	Explanation
Operational risk	Operational risk is the risk that errors will not be identified timely or that fraud may occur due to failing or inadequate internal processes, human error or system limitations, and unexpected external events. The Manager has a system that involves monitoring procedures, measuring defined constraints and identifying where limits have been exceeded to allow swift and appropriate action and risk mitigation. An escalation procedure is available as an additional tool for the rapid resolution of situations where limits have been exceeded. The most important processes carried out within the Manager are included in a.s.r. vermogensbeheer's ISAE 3402 Type II report.
Interest-rate risk	This risk relates to negative price trends caused by movements in the market interest rate. The fund manager has chosen not to hedge this risk within the fund.
Early repayment risk	It is possible that the debtor will repay more than the mortgage debt he or she is contractually obliged to repay. If the current applicable mortgage rate is lower than the mortgage interest rate applicable to the loan in question, and the debtor repays more than the annual permitted penalty-free repayment percentage (15%), the debtor is charged the present value of the interest rate difference to the outstanding loan amount.
Risk of anti-selection	This risk relates to the selection of mortgages that do not meet the conditions/criteria set out in the Fund's transaction documents. Portfolio Management and Risk Management respectively assess the proposed selection against the Fund's selection conditions prior to any acquisition of mortgage loans. The acquisition is only effectuated if the outcome is positive.
Valuation risk	Valuation risk is the risk that the mortgages within the Fund's portfolio will be incorrectly valued, resulting in an incorrect value of (the Participations in) the Fund. This risk is mitigated by valuing mortgages on the basis of a standard monthly process based on an established valuation method. The valuation method was validated by an external consultant at inception.

Table 1: main risks

No limits were exceeded and no incidents occurred in the reporting period that have had a material impact on the Fund. Furthermore, no significant changes or improvements to the risk management system were required.

One of the purposes of the semi-annual and annual reports is to provide an insight into the risks that have occurred at the end of the reporting period. The best way to obtain this insight is by reviewing this risk section in conjunction with the Subfund report, which provides more detailed information on the specific portfolio risks associated with the Subfund in question.

Fund governance and policy regarding conflicts of interest (DUFAS code of conduct)

In order to provide the Participants with guarantees that the management of the Fund will be carried out in a controlled and ethical manner and that the services will be provided with due care as referred to in the Wft, the Manager has endorsed the code of conduct drawn up by the sector organization DUFAS (Dutch Fund and Asset Management Association). This code of conduct sets out good practices relating to fund governance and offers further guidelines for the organizational structure and procedures of managers of investment institutions, with the aim of ensuring the Manager acts in the interests of the participants in its investment institutions, and structures its organizations in a way that prevents conflicts of interest.

An important part of fund governance is the presence of a Supervisory Board or entity that is sufficiently independent from the Manager and that supervises the management of the investment institutions by the Manager. This supervisory body has the task of monitoring compliance by the Manager with its obligation to act in the interests of the participants in its investment institutions.

The Manager has set out its 'principles of fund governance' in a Fund Governance Code. In addition, the Manager has drawn up a policy regarding conflicts of interest for all its activities. The principles underlying the policy are the avoidance and management of conflicts of interest that could be disadvantageous to clients of the Manager, and the equal and fair treatment of clients.

The Fund Governance Code and the conflict of interest policy can be found on the Manager's Website.

Personnel

The Manager does not employ any personnel. As at 31 December 2020, 165 employees and 159 FTEs were subcontracted by a.s.r. vermogensbeheer pursuant to an employee loan agreement with ASR Nederland N.V. The personnel expenses, which are charged to a.s.r. vermogensbeheer consist entirely of fixed remuneration (AIFMD Article 22, paragraph 2 e). The Manager does not share in the investment performance as remuneration for the management of the investment funds and has therefore no question of 'carried interest' (the share of the profit of the Fund intended for the Manager of the Fund as remuneration for the management). The salary expenses of the Directors are included in the recharged personnel expenses.

The table below includes the total remuneration with regard to the employees loaned by the Manager (numbers according to the end of the reporting period position). Allocation of these amounts to the fund is not possible since relevant information is not available. Further information about the remuneration policy is included on the website (www.asr.nl).

Personnel expenses (in euros)	01-01-2020 to 31-12-2020	No. of employees
Management Board	889,902	3*
Identified Staff	283,056	1**
Employees	20,429,609	161
Total	21,602,567	165

* The 2020 Management Board's remuneration relates to two management board members up to April 2020.

** The 2020 Identified Staff's remuneration related to two employees up to mid June 2020.

Sustainability policy

a.s.r. as a sustainable investor

Since 2007 a.s.r. has employed a formally approved investment policy that is applied to all investments, both own investments and investments for third parties. Over the years a.s.r. has expanded its efforts from the original exclusion criteria to a focus on making a positive contribution to a more sustainable world. A regular update on this is given in our quarterly reports on sustainable business practice.

All investments managed by a.s.r. vermogensbeheer are screened using our Socially Responsible Investment (SRI) policy (see www.asrnederland.nl) for social and environmental aspects and management criteria, etc. Countries and companies that do not meet the requirements are excluded. These include producers of controversial or conventional weapons and tobacco, the gambling industry and companies that derive most of their profits from the extraction of coal, tar sands and oil shale, the production of coal-fired electricity and nuclear energy. In addition, a.s.r. assesses companies on their compliance with international agreements such as the OECD guidelines and UN guidelines such as the Global Compact. a.s.r. pursues a strict exclusion policy for countries who do not respect the democratic freedoms or those countries with a poor score regarding corruption and environmental management.

a.s.r. guarantees full compliance with its own SRI policy through the internal implementation by the investment departments, the compliance process and independent external assurance by Forum Ethibel.

For a.s.r., sustainability is an essential part of the investment vision. a.s.r. believes that the integration of ESG factors in the management of its investments contributes directly to the reduction of risks (both financial and reputational) and has a positive impact on long-term performance. The SRI policy of a.s.r. is embedded in internal investment practice through:

Exclusion criteria for countries and companies

a.s.r. applies a strict exclusions policy for controversial activities and controversial behaviour, which applies to all internally managed portfolios, both for its own investments and investments for third parties. a.s.r. publishes twice a year a new list of excluded companies and once a year a new list of excluded countries (www.asrnl.com/about-asr/sustainable-business/sustainable-investor).

a.s.r.'s sustainable investment policy is valued

January 2020 saw the publication of the seventh policy assessment of the Fair Insurance Guide (Eerlijke Verzekeringswijzer, EV), an initiative by Friends of the Earth Netherlands, World Animal Protection, PAX, Oxfam Novib and Amnesty International. The aim of the EV is to make the investment policies pursued by insurance companies more sustainable and to optimise working practices. To this end, the largest providers on the Dutch market are compared in terms of sustainability. In the publication (www.eerlijkeverzekeringswijzer.nl), a.s.r. once again came out in first place overall among the insurance companies included in the survey. a.s.r. achieved the highest score of 10 for its policies on Weapons, Human Rights, Employment Rights and Food, while it earned a score of 9 for its policies on Corruption, Health, Nature, the Financial Sector, the Manufacturing Industry, and Housing and Real Estate. The rise to a 9 for Housing and Real Estate is partly due to the fact that 'ASR has a policy to improve the energy performance of the mortgage portfolio, provide green mortgage financing, monitor and publish an overview of the composition of the mortgage portfolio based on energy label, and approach customers in possession of homes with low energy labels to make them aware of the possibilities for saving on energy costs'.

The recent study by the Fair Insurance Guide (December 2020) has investigated how the 9 largest insurers on the Dutch insurance market deal with investments in arms companies, specifically if these companies supply weapon systems to regimes that are in armed conflict or violate human rights: controversial arms

trade. "a.s.r. has no investments in any of the 14 companies, and this is clearly a result of the quality of its policy" the researchers conclude. Besides a.s.r. there are 3 other insurers who, according to the research, do not invest in arms companies but, unlike a.s.r., they do not have any policy regarding arms trade.

Climate and energy transition

The topics of climate and energy transition have been an integral part of a.s.r.'s investment policy since 2017. In 2018, a.s.r. started to publish quarterly data on the carbon emissions of its entire investment portfolio and its individual funds. As an active participant in the Platform for Carbon Accounting Financials (PCAF), we are working with other financial institutions in the Netherlands to develop the calculation methods for all asset classes further.

Since the third quarter of 2019, a.s.r. has measured the carbon footprint of the a.s.r. mortgage portfolio. It does so using the PCAF method, which was refined at the end of 2020. The footprint of 96,4% of the a.s.r. mortgage portfolio was determined at year-end 2020 according to the refined PCAF method. This PCAF measurement is based on energy label, building year, and type of housing, converted to CO₂ emissions using general grid emission factors, which is an official PCAF standard for measuring CO₂ in mortgage portfolios.

For the ASR Mortgage Fund, the emission figure is 12.9 tonnes of CO₂eq per EUR 1 million of nominal debt (ultimo October 2019 14.0 tonnes in accordance with the refined methodology). For both Subfunds the emission figures are:

- NHG Subfund: 17.0 tonnes of CO₂eq per EUR 1 million of nominal debt
- Non-NHG Subfund: 11.3 tonnes of CO₂eq per EUR 1 million of nominal debt

As the measurement is based on energy labels, the difference in the emission figures between the two Subfunds is mainly due to the distribution of energy labels of the Subfund (as included in Figure 1).

The a.s.r. mortgages ESG policy

a.s.r. is keen to play a leading role in terms of ESG (Environmental, Social and Governance) policy as part of its mortgage lending.

Environmental

Through its mortgage lending activities, a.s.r. can help to reduce the carbon footprint of the urban environment. Mortgage lenders have taken part in the conversation regarding the Climate Agreement at the sector table for the Urban Environment. In consultation with the government and regulators, possibilities have been developed to offer consumers additional opportunities to include extra options in their financing arrangement to make their homes more sustainable. a.s.r. is committed to enabling mortgage clients to make their home 'greener' in two ways: by providing specific information about measures to improve the sustainability of properties and, where possible, by funding such measures. The portfolio is monitored, and clients with a low energy label (G being the lowest and A being the highest) will be informed based on a duty of care.

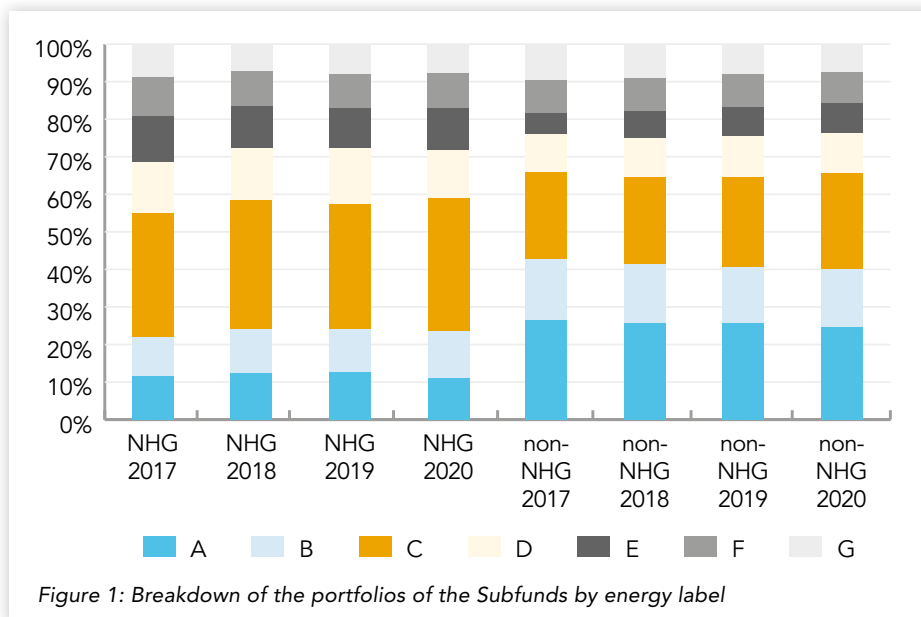
The following activities are carried out:

- An energy savings budget is offered to existing clients. At the end of 2020 the method of making the budget available is approved by the Ministry of the Interior and Kingdom Relations and it will be implemented in 2021.
- Currently, for 17% of all applications an additional Sustainability Mortgage is currently chosen. The average amount reserved through this type of mortgage was € 9,288. The a.s.r. WelThuis Sustainable Mortgage Loan was introduced in September 2019. By offering the sustainability loan as standard in every quote, a.s.r. makes an active contribution to increasing the use of existing legal options for sustainability.
- In the client portal we make clients who want to make early repayments, aware of the options to make their home more energy efficient. In addition, clients can now see the building deposit for sustainability in the portal separately from the regular building deposit.
- Existing clients with low energy labels are actively approached with an energy savings budget (with the exception of A labels and flats). In 2019 we already approached clients who have a home with an energy label E to G. In 2020 we approached clients with homes with an energy label B to D with information about measures to improve the energy efficiency of their property.

- We have seen that customers have a need for more information and inspiration when it comes to sustainability. In order to meet that demand a.s.r. mortgages has started in 2020 a new content platform in cooperation with a.s.r. insurance focused on inspiring customers to improve their homes. The platform went live in January 2021 and will be further improved throughout 2021.
- The composition and development of the portfolio is monitored on the basis of energy labels; a portfolio breakdown by energy label is included in the quarterly report of the ASR Mortgage Fund as standard.
- The carbon footprint of a.s.r. mortgage portfolios has been calculated since 2019. In 2020 the measurement method is further refined.

All these possibilities are part of the a.s.r. product range intended to enhance the sustainability of the product and a.s.r. does not charge any additional costs for these services.

a.s.r. monitors the composition of the portfolio based on energy labels once a quarter. Figure 1 shows the composition of each Subfund as at year-end:



The graph shows the distribution of energy labels per Subfund. While the difference between NHG and non-NHG is striking, it is in line with the ratio between NHG and non-NHG for the country as a whole. It is worth noting that the distributions do not change a lot over time. The reason is that there is no legal obligation for homeowners to update their energy label during the period when they live in the home, even if they implement sustainability measures. A definitive energy label is only required when the property is sold. Of course, there are promotions from a.s.r. during the term of the mortgage for the customer to adjust the energy label from provisional to final, in addition to the promotion of further sustainability measures for the home.

a.s.r. no longer sends paper-based statements in principle, unless requested to do so by the client. Administrative tasks (deposit payments, interest rate reviews) are processed digitally wherever possible.

Social

Through its mortgage lending activities, a.s.r. plays a role in meeting our clients' housing needs. We believe it is important that homeownership remains achievable for as many people as possible. In this context, we pay special attention to clients who struggle to access the housing market. In collaboration with the government and regulators, solutions have been found for the various groups, which a.s.r. is now implementing in its systems and processes.

- First-time buyers: With the first-time buyer mortgage, a.s.r. gives first-time buyers the opportunity to finance a home for a lower monthly mortgage payment by spreading the repayments over a term of longer than 30 years. Mortgages with a repayment term of longer than 30 years are a successful niche product. In 2020 the first-time buyers mortgage was 1.68% of the total mortgage production.
- Senior citizens: a.s.r. provides senior citizens who are looking to move house with the option to take part in the senior citizen scheme offered by the National Mortgage Guarantee. Under this scheme, lenders can now consider mortgage applications from consumers who are receiving the basic state pension ("AOW") or who will reach state AOW pension age in the next 10 years on the basis of actual expenditure rather than the usual financing standards.

- Preventive management: a.s.r. offers clients who are at risk of experiencing payment problems, support in the form of, amongst other things:
 - Budget coaches. For clients who should be able to make their repayments based on their income but who find it difficult to do so, a budget coach can help to bring structure to their income and expenditure.
 - Job coaches. For clients who are unemployed or at risk of becoming unemployed, a.s.r. can provide a job coach.

Governance

a.s.r.'s mortgage business is a flat organization in which initiatives from the office floor are a key driver of continuous performance improvement. In a culture that centers around our client promise, we work as a team to achieve clear, measurable goals. Employees have flexible working hours and are location independent. No variable compensation schemes are included at any level, which helps to prevent potential risks of conflicting interests.



Market developments and outlook

Economic developments

For the global economy, 2020 has become the most turbulent year since World War II. This is mainly due to the 'COVID-19' pandemic. In the first half of the year, the global economy experienced its deepest recession since 1945. The United States, Latin America and Europe were particularly hard hit. Within Europe, the United Kingdom took the hardest hit, not only because it was relatively badly affected by the coronavirus pandemic, but also because of Brexit. The 'last-minute' Brexit deal reached on Christmas Eve 2020 avoided the catastrophic scenario of a 'no-deal' Brexit, but 2020 nevertheless became the worst year economically for the United Kingdom in the past three centuries.

The global recession in the first half of 2020 was followed in the second half by a faster and stronger recovery than expected. Interestingly, after a strong recovery in the third quarter, economic data continued to point to a continued recovery of growth well into the fourth quarter of 2020. This was despite a resurgence of the coronavirus in the autumn that led to more and more 'lockdowns' and other restrictive measures towards the end of 2020, especially in the United States and Europe. The fact that the damage to the global economy was still relatively limited on balance was mainly due to the rapid turnaround of the economies in Asia, which were not affected as badly by the coronavirus as most other regions.

Another important factor that prevented an even deeper recession in 2020 was the large-scale intervention of governments and central banks. Soon after the outbreak of the coronavirus pandemic in the spring of 2020, large-scale stimulus packages went into effect in both the United States and the European Union, followed later in the year by a second round. In the United States, a stimulus package worth \$900 billion was adopted at the end of 2020. In the European Union, a fiscal stimulus package worth €750 billion was adopted just before Christmas 2020.

Mainly due to the coronavirus pandemic, inflation remained low in 2020. This is certainly true in the eurozone, where inflation fell to -0.3% year-on-year at the end of 2020. In the United States, inflation is still higher than in Europe in absolute terms, but it has fallen slightly, to 1.2% year-on-year at the end of 2020. Low inflation has given central bankers plenty of room to continue, and even expand, the extremely accommodating monetary policy of recent years. In addition, the focus in 2020 was no longer on interest rate cuts, because interest rates are already historically low and in some places (like the eurozone) even negative, but on increasing the size of the buying programmes, mainly of bonds, better known as 'quantitative easing' or simply 'QE'.

Financial markets

Given the deep recession that the global economy went through, 2020 was actually a remarkably good year for financial markets, especially stock markets. Measured over the whole of 2020, all asset classes delivered positive returns, ranging from 2 – 3% for corporate bonds and 5% for government bonds to around 6 – 10% for equities. The only exceptions were European equities, and especially European listed property, which on balance produced negative returns over the entire year. Asian equities and the US stock market actually performed above average.

Bond investors benefited from falling capital market interest rates and thus rising bond prices. Within Europe, government bonds from Southern European countries benefited most from the stimulus measures by governments and central banks (e.g. the ECB's PEPP- and PSPP-programmes), as well as from an increased risk appetite among investors. Interest rates on Spanish and Portuguese 10-year bonds were around 0% by the end of 2020 and those on Greek and Italian bonds around 0.5%. In the meantime, German and Dutch 10-year interest rates remained negative, both at around -0.5% at the end of 2020. Outside Europe, including in the United States and Australia, capital market rates at the end of 2020 were also well below those at the beginning of the year.

Outlook for the economy and financial markets

After the disastrous year of 2020, 2021 looks set to be a year of economic growth recovery. In the short term, 'lockdowns' and other restrictive measures continue to dominate the economic environment, but as vaccination rates increase during the year, a robust economic growth recovery is to be expected. The fiscal stimulus packages announced towards the end of 2020 in the European Union and the United States will further fuel the growth recovery. Moreover, political risk is less of a concern now than it was until recently, with the United States presidential election and Brexit behind us.

That is not to say, however, that there are no longer any risks for the global economy. One risk scenario is that the 'COVID-19' virus spreads and/or mutates faster than the vaccination rate increases, requiring 'lockdowns' to be maintained for longer than currently anticipated. Furthermore, even in a more favorable scenario, the deep recession of 2020 will leave its mark for some time, for example in the form of higher unemployment rates and increasing numbers of bankruptcies. A risk that is perhaps still underestimated is that, as the economic growth recovery continues in 2021, inflationary pressures may also increase. In the US, further large-scale fiscal stimulus programmes are expected from the incoming Biden administration, which could lead to possible overheating of the US economy and increasing inflationary pressures later in the year.

If this were to happen more quickly or intensively than currently expected, central banks may also be forced to raise interest rates or otherwise shift to tighter monetary policy earlier than expected. However, to the extent that this is even a risk, it does not seem likely that this scenario will already occur in the first half of 2021.

For financial markets, the baseline scenario of a strong growth recovery in 2021 continues to be an argument for an above-average allocation to relatively 'risky' asset classes, such as equities and corporate bonds. However, it should be noted that, in 2020, the prices of these asset classes have already anticipated economic recovery to a great extent. Consequently, return expectations for almost all investments are now moderately positive at best. For the time being, government bonds continue to benefit from the combination of low inflation and very accommodating monetary policies by central banks, particularly through the various buying programmes, but as the economic recovery continues, the sentiment towards inflation and interest rates may turn. This constitutes a risk for the price development of government bonds. For listed property, higher interest rates are also a potential threat. We remain positive with respect to mortgage investments. Spreads with respect to swaps and the Dutch State are still attractive, and the risks are limited in our view.

Developments in the Dutch Mortgage Market

Below, we discuss developments among the various stakeholders on the Dutch mortgage market (consumers and mortgage lenders), before we zoom in on the housing market and the affordability of homes. Finally, we will present our outlook for 2021.

Consumers

It was difficult to estimate in advance whether and how the coronavirus would affect the behaviour of Dutch consumers in the mortgage market in 2020. It had already appeared from previous crises in the Dutch housing market (the credit crisis of 2008 – 2015 and the housing market crisis in the early 1980s) that negative effects, such as the accumulation of arrears and losses, had a long lead time of sometimes several years.

Therefore, it was interesting to follow the development of consumer indicators. On balance, despite the enormous impact of the coronavirus on the economy and society, well-known indicators such as consumer confidence and unemployment trends only exhibited a moderately negative development. The fact that the indicators did not show a substantially stronger negative outcome is mainly due to the substantial income support and other support packages made available from the Dutch government since the outbreak of the coronavirus crisis. It is subsequently notable that, in relation to the moderately negative trend in generic indicators, consumers have been able to escape the negative sentiment, specifically in the housing market. The positive sentiment exception in the housing market is clearly visible in the development of consumer confidence. Generic consumer confidence as published by Statistics Netherlands (CBS) initially fell sharply below the neutral equilibrium level in the second quarter of 2020 before stabilising. Since October last year, the index has been recovering to less negative levels. In contrast, the specific housing market indicator of the Association of (Prospective) Homeowners (Vereniging Eigen Huis) has recovered to a positive value again after falling below the neutral level since November.

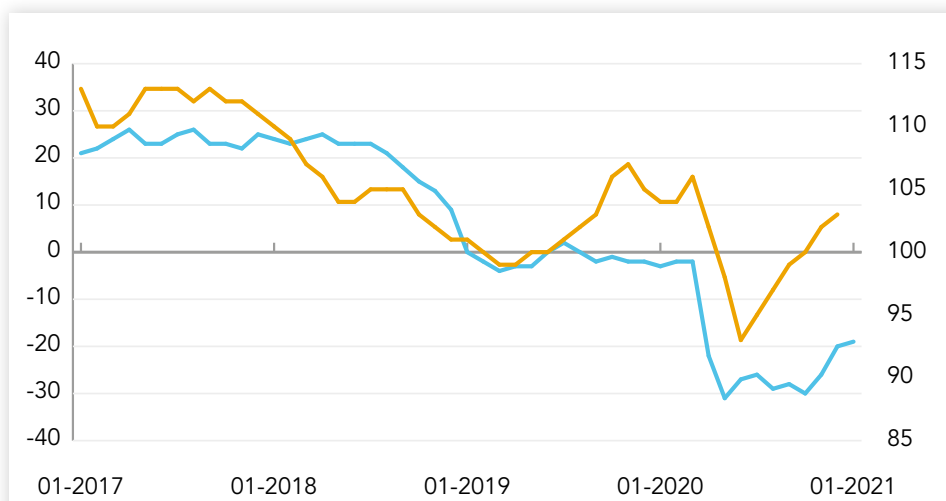


Figure 2: Historical development consumer confidence (source: CBS and Vereniging Eigen Huis)

Mortgage lenders and the mortgage market

The market share of banks in the Netherlands has dropped compared to a year ago (30 September 2020: 56.6%, 30 September 2019: 65.9%). Insurers have been able to maintain their market share (30 September 2020: 11.8%, 30 September 2019: 10.9%). The significant increase in market shares of mortgage funds (30 September 2020: 19.2%, 30 September 2019: 14.3%) underscores the broad investment interest in Dutch mortgage loans outside the traditional circle of lenders.

Residential property market

Looking at the movement in the average house price over 2020, interest in home ownership was higher than ever. As at the end of the third quarter of 2020, the average home was worth €345,443: a rise of 9.9% (2019: +6.4%) compared to the same quarter one year ago. The graph below shows that the average Dutch house price has risen continuously since 30 June 2013.

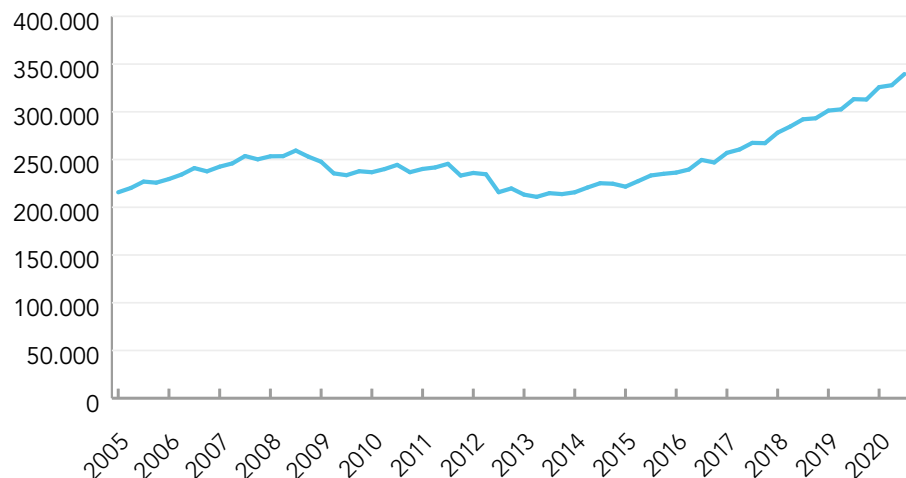


Figure 3: Average house price in the Netherlands in euros (source: Land registry)

The number of residential property transactions also rose sharply in 2020. Up to and including the third quarter, 168,708 homes were sold in 2020, an increase of 6.2% compared to the first nine months of 2019.

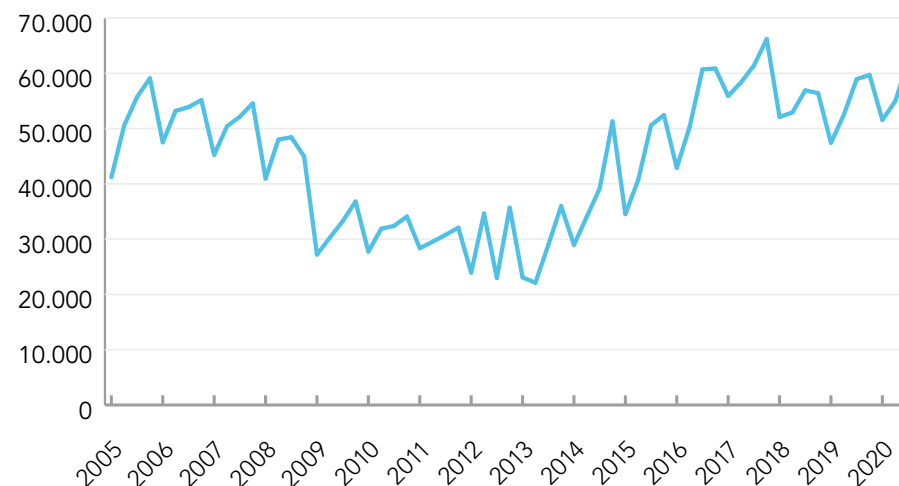
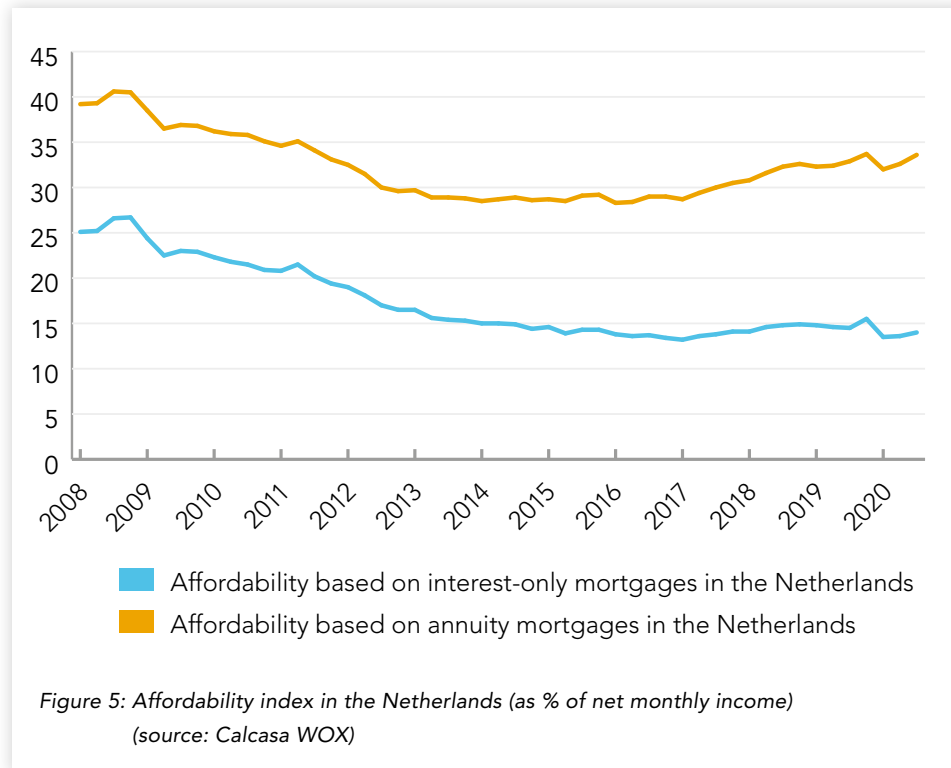


Figure 4: Number of house sales (source: Land registry)

Mortgage affordability

The net interest cost of a mortgage has been stable for about seven years at a level of around 15% of net household income. Affordability has remained the same, as rising house prices are offset by falling mortgage interest rates and – to a lesser extent – rising incomes. Since 2013, people must repay new mortgages before they are entitled to mortgage interest deduction. As a result, mortgage spending has risen sharply compared with the period before 2013, when many home buyers opted for an interest-only mortgage. The affordability index based on the annuity mortgage has deteriorated only slightly during the past two years from 32.3% to 33.6%.

The graph below shows the aforementioned developments in the form of an 'affordability index', i.e. the share of the average Dutch net household income spent on average net housing costs.



Outlook for 2021

The housing market was not affected by COVID-19 in 2020. As long as the government remains willing to provide income support until the Dutch economy can stand on its own feet, there is no reason to expect a major crisis in the housing market.

Key drivers supporting housing demand in 2021 are:

- the Dutch government continuing to provide support until the Dutch economy recovers on its own, thanks to the combination of mass vaccination and group immunity;
- a growing population in the Netherlands looking to buy their own home;
- rent increases and a lack of available rental properties, which do not make the rental market an attractive alternative to buying;
- the fact that the availability of new homes is also expected to lag behind the Dutch government's ambitions in 2020. There are several reasons for this situation, such as permit issues, the availability of qualified personnel, as well as – more recently – the PFAS and nitrogen debates that are hampering the rapid growth in the number of new houses.

Factors that may limit an increase are:

- declining consumer confidence as a result of a prolongation of the COVID-19 crisis due to, for example, the emergence of new variants resistant to existing vaccines;
- phasing out of government support while the economy has not yet sufficiently recovered;
- the withdrawal of specific buyer groups such as first-time buyers, who are no longer able to finance the purchase of a home within the strict financing framework;
- a decline in private and institutional interest in purchasing homes as an investment, due to expected bubble forming.

The outlook for mortgage investors continues to be favorable. In the current uncertain economic environment with ample availability of liquidity that can be invested, interest rates are expected to remain low. The limited increase in house prices and very limited losses on receivables greatly mitigate credit risk. Taking sufficient account of their illiquid nature, mortgages are therefore still an excellent alternative to low-interest investment categories such as government loans.

ASR Mortgage Fund Subfunds

Subfund with a Dutch National Mortgage Guarantee

The Subfund offers investors the opportunity to invest in residential mortgages in the Netherlands. The long-term goal of the Subfund is to generate a stable and direct income stream for its participants. Only mortgage loans with a national mortgage guarantee are included in the NHG Subfund (low risk profile).

Characteristics	Subfund with a national mortgage guarantee
All-in management fee*	0.45% of the total assets of the Subfund
Entry and exit charges	0.00% of the Net Asset Value of the Subfund

Table 2: Mortgage fund charges

* The management fee also covers costs incurred by a.s.r. vermogensbeheer in respect of mortgage lending and servicing of the mortgage portfolio.

Return and portfolio policy

The Net Assets saw a sharp increase in 2020 from € 1,257.2 million to € 1,749,4 million.

	Net Assets (x €1,000)	Subfund Returns
31-12-2020	1,749,388	3.51 %
31-12-2019	1,257,147	8.30 %
31-12-2018	451,767	2.23 %
31-12-2017	129,752	3.07 %

Table 3: Return

Over the reporting period, the Subfund achieved a return of 3.51% based on the Net Asset Value and dividend paid during the year. A key driver of the Net Asset Value movement is the movement in a.s.r. WelThuis NHG mortgage rates. Both the NHG mortgage rates and the non-NHG mortgage rates decreased in 2020. The reference index return for 2020 was 3.84%. The reference index for the NHG Subfund is a composite index consisting of Merrill Lynch swap indices with a similar duration to that of the expected cashflows of the NHG Subfund. The composition of the index is updated on a monthly basis according to the new duration of expected cashflows. The reference index is not a benchmark. The purpose of the reference index is to provide insight into the interest-rate sensitivity of the profitability. The 3.84% index return is higher than the 3.51% annual return on the NHG Subfund. This is mainly due to the fact that the decrease of the swap rates exceeded the decrease of the NHG mortgage rates.

Value movement per participation	2020	2019	2018	2017
Income	221.03	235.97	239.47	143.31
Changes in value	219.46	692.12	170.53	306.16
Costs	-48.86	-48.07	-45.17	-29.08
Result after tax	391.63	880.02	364.83	420.39

Table 4: value movement

Amounts per participation are based on the average number of participations during the financial year (24 measurement points during the reporting period).

Risk management:

The main portfolio-specific risks associated with the NHG Subfund are:

Concentration risk:

If multiple investments are made in the same sector, geographical area or investment category, concentrations can occur in these sectors, areas or categories resulting in a risk that this concentration will make the investment portfolio as a whole more sensitive to general and specific market movements in these sectors, areas and categories. The Subfund Manager will seek to limit the risk to the investor to an acceptable level by maintaining a certain degree of geographical diversification across the investments. There is also a large number of borrowers. A concentration limit of 25% applies to interest-only mortgages.

Mortgage portfolio by product	31-12-2020	31-12-2019
Annuity	81.92%	81.04%
Interest-only	12.98%	13.46%
Straight-line	5.10%	5.51%

Table 5: portfolio breakdown by product

Mortgage portfolio by province	31-12-2020	31-12-2019
Drenthe	3.85%	4.52%
Flevoland	2.68%	2.19%
Friesland	4.43%	3.43%
Gelderland	13.64%	13.02%
Groningen	4.69%	4.80%
Limburg	9.56%	11.02%
Noord-Brabant	15.00%	13.76%
Noord-Holland	9.05%	9.50%
Overijssel	8.80%	8.28%
Zuid-Holland	18.48%	18.09%
Utrecht	6.22%	5.86%
Zeeland	2.99%	3.88%
Other (new developments)	0.61%	1.65%

Table 6: portfolio breakdown by province

The percentages in the above tables have been calculated based on nominal loan amounts.

Credit risk:

The Subfund invests in mortgage loans that are characterized by a credit risk. The value of the mortgage loans is influenced in part by positive or negative developments in the creditworthiness of the debtor. A deterioration in creditworthiness can potentially mean that the debtor is no longer able to meet his or her obligations.

Stringent selection criteria are applied when including mortgage loans in the fund, including the Loan-to-Value ratio (maximum of 100% since 1 January 2018, maximum of 106% if it covers investments in energy-saving features) and interest-only percentage limits. Within the Subfund, credit risk is also limited by only investing in mortgage loans covered by a national mortgage guarantee. The national mortgage guarantee is a guarantee on mortgage loans for the purchase and improvement of an owner-occupied property. If the property unexpectedly needs to be sold for reasons such as divorce, unem-

ployment or death and the proceeds are less than the mortgage debt, the Homeownership Guarantee Fund (Waarborgfonds Eigen Woning, WEW) will pay the remaining debt to the lender. In the context of the WEW, this remaining debt is determined on the basis of a 30-year annuity repayment schedule. The WEW is a private organization that has backstop agreements with the Dutch government and municipalities. Consequently, DNB views the national mortgage guarantee as a government guarantee. Since 1 January 2014, lenders must bear a mandatory uninsured risk of 10% of a potential loss. Where loss claims are submitted in respect of lending that has taken place, WEW calculates the excess for the lender.

The following overview shows a breakdown of the portfolio by residual debt relative to the underlying market value of the security. From 2020 the current loan to current market value or CLTCMV is included (prior period comparative figures relate to the current loan to original market value or CLTOMV):

Current Loan-to-Current Market value (%)	31-12-2020		31-12-2019	
	CLTCMV-breakdown %	CLTCMV – weighted average per bucket (%)	CLTOMV-breakdown %	CLTOMV – weighted average per bucket (%)
0 – 10%	0.00%	-	0.00%	-
10 – 20%	0.03%	17.44%	0.02%	18.07%
20 – 30%	0.09%	25.90%	0.07%	25.92%
30 – 40%	0.27%	34.97%	0.29%	35.34%
40 – 50%	0.78%	46.42%	0.53%	46.37%
50 – 60%	2.47%	55.59%	1.98%	55.77%
60 – 70%	4.69%	65.65%	3.65%	65.59%
70 – 80%	9.87%	75.53%	8.06%	75.75%
80 – 90%	18.26%	85.53%	14.99%	85.56%
90 – 100%	59.63%	95.56%	66.43%	96.69%
More than 100%	3.91%	102.33%	3.98%	104.63%

Table 7: portfolio breakdown by Loan-to-Value ratio

The percentages in the above tables have been calculated based on nominal loan amounts. The following overview shows a breakdown of the portfolio by loan size. A national mortgage guarantee cost limit of € 310,000 applied in 2020 (2019: € 290,000).

Breakdown by remaining debt (%)	31-12-2020	31-12-2019
Less than 50.000	0.05%	0.05%
50.001 – 100.000	1.27%	1.35%
100.001 – 150.000	13.15%	14.09%
150.001 – 200.000	29.03%	29.95%
200.001 – 250.000	34.02%	35.37%
More than 250.001	22.48%	19.19%

Table 8: portfolio breakdown by remaining debt

At 31 December 2020, a provision for credit losses amounting to €5,000 (31-12-2019: €38,000) has been recorded. One loan (€139,000) had arrears of more than three months.

Interest-rate risk:

The value of the investments is sensitive to changes in the mortgage interest rate. Rising interest rates will generally lead to a fall in the value of the mortgage portfolio. The following overview shows a breakdown of the portfolio by fixed-rate term:

Breakdown by fixed-rate term (%)	31-12-2020	31-12-2019
Shorter than one year	0.38%	0.27%
Between 1 and 5 years	0.19%	0.13%
Between 5 and 10 years	9.60%	11.58%
Between 10 and 15 years	3.94%	4.54%
Between 15 and 20 years	61.26%	55.29%
Between 20 and 25 years	1.98%	2.34%
Between 25 and 30 years	22.65%	25.85%

Table 9: portfolio breakdown by fixed-rate term

The effective duration of the portfolio, taking into account moving and early repayment options, was 8.3 as at 31-12-2020 (31-12-2019: 8.5).

The following overview shows a breakdown of the portfolio by mortgage interest rate at loan level.

Breakdown by coupon %	31-12-2020	31-12-2019
Less than 1,5 %	6.67%	1.23%
1,5 % - 2,0 %	33.48%	14.01%
2,0 % - 2,5 %	39.40%	54.12%
2,5 % - 3,0 %	20.42%	30.59%
3,0 % - 3,5 %	0.03%	0.05%

Table 10: portfolio breakdown by coupon



Subfund without a Dutch National Mortgage Guarantee

The Subfund offers investors the opportunity to invest in residential mortgages in the Netherlands. The long-term goal of the Subfund is to generate a stable and direct income stream for its participants. Only mortgage loans without a national mortgage guarantee are included in the non-NHG Subfund (higher risk profile, higher return).

Characteristics	Subfund without a national mortgage guarantee
All-in management fee*	0.45% of the total assets of the Subfund
Entry and exit charges	0.00% of the Net Asset Value of the Subfund

Table 11: Mortgage fund charges

* The management fee also covers costs incurred by a.s.r. vermogensbeheer in respect of mortgage lending and servicing of the mortgage portfolio.

Return and portfolio policy

The Net Assets saw an increase in 2020 from € 2,968.6 million to € 4,492.9 million.

	Net Assets (x €1,000)	Subfund Returns
31-12-2020	4,492,862	2.16 %
31-12-2019	2,968,585	9.27 %
31-12-2018	1,446,000	1.80 %
31-12-2017	381,074	2.56 %

Table 12: return

Over the reporting period, the Subfund achieved a return of 2.16% based on the Net Asset Value and dividend paid during the year. A key driver of the Net Asset Value movement is the movement in a.s.r.'s non-NHG WelThuis mortgage rates. Both the NHG mortgage rates and the non-NHG mortgage rates decreased in 2020. The reference index return for 2020 was 3.70%. The reference index for the non-NHG Subfund is a composite index consisting of Merrill Lynch swap indices with a similar duration to that of the expected cashflows of the non-NHG Subfund. The composition of the index is updated on a monthly basis according to the new duration of expected cashflows. The reference index is not a benchmark. The purpose of the reference index is to provide insight into the interest-rate sensitivity of the profitability. The 3.70% index return is higher than the 2.16% annual return on the non-NHG Subfund. This is mainly due to the fact that the decrease of the swap rates exceeded the decrease of the NHG mortgage rates.

Value movement per participation	2020	2019	2018	2017
Income	245.13	260.79	257.92	196.19
Changes in value	52.26	722.91	22.63	470.07
Costs	-48.70	-47.25	-45.52	-36.38
Result after tax	248.69	936.45	235.03	629.88

Table 13: value movement

Amounts per participation are based on the average number of participations during the financial year (24 measurement points during the reporting period).

Risk management

The main portfolio-specific risks associated with the non-NHG Subfund are:

Concentration risk:

If multiple investments are made in the same sector, geographical area or investment category, concentrations can occur in these sectors, areas or categories resulting in a risk that this concentration will make the investment portfolio as a whole more sensitive to general and specific market movements in these sectors, areas and categories. The Subfund Manager will seek to limit the risk to the investor to an acceptable level by maintaining a certain degree of geographical diversification between the investments. There is also a large number of borrowers. A concentration limit of 50% applies to interest-only mortgages.

Mortgage portfolio by product	31-12-2020	31-12-2019
Annuity	71.50%	69.65%
Interest-only	24.30%	25.67%
Straight-line	4.20%	4.68%

Table 14: portfolio breakdown by product

Mortgage portfolio by province	31-12-2020	31-12-2019
Drenthe	1.86%	2.36%
Flevoland	2.00%	1.07%
Friesland	1.70%	1.30%
Gelderland	11.67%	11.57%
Groningen	1.66%	1.63%
Limburg	4.40%	6.11%
Noord-Brabant	16.30%	15.46%
Noord-Holland	18.18%	17.76%
Overijssel	4.82%	4.99%
Zuid-Holland	21.03%	19.22%
Utrecht	13.54%	12.25%
Zeeland	1.52%	2.22%
Other (new developments)	1.32%	4.06%

Table 15: portfolio breakdown by province

The percentages in the above tables have been calculated based on nominal loan amounts.

Credit risk:

The Subfund invests in fixed-interest securities that are characterized by a credit risk. The value of the mortgage loans is affected by positive or negative developments in the creditworthiness of the debtor. A deterioration in creditworthiness can potentially mean that the debtor is no longer able to meet his or her obligations.

Stringent selection criteria are applied when including mortgage loans in the fund, including with regard to the Loan-to-Value ratio (maximum of 100% since 1 January 2018, maximum of 106% if it covers investments in energy-saving features) and interest-only percentage limits.

The following overview shows a breakdown of the portfolio by residual debt relative to the underlying market value of the security. From 2020 the current loan to current market value or CLTCMV is included (prior period comparative figures relate to the current loan to original market value or CLTOMV):

Current Loan-to-Current Market value (%)	31-12-2020		31-12-2019	
	CLTCMV-breakdown %	CLTCMV – weighted average per bucket (%)	CLTOMV-breakdown %	CLTOMV – weighted average per bucket (%)
0 – 10%	0.01%	8.90%	0.01%	8.51%
10 – 20%	0.13%	16.38%	0.15%	16.78%
20 – 30%	0.34%	25.89%	0.34%	25.82%
30 – 40%	0.80%	35.38%	0.92%	35.62%
40 – 50%	1.67%	45.68%	1.90%	45.89%
50 – 60%	2.88%	55.50%	2.49%	55.57%
60 – 70%	6.03%	65.88%	4.27%	65.76%
70 – 80%	16.61%	75.84%	11.44%	75.85%
80 – 90%	24.65%	84.61%	19.81%	84.80%
90 – 100%	44.47%	95.56%	55.08%	96.48%
More than 100%	2.41%	102.05%	3.59%	104.28%

Table 16: portfolio breakdown by Loan-to-Value ratio



The percentages in the above tables have been calculated based on nominal loan amounts. The following overview shows a breakdown of the portfolio by loan size. One of the selection criteria for the Subfund is a maximum mortgage sum of €1 million.

Breakdown by remaining debt (%)	31-12-2020	31-12-2019
Less than 100,000	0.71%	0.83%
100,001 – 200,000	6.25%	6.63%
200,001 – 300,000	23.76%	24.92%
300,001 – 400,000	37.33%	35.80%
400,001 – 500,000	17.65%	17.60%
500,001 – 600,000	8.12%	8.04%
600,001 – 700,000	4.35%	3.88%
700,001 – 800,000	1.35%	1.74%
More than 800,000	0.48%	0.56%

Table 17: portfolio breakdown by remaining debt

At 31 December 2020, a provision for credit losses amounting to €11,000 (31-12-2019: €8,000) has been recorded. One loan (€198,000) had arrears of more than three months.

Interest-rate risk:

The value of the investments is sensitive to changes in the market interest rate. Rising interest rates will generally lead to a fall in the value of the mortgage portfolio. The following overview shows a breakdown of the portfolio by fixed-rate term:

Breakdown by fixed-rate term (%)	31-12-2020	31-12-2019
Shorter than one year	0.98%	1.07%
Between 1 and 5 years	0.32%	0.37%
Between 5 and 10 years	13.31%	17.71%
Between 10 and 15 years	3.69%	3.62%
Between 15 and 20 years	65.74%	63.15%
Between 20 and 25 years	1.38%	1.13%
Between 25 and 30 years	14.58%	12.95%

Table 18: portfolio breakdown by fixed-rate term

The effective duration of the portfolio, taking into account moving and early repayment options, was 8.3 as at 31-12-2020 (31-12-2019: 8.3). The following overview shows a breakdown of the portfolio by mortgage interest rate at loan level.

Breakdown by coupon %	31-12-2020	31-12-2019
Less than 1,5 %	1.48%	0.36%
1,5 % - 2,0 %	28.30%	7.12%
2,0 % - 2,5 %	28.75%	24.78%
2,5 % - 3,0 %	36.11%	56.48%
More than 3,0 %	5.36%	11.26%

Table 19: portfolio breakdown by coupon

In Control statement

The Manager's description of its business operations meets the requirements of the Financial Supervision Act (Wet op het financieel toezicht, "Wft"). The Manager has reviewed various aspects of its business operations during the past financial year. In the course of these activities, no findings were made that would lead to the conclusion that the description of the structure of the business operations does not meet the requirements as set out in the Wft and related legislation.

The Manager has also not come across any findings that indicate that the business operations do not function effectively or not in accordance with the description. We therefore declare with a reasonable degree of certainty that the business operations functioned in accordance with the stated description in 2020.

The Fund's asset management is carried out by ASR Nederland N.V. staff employed by the Manager under an employee loan agreement. The Manager has issued an ISAE 3402 Type II report and has obtained an assurance report on this. This report confirms the Manager's view regarding the investment and other processes.

Utrecht, 8 March 2021

ASR Vermogensbeheer N.V.

On behalf of ASR Mortgage Fund

The management,

Mr. J.T.M. Julicher (director)

Mr. M.R. Lavooi (director)

Mrs. W.M. Schouten (director)

Mr. N.H. van den Heuvel (CFRO)



Supervisory Board Report

According to the law and its rules of procedure, the Supervisory Board is responsible for supervising the manager's policy and performance of tasks and the general state of affairs within the funds it supervises, all in the interest of the participants. The Supervisory Board also protects the interests of the participants by supervising compliance by the manager with the Fund Governance Code and advising the manager. The board is responsible for the quality of its own activities. Members are appointed for a term of four years and will retire periodically by rotation in accordance with a schedule to be determined by the board. The board has not set up any committees due to its size.

Composition and rotation schedule

The board's composition, organization and procedures comply with the applicable Corporate Governance Code of Conduct. The members are independent within the meaning of best practice provision III. 2.1 of this code.

The members of the Supervisory Board are Mr. B. Vliegenthart (chair), Mr. R.M.J.W. Beetsma and Mr. O. Labe.

The members have established the following rotation schedule:

Name	Current term expires	Reappointment possible
Mr. Vliegenthart	December 2021	Yes
Mr. Labe	January 2022	Yes
Mr. Beetsma	December 2022	Yes

Members may serve on the board for a maximum of twelve years, unless the Supervisory Board decides otherwise.

Procedures

Four meetings with the manager took place in the reporting year. During the meetings in the reporting year the manager provided the board with extensive information on the features and set-up of the mortgage fund. The board also obtained extensive information on the governance structure of the mortgage fund. One of the ways in which the manager prepared the topics discussed during the meetings was via monthly and quarterly reports. The board concluded that these documents provided the clear information it requested. Open discussions have taken place with the manager regarding policy and the current state of affairs within the mortgage fund, during which the Supervisory Board paid special attention to the following topics:

- the 2019 external audit report;
- the manager's ISAE 3402 type 2 statement;
- the 2019 annual report;
- the 2020 semi-annual report;
- feedback from participant meetings;
- performance and risk management overviews, including the complaints and incidents register;
- the impact of the coronavirus on the mortgage funds;
- the launch of the ASR Separate Account Mortgage Fund.

Explanation on several topics discussed by the Supervisory Board

- When discussing the risk reports, considerable attention was paid to any additional operational risks related to working from home as a result of the coronavirus crisis. It was observed that this has not led to an increase in incidents or incidents that can be traced back to working from home.
- Also the impact of the coronavirus on the mortgage market and the mortgage funds was discussed throughout the year, including the impact on the mortgage fund targets for 2021.
- In February 2020, the ASR Separate Account Mortgage Fund was launched. The difference between this second fund and the ASR Mortgage Fund is that participants can invest in their own separated account rather than in a shared portfolio. The Supervisory Board closely followed its progress and was, for example, informed about the functioning of the vertical slice methodology for this fund.

Word of thanks

We thank the manager and the staff for their professional and enthusiastic commitment towards achieving the objectives of the ASR Mortgage Fund.

Utrecht, 8 March 2021

Mr. B. Vliegenthart, chair
Mr. R.M.J.W. Beetsma
Mr. O. Labe



Financial statements 2020

Subfund with Dutch National Mortgage Guarantee



Balance sheet

Balance sheet as at 31 December 2020 (before appropriation of the result
x €1,000)

Balance sheet	31-12-2020	31-12-2019	Reference
Investments			
Mortgages	1,736,168	1,248,549	
Total investments	1,736,168	1,248,549	1

Receivables	31,383	25,583	2
Other assets			
Cash	37	-	3
Current liabilities	-18,200	-16,985	4
Receivables and other assets less current liabilities	13,220	8,598	
Assets less current liabilities	1,749,388	1,257,147	

Issued participation capital	1,659,642	1,197,403	
Other reserves	58,018	6,802	
Unappropriated result	31,728	52,942	
Total Net Assets	1,749,388	1,257,147	5

Profit and loss account

Profit and loss account for the period from 1 January 2020 until 31 December 2020 (x € 1.000)

Profit and loss account	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019	Reference
Investment income	29,702	17,474	7
Realized changes in the fair value of investments	-	4	8
Unrealized changes in the fair value of investments	35,568	70,648	8
Other income	-6,076	-19,399	9
Total operating income	59,194	68,727	

Management fee	-6,599	-3,521	
Other expenses	33	-38	
Total operating expenses	-6,566	-3,559	10

Profit after tax	52,628	65,168	
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Cashflow statement

Cashflow statement for the period 1 January 2020 to 31 December 2020
(x €1,000) Prepared according to the indirect method

Cashflow statement	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019	Reference
Total investment result	52,628	65,168	
Changes in the fair value of investments	-35,568	-70,652	1
Change in the provision for credit losses	-33	38	
Acquisition of investments (-)	-534,902	-769,538	1
Sales and repayments of investments (+)	82,884	40,758	1
Increase (-)/Decrease (+) in receivables	-5,800	-17,372	2
Increase (+)/Decrease (-) in liabilities	1,215	11,219	4
Net cash flow from investment activities	-439,576	-740,379	
Issue of participations	479,988	755,431	5
Redemption of participations	-17,749	-2,260	5
Dividend payment	-22,626	-12,959	
Net cash flow from financing activities	439,613	740,212	
Movement in cash	37	-167	
Cash per January 1	-	167	3
Cash per December 31	37	-	3
Movement in cash	37	-167	

Principles of valuation and determination of results

General

The ASR Mortgage Fund ('the Fund') is a mutual fund. The Fund consists of two Subfunds with their own risk profiles:

- The Subfund with NHG (National Mortgage Guarantee). This Subfund only includes mortgage receivables with a National Mortgage Guarantee (lower risk profile). This Subfund was established on 12 May 2017;
- The Subfund without NHG (National Mortgage Guarantee). This Subfund only includes mortgage receivables without a National Mortgage Guarantee (higher risk profile). This Subfund was established on 21 March 2017.

The annual report of the Subfund is prepared in accordance with Guideline 615 'Investment Institutions' of the Dutch Accounting Standards Board, in Title 9, Book 2, of the Dutch Civil Code (Burgerlijk Wetboek, "BW") and in the Financial Supervision Act. All amounts included in the annual report are in thousands of euros, unless stated otherwise. The amounts stated in the tables are rounded figures, therefore rounding differences may occur. The Manager compiled the financial statements on 8 March 2021.

Reporting period and comparative figures

The annual report covers the period from 1 January 2020 to 31 December 2020. Prior period comparative figures relate to the period 1 January 2019 to 31 December 2019.

Changes in presentation

In accordance with RJ 160.210 (which applies to financial periods starting 1 January 2020), the dividend paid with regard to current reporting period is deducted from the unappropriated result instead of other reserves. This change has no effect on Total net assets or result and is applied retrospectively as from 1 January 2019.

Foreign Currency

Transactions in foreign currency are converted at the rate of exchange on the transaction date. Assets and liabilities in foreign currency are converted into euros at the rate of exchange on the balance sheet date.

Currency differences arising from the conversion are presented in the profit and loss account under realized and unrealized changes in the fair value of investments.

No investments in foreign currency were recorded within the Fund as at 31 December 2020.

Manager

a.s.r. vermogensbeheer is the manager within the meaning of Section 1.1 of the Financial Supervision Act (Wet op het financieel toezicht, hereinafter referred to as the Wft). The fund conditions have remained unchanged. The Manager is responsible for managing the fund assets in accordance with the investment policy and performing the participant administration and financial accounts. The Manager holds a license granted by the supervisory authority in accordance with Section 2:65 (1) (a) of the Wft and is included in the register kept by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, "AFM").

Custodian

Stichting Juridisch Eigenaar ASR Hypotheekfonds acts as the owner (the title holder) in a legal sense, in accordance with the general management and custody conditions, at the expense and risk of the Participants of the Fund. As set out in the Information Memorandum, the Foundation has been appointed as the Custodian of the Fund under the conditions of the Management and Custody Agreement.

Depository

As set out in the Information Memorandum, the Manager appointed BNP Paribas Securities Services S.C.A. as the Depository for the Fund. The Depository is an entity under legal supervision whose legal duties include monitoring cash flows, compliance with the investment policy and ownership verification with regard to the financial assets of the investment funds.

Basis of preparation

An asset will be recognized in the balance sheet if it is probable that the future economic benefits will flow to the Fund and its value can be reliably determined. A liability will be recognized in the balance sheet if it is probable that its settlement can be associated with an outflow of funds and the extent of the amount can be reliably determined. The manner in which the asset management activities are structured may result in the legal ownership of an asset and/or liability, of which all or nearly all rights to the economic benefits and risks flow to the Fund, vesting with related parties.

Income is recognized in the profit and loss account if an increase in the economic potential associated with an increase in an asset or a decrease in a liability has taken place, the extent of which can be reliably determined. Expenses are recognized if a decrease in the economic potential associated with a decrease in an asset item or an increase in a liability has taken place, the extent of which can be reliably determined.

If a transaction results in (practically) all future economic benefits and risks with regard to an asset item or a liability being transferred to a third party, the asset item or the liability will no longer be recognized in the balance sheet. Furthermore, assets are no longer recognized in the balance sheet from the moment when the probability conditions of the future economic benefits and reliability of the value assessment can no longer be satisfied. A liability will no longer be recognized in the balance sheet from the moment when the probability conditions of the expected outflow of funds and reliability of the value assessment can no longer be satisfied.

Offsetting

A financial asset and a financial liability are netted and entered in the balance sheet as a net amount if there is a legal or contractual right to settle the asset item and the liability whilst being netted at the same time, and there is in addition the intention to settle the items in this manner. The interest income and interest expenses associated with the financial assets and liabilities entered as netted will also be recognized as netted.

Related party transactions

A related party is a party that can exert a predominant policy-setting influence on another party, or can exert a significant influence on the financial and business policy of the other party. Transactions with related parties are performed at rates in line with the market. The Subfund invests in Dutch mortgage receivables recently originated by ASR Levensverzekering N.V. The Fund obtains mortgages by subscribing to a cross section of new mortgage production. The mortgages are valued at the moment of acquisition at the acquisition price (see paragraph below for further explanation).

Investments

The Subfund invests in Dutch mortgage receivables recently originated by ASR Levensverzekering N.V. The Fund obtains mortgages by subscribing to a cross section of new mortgage production. The mortgages are valued at the moment of acquisition at the acquisition price. At the moment of transfer the mortgages are not older than two months and therefore it is presumed that the fair value on the transfer date is equal to the nominal value. Mortgages which at the moment of transfer are more than two months old are valued at the fair value upon acquisition which differs from the nominal value.

At year-end the mortgages are also valued at their fair value. Unrealized and realized changes in the fair value of investments are recognized in the profit and loss account. A revaluation reserve will be created for unrealized changes in fair value, insofar as the fair value exceeds the historic cost price, for the difference between the fair value and the historic cost price.

Valuation of mortgages

The fair value of the mortgages is calculated on the basis of a Discounted Cash Flow (DCF) model. The expected cash flow profile of each individual mortgage will be determined on the basis of the fixed interest duration, the mortgage interest rate, the repayment profile and expected early repayments as a result of demographic factors (for instance relocation) which are independent of the interest rate developments. The expected cash flows are discounted at the a.s.r. day rates of the WelThuis mortgage and adjusted for optionality. The value of the mortgage-specific options are deducted from the DCF, namely (i) the relocation option (the option available to the client to take his mortgage with when relocating); this is highly dependent on the interest rate, and (ii) the early repayment option (the option available to the client to repay the mortgage early without a penalty); this option is partly driven by the interest rate and partly dependent on consumer trends, and (iii) the offer risk. No deduction for origination costs are included in the discount rate and these costs form part of the management fee (see 'Management fee').

The representativity of the a.s.r. day rates is validated on monthly basis with reference to the average top 10 lowest day rates as observed in the market. In case the a.s.r. day rates are outside the predetermined bandwidth compared to the average day rates, these rates will be adjusted in accordance with a fixed margin or surcharge.

For mortgages with payment arrears in excess of 90 days a provision is made amounting to the expected loss which will be deducted from the fair value of mortgages.

Cash

Bank account credit balances are stated at fair value, which is the nominal value. Cash includes current account credit balances with banks, any cash at bank and in hand and outstanding time and other deposits insofar as not included in the investments.

Other assets and liabilities

Receivables are initially stated at fair value, including transaction costs.

Receivables are subsequently revalued at amortized cost based on the effective interest method, without deducting impairment losses. Provisions are determined on the basis of individual assessment of the recoverability of the receivables.

Current liabilities, accruals and deferred income are initially stated at fair value. Current liabilities, accruals and deferred income are subsequently revalued at amortized cost based on the effective interest method. If there is no premium or discount and there are no transaction costs, the amortized cost is equal to the nominal value of the debt.

Determination of result

The result is determined as the difference between the income and the expenditure. Income and expenditure are allocated to the period to which they relate. Results in foreign currencies are translated into euros at the exchange rates applicable on the transaction date.

Changes in the fair value of investments

Realized changes in value are determined by deducting the average cost price (including purchase costs) from the sales proceeds (including selling costs). Unrealized changes in value are determined by deducting the average cost price (including purchase costs) from the balance sheet value at the end of the financial year.

The realized and unrealized changes in value of investments are presented in the period to which they relate as realized or unrealized changes in the fair value of investments respectively under investment income in the profit and loss account.

The changes in fair value of mortgages are in principle always unrealized since the mortgages are held to the end of the period of maturity, with the exception of the early repayment of the mortgages by the borrower.

Any purchase and sales costs of investments are included in the cost price or deducted respectively from the sales proceeds of the respective investments and therefore form part of the changes in fair value of investments.

Income tax

The Subfund is a closed-end mutual fund and tax transparent, meaning that the fund is not tax liable for income tax and is not subject to the payment of dividend tax.

Management fee

Costs are charged to the Fund by the Manager for the management of the Fund Assets. The provisions made are transferred to the Manager on a monthly basis. The amount of the management fee for each Subfund is 0.45% on an annual basis. This management fee serves also to cover the costs which are payable by a.s.r. vermogensbeheer with regard to origination of mortgages and servicing the mortgage portfolio.

Costs on the issue and redemption of Participations

The Fund does not charge any costs on the issue and redemption of Participations. Mortgages are produced for the benefit of the new client on the basis of a commitment, therefore upon issuance of Participations the offer risk is exclusively allocated to the new Participant. The number of Participations to be issued is calculated on the basis of the fair value of the new mortgages to be purchased. The offer risk relates to the difference between the purchase value of the Participations (on the basis of the fair value of the new mortgages to be purchased) less the value of the amount paid by the new Participant. This difference is recognized under 'Other operating income'.

Cashflow statement

The cashflow statement has been prepared according to the 'indirect method', whereby a distinction is made between cash flows from investment and financing activities. Cash relates to credit balances with banks that are available on demand. In the cash flow from investment activities, the result is adjusted for costs that are not expenditure and proceeds that are not revenue.



Notes to the balance sheet and profit and loss account

1. Investments

The investments can be broken down as follows (x €1,000):

Investments	31-12-2020	31-12-2019
Mortgages	1,736,173	1,248,587
Provision for credit losses	-5	-38
Total investments	1,736,168	1,248,549

The movement in investments during the reporting period was as follows (x €1,000):

Movement schedule of investments					
	Fair Value 01-01-2020	Purchases	Repayments	Revaluation	Fair Value 31-12-2020
Mortgages	1,248,587	534,902	-82,884	35,568	1,736,173
Total	1,248,587	534,902	-82,884	35,568	1,736,173

Movement schedule of investments					
	Fair Value 01-01-2019	Purchases	Repayments	Revaluation	Fair Value 31-12-2019
Mortgages	449,155	769,538	-40,758	70,652	1,248,587
Total	449,155	769,538	-40,758	70,652	1,248,587

The net present value calculation is used for the valuation of mortgages. Please refer to the principles of value calculation for the assumptions applied to this connection. At 31 December 2020 the provision for credit losses amounted to € 5 (31 December 2019: € 38).

2. Receivables

The receivables have a term of less than one year and can be broken down as follows (x €1,000):

Receivables	31-12-2020	31-12-2019
Mortgage debtors	25	42
Amounts receivable for construction deposits	17,486	16,431
Mortgage interest receivable	2,779	2,222
Other mortgage receivables	11,093	6,888
Total	31,383	25,583

When mortgages are purchased from ASR Levensverzekering N.V., the full amount including the construction deposit will be settled. The payments from the construction deposit to the borrowers are subsequently settled with the borrowers via ASR Levensverzekering N.V. The receivable of the Fund from ASR Levensverzekering N.V. is recognized as 'Construction deposit amounts receivable'. Other mortgage receivables relate mostly to mortgage repayments of the preceding month.

3. Cash

Cash relates to credit balances with banks that are available on demand.

4. Current liabilities

The current liabilities all have a term of less than one year and can be broken down as follows (x €1,000):

Current liabilities	31-12-2020	31-12-2019
Due to credit institutions	-	-4
Management fee payable	-653	-467
Construction deposits amounts payable	-17,486	-16,431
Other liabilities	-61	-83
Total	-18,200	-16,985

The construction deposits amounts payable relate to the amounts to be settled with the borrower on account of the construction deposit.

5. Issued participation capital, unappropriated result and other reserves

Multi-year overview Subfund with NHG

Net Asset Value	31-12-2020	31-12-2019	31-12-2018
Fund Net Assets (x € 1.000)	1,749,388	1,257,147	451,767
Number of participations	158,779	116,258	44,453
Net Asset Value in euros per participation	11,017.77	10,813.36	10,162.87

For investments for which no frequent market quotation is available, a revaluation reserve must be formed for unrealized changes in fair value – insofar as the fair value exceeds the historic cost price. As at 31 December 2020 this amounts to € 115,457 (31-12-2019: € 79,889).

The development of the subscribed participation (Unit) capital during the reporting period is as follows (x €1,000):

	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Issued participation capital		
Balance at the start of the reporting period	1,197,403	444,232
Issued during the reporting period	479,988	755,431
Repaid to participants during the reporting period	-17,749	-2,260
Balance at the end of the reporting period	1,659,642	1,197,403

The movement in the number of participations during the reporting period was as follows:

Movement schedule of number of Participations	Number 01-01-2020	Issue	Redemp- tion	Number 31-12-2020
Subfund with NHG	116,258	44,155	-1,634	158,779

Movement schedule of number of Participations	Number 01-01-2019	Issue	Redemp- tion	Number 31-12-2019
Subfund with NHG	44,453	72,023	-218	116,258

The movement in other reserves during the reporting period was as follows (x €1,000):

	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Other reserves		
Balance at the start of the reporting period	6,802	-4,432
Addition in the reporting period	52,942	11,967
Dividend payment	-1,726	-733
Balance at the end of the reporting period	58,018	6,802

The movement in unappropriated result during the reporting period was as follows (x €1,000):

	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Unappropriated result		
Balance at the start of the reporting period	52,942	11,967
Profit distribution in the previous financial year	-52,942	-11,967
Result of the current financial year	52,628	65,168
Dividend paid with regard to current reporting period	-20,900	-12,226
Balance at the end of the reporting period	31,728	52,942

6. Contingent assets and liabilities

There are no contingent assets and liabilities

7. Investment income

The investment income can be specified as follows (x €1,000):

Investment income	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Interest from mortgages	29,710	17,479
Interest from cash	-8	-5
Total	29,702	17,474

8. Changes in the fair value of investments

The realized changes in the fair value of the investments are the results from sales, including any selling costs.

The unrealized changes in the fair value of investments held include any purchasing costs.

The realized changes in the fair value of investments can be specified as follows (x €1,000):

Realized changes in the fair value of investments	01-01-2020 to 31-12-2020 (positive)	01-01-2020 to 31-12-2020 (negative)	01-01-2019 to 31-12-2019 (positive)	01-01-2019 to 31-12-2019 (negative)
Mortgages	-	-	4	-
Total	-	-	4	-

The unrealized changes in the fair value of investments can be broken down as follows (x €1,000):

Unrealized changes in the fair value of invest- ments	01-01-2020 to 31-12-2020 (positive)	01-01-2020 to 31-12-2020 (negative)	01-01-2019 to 31-12-2019 (positive)	01-01-2019 to 31-12-2019 (negative)
Mortgages	40,088	-4,520	71,125	-477
Total	40,088	-4,520	71,125	-477

9. Other income

Mortgages are produced for the benefit of the reinvestment of cash or the new client on the basis of a commitment, therefore upon issuance of Participations the offer risk is exclusively allocated to the reinvesting or new Participant. The number of Participations to be issued is calculated on the basis of the fair value of the new mortgages to be purchased. The offer risk relates to the difference between the purchase value of the Participations (on the basis of the fair value of the new mortgages to be purchased) less the value of the amount paid by the new Participant. This difference is recognized under 'Other operating income'.

10. Operating expenses

The operating expenses can be broken down as follows (x €1,000):

Operating expenses	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Management fee	-6,599	-3,521
Other expenses	33	-38
Total	-6,566	-3,559

Other expenses refer to the change in the provision for credit losses.

Ongoing Charges Figure (OCF)			
	Information Memorandum	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Subfund with NHG	0.45%	0.45%	0.45%

The Ongoing Charges Figure (OCF) includes all costs charged to the Fund in the reporting period including the management and service fee of the underlying funds and pools, excluding the interest charges, any taxes and transaction costs as a result of the acquisitions and disposals of investments which the Subfund carries out. The OCF is calculated by dividing the total costs in the reporting period by the average net asset value of the Subfund.

The average net asset value of the Fund is the sum of the net asset values divided by the number of times at which the net asset value is calculated during the reporting year. The net asset value is calculated twice a month for the mortgage fund. The number of measurement points is considered as the weighted average.

Portfolio Turnover Rate (PTR)		
	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Subfund with NHG	8.22%	6.75%

The Portfolio Turnover Ratio (PTR) provides an indication of the turnover rate of the investments relative to the average fund capital and is a benchmark for the degree to which an investment policy is active. For example, a turnover ratio of 200% indicates that purchase and sales transactions amounting to twice the value of the average fund capital have been executed in addition to purchase and sales transactions resulting from subscriptions and redemptions.

In the calculation used, the turnover is equal to the sum of purchases and sales of investments in the reporting period less the sum of issues and redemptions of participations. This includes all investment categories except deposits with an original term of less than one month. The PTR is determined by the turnover expressed as a percentage of the average Net Asset Value of the Subfund, calculated in the same way as when determining the OCF for the reporting period.

Related party transactions

The Subfund has the following relations with related parties:

- a.s.r. vermogensbeheer is the Manager of the Fund and charges a management fee;
- The Subfund invests in Dutch mortgage receivables recently originated by ASR Levensverzekering N.V. The Subfund obtains mortgages by subscribing to a cross section of new mortgage production. The mortgages are valued at the moment of acquisition at the acquisition price. The total value of the acquisitions during the financial year is evident from the movement schedule of investments.
- Group companies of ASR Nederland participate for an amount of € 191.9 million in the Subfund with NHG (17,416 participations).

Transactions with related parties are performed at rates in line with the market.

Other

Entry charges, exit charges, management fees and service fees are exempt from VAT.

Profit appropriation

Following the adoption of the annual report, the unappropriated result is added to the other reserves as part of the fund assets.

Proposed dividend

Every month the Subfund pays the interest result of the previous month to the Participants, which is equal to the interest received less the interest paid and the management fee. Upon adoption of the annual report the interest result on an annual basis will be determined and following from this any surplus / deficit will be settled with the Participants.

Surplus / deficit to be settled (x €1,000)	01-01-2020 to 31-12-2020
Investment income	29,702
Management fee	-6,599
Dividend paid during the reporting period	-22,626
Dividend paid with regard to previous reporting period	1,726
Surplus / deficit to be settled	2,203

The surplus of € 2,203 relates to the interest result for December and was paid to the Participants in January 2021.

Events subsequent to the balance sheet date

No events occurred in the period up to the preparation of this annual report that require any changes or explanatory notes to the financial statements.

SIGNING OF THE FINANCIAL STATEMENTS

Utrecht, 8 March 2021

ASR Vermogensbeheer N.V.
On behalf of Subfund with NHG

The management,

Mr. J.T.M. Julicher (director)
Mr. M.R. Lavooi (director)
Mrs. W.M. Schouten (director)
Mr. N.H. van den Heuvel (CFRO)



Other information

Independent auditor's report

To: the participants of ASR Mortgage Fund – Subfund with Dutch National Mortgage Guarantee

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2020 of ASR Mortgage Fund - Subfund with Dutch National Mortgage Guarantee (or hereafter 'the Fund'), based in Utrecht.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ASR Mortgage Fund - Subfund with Dutch National Mortgage Guarantee as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the balance sheet as at 31 December 2020;
- 2 the profit and loss account for 2020; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of ASR Mortgage Fund - Subfund with Dutch National Mortgage Guarantee in accordance with the Wet toezicht accountants-organisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- General information ASR Mortgage Fund;
- management board's report;
- Supervisory Board Report;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The manager, ASR Vermogensbeheer N.V., is responsible for the preparation of the other information, including the management board's report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the manager for the financial statements

The manager is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the manager is responsible for such internal control as the manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the manager is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the manager should prepare the financial statements using the going concern basis of accounting unless the manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so. The manager should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit. Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;

- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group operations. Decisive were the size and/or the risk profile of the group operations. On this basis, we selected group operations for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Utrecht, 8 March 2021

KPMG Accountants N.V.

G.J. Hoeve RA



Financial statements 2020

Subfund without Dutch National Mortgage Guarantee



Balance sheet

Balance sheet as at 31 December 2020 (before appropriation of the result
x €1,000)

Balance sheet	31-12-2020	31-12-2019	Reference
Investments			
Mortgages	4,456,694	2,937,324	
Total investments	4,456,694	2,937,324	1

Receivables	103,304	97,920	2
Other assets			
Cash	-	1,264	3
Current liabilities	-67,136	-67,923	4
Receivables and other assets less current liabilities	36,168	31,261	
Assets less current liabilities	4,492,862	2,968,585	

Issued participation capital	4,315,500	2,811,615	
Other reserves	152,184	7,851	
Unappropriated result	25,178	149,119	
Total Net Assets	4,492,862	2,968,585	5

Profit and loss account

Profit and loss account for the period from 1 January 2020 until 31 December 2020 (x € 1.000)

Profit and loss account	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019	Reference
Investment income	86,133	52,071	7
Realized changes in the fair value of investments	-	-	8
Unrealized changes in the fair value of investments	29,054	187,111	8
Other income	-10,690	-42,770	9
Total operating income	104,497	196,412	
Management fee	-17,108	-9,426	
Other expenses	-3	-8	
Total operating expenses	-17,111	-9,434	10
Profit after tax	87,386	186,978	

Cashflow statement

Cashflow statement for the period 1 January 2020 to 31 December 2020
(x €1,000) Prepared according to the indirect method

Cashflow statement	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019	Reference
Total investment result	87,386	186,978	
Changes in the fair value of investments	-29,054	-187,111	1
Change in the provision for credit losses	3	8	
Acquisition of investments (-)	-1,757,584	-1,440,097	1
Sales and repayments of investments (+)	267,265	126,039	1
Increase (-)/Decrease (+) in receivables	-5,384	-32,437	2
Increase (+)/Decrease (-) in liabilities	-787	11,349	4
Net cash flow from investment activities	-1,438,155	-1,335,271	
Issue of participations	1,553,414	1,385,726	5
Redemption of participations	-49,529	-9,756	5
Dividend payment	-66,994	-40,363	
Net cash flow from financing activities	1,436,891	1,335,607	
Movement in cash	-1,264	336	
Cash per January 1	1,264	928	3
Cash per December 31	-	1,264	3
Movement in cash	-1,264	336	

Principles of valuation and determination of results

General

The ASR Mortgage Fund ('the Fund') is a mutual fund. The Fund consists of two Subfunds with their own risk profiles:

- The Subfund with NHG (National Mortgage Guarantee). This Subfund only includes mortgage receivables with a National Mortgage Guarantee (lower risk profile). This Subfund was established on 12 May 2017;
- The Subfund without NHG (National Mortgage Guarantee). This Subfund only includes mortgage receivables without a National Mortgage Guarantee (higher risk profile). This Subfund was established on 21 March 2017.

The annual report of the Subfund is prepared in accordance with Guideline 615 'Investment Institutions' of the Dutch Accounting Standards Board, in Title 9, Book 2, of the Dutch Civil Code (Burgerlijk Wetboek, "BW") and in the Financial Supervision Act. All amounts included in the annual report are in thousands of euros, unless stated otherwise. The amounts stated in the tables are rounded figures, therefore rounding differences may occur. The Manager compiled the Financial statements on 8 March 2021.

Reporting period and comparative figures

The annual report covers the period from 1 January 2020 to 31 December 2020. Prior period comparative figures relate to the period 1 January 2019 to 31 December 2019.

Changes in presentation

In accordance with RJ 160.210 (which applies to financial periods starting 1 January 2020), the dividend paid with regard to current reporting period is deducted from the unappropriated result instead of other reserves. This changes has no effect on Total net assets or result and is applied retrospectively as from 1 January 2019.

Foreign Currency

Transactions in foreign currency are converted at the rate of exchange on the transaction date. Assets and liabilities in foreign currency are converted into euros at the rate of exchange on the balance sheet date.

Currency differences arising from the conversion are presented in the profit and loss account under realized and unrealized changes in the fair value of investments.

No investments in foreign currency were recorded within the Fund as at 31 December 2020.

Manager

a.s.r. vermogensbeheer is the manager within the meaning of Section 1.1 of the Financial Supervision Act (Wet op het financieel toezicht, hereinafter referred to as the Wft). The fund conditions have remained unchanged. The Manager is responsible for managing the fund assets in accordance with the investment policy and performing the participant and financial accounts. The Manager holds a licence granted by the supervisory authority in accordance with Section 2:65 (1) (a) of the Wft and is included in the register kept by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, AFM).

Custodian

Stichting Juridisch Eigenaar ASR Hypotheekfonds acts as the owner (the title holder) in a legal sense, in accordance with the general management and custody conditions, at the expense and risk of the Participants of the Fund. As set out in the Information Memorandum, the Foundation has been appointed as the Custodian of the Fund under the conditions of the Management and Custody Agreement.

Depository

As set out in the Information Memorandum, the Manager appointed BNP Paribas Securities Services S.C.A. as the Depository for the Fund. The Depository is an entity under legal supervision whose legal duties include monitoring cash flows, compliance with the investment policy and ownership verification with regard to the financial assets of the investment funds.

Basis of preparation

An asset will be recognized in the balance sheet if it is probable that the future economic benefits will flow to the Fund and its value can be reliably determined. A liability will be recognized in the balance sheet if it is probable that its settlement can be associated with an outflow of funds and the extent of the amount can be reliably determined. The manner in which the asset management activities are structured may result in the legal ownership of an asset and/or liability, of which all or nearly all rights to the economic benefits and risks flow to the Fund, vesting with related parties.

Income is recognized in the profit and loss account if an increase in the economic potential associated with an increase in an asset or a decrease in a liability has taken place, the extent of which can be reliably determined. Expenses are recognized if a decrease in the economic potential associated with a decrease in an asset item or an increase in a liability has taken place, the extent of which can be reliably determined.

If a transaction results in (practically) all future economic benefits and risks with regard to an asset item or a liability being transferred to a third party, the asset item or the liability will no longer be recognized in the balance sheet. Furthermore, assets are no longer recognized in the balance sheet from the moment when the probability conditions of the future economic benefits and reliability of the value assessment can no longer be satisfied. A liability will no longer be recognized in the balance sheet from the moment when the probability conditions of the expected outflow of funds and reliability of the value assessment can no longer be satisfied.

Offsetting

A financial asset and a financial liability are netted and entered in the balance sheet as a net amount if there is a legal or contractual right to settle the asset item and the liability whilst being netted at the same time, and there is in addition the intention to settle the items in this manner. The interest income and interest expenses associated with the financial assets and liabilities entered as netted will also be recognized as netted.

Related party transactions

A related party is a party that can exert a predominant policy-setting influence on another party, or can exert a significant influence on the financial and business policy of the other party. Transactions with related parties are performed at rates in line with the market. The Subfund invests in Dutch mortgage receivables recently originated by ASR Levensverzekering N.V. The Fund obtains mortgages by subscribing to a cross section of new mortgage production. The mortgages are valued at the moment of acquisition at the acquisition price (see paragraph below for further explanation).

Investments

The Subfund invests in Dutch mortgage receivables recently originated by ASR Levensverzekering N.V. The Fund obtains mortgages by subscribing to a cross section of new mortgage production. The mortgages are valued at the moment of acquisition at the acquisition price. At the moment of transfer the mortgages are not older than two months and therefore it is presumed that the fair value on the transfer date is equal to the nominal value. Mortgages which at the moment of transfer are more than two months old are valued at the fair value upon acquisition which differs from the nominal value.

At year-end the mortgages are also valued at their fair value. Unrealized and realized changes in the fair value of investments are recognized in the profit and loss account. A revaluation reserve will be created for unrealized changes in fair value, insofar as the fair value exceeds the historic cost price, for the difference between the fair value and the historic cost price.

Valuation of mortgages

The fair value of the mortgages is calculated on the basis of a Discounted Cash Flow (DCF) model. The expected cash flow profile of each individual mortgage will be determined on the basis of the fixed interest duration, the mortgage interest rate, the repayment profile and expected early repayments as a result of demographic factors (for instance relocation) which are independent of the interest rate developments. The expected cash flows are discounted at the a.s.r. day rates of the WelThuis mortgage and adjusted for optionality. The value of the mortgage-specific options are deducted from the DCF, namely (i) the relocation option (the option available to the client to take his mortgage with when relocating); this is highly dependent on the interest rate, and (ii) the early repayment option (the option available to the client to repay the mortgage early without a penalty); this option is partly driven by the interest rate and partly dependent on consumer trends, and (iii) the offer risk. No deduction for origination costs are included in the discount rate and these costs form part of the management fee (see 'Management fee').

The representativity of the a.s.r. day rates is validated on monthly basis with reference to the average top 10 lowest day rates as observed in the market. In case the a.s.r. day rates are outside the predetermined bandwidth compared to the average day rates, these rates will be adjusted in accordance with a fixed margin or surcharge.

For mortgages with payment arrears in excess of 90 days a provision is made amounting to the expected loss which will be deducted from the fair value of mortgages.

Cash

Bank account credit balances are stated at fair value, which is the nominal value. Cash includes current account credit balances with banks, any cash at bank and in hand and outstanding time and other deposits insofar as not included in the investments.

Other assets and liabilities

Receivables are initially stated at fair value, including transaction costs. Receivables are subsequently revalued at amortized cost based on the

effective interest method, without deducting impairment losses. Provisions are determined on the basis of individual assessment of the recoverability of the receivables.

Current liabilities, accruals and deferred income are initially stated at fair value. Current liabilities, accruals and deferred income are subsequently revalued at amortized cost based on the effective interest method. If there is no premium or discount and there are no transaction costs, the amortized cost is equal to the nominal value of the debt.

Determination of result

The result is determined as the difference between the income and the expenditure. Income and expenditure are allocated to the period to which they relate. Results in foreign currencies are translated into euros at the exchange rates applicable on the transaction date.

Changes in the fair value of investments

Realized changes in value are determined by deducting the average cost price (including purchase costs) from the sales proceeds (including selling costs). Unrealized changes in value are determined by deducting the average cost price (including purchase costs) from the balance sheet value at the end of the financial year.

The realized and unrealized changes in value of investments are presented in the period to which they relate as realized or unrealized changes in the fair value of investments respectively under investment income in the profit and loss account.

The changes in fair value of mortgages are in principle always unrealized since the mortgages are held to the end of the period of maturity, with the exception of the early repayment of the mortgages by the borrower.

Any purchase and sales costs of investments are included in the cost price or deducted respectively from the sales proceeds of the respective investments and therefore form part of the changes in fair value of investments.

Income tax

The Subfund is a closed-end mutual fund and tax transparent, meaning that the fund is not tax liable for income tax and is not subject to the payment of dividend tax.

Management fee

Costs are charged to the Fund by the Manager for the management of the Fund Assets. The provisions made are transferred to the Manager on a monthly basis. The amount of the management fee for each Subfund is 0.45% on an annual basis. This management fee serves also to cover the costs which are payable by a.s.r. vermogensbeheer with regard to origination of mortgages and servicing the mortgage portfolio.

Costs on the issue and redemption of Participations

The Fund does not charge any costs on the issue and redemption of Participations. Mortgages are produced for the benefit of the new client on the basis of a commitment, therefore upon issuance of Participations the offer risk is exclusively allocated to the new Participant. The number of Participations to be issued is calculated on the basis of the fair value of the new mortgages to be purchased. The offer risk relates to the difference between the purchase value of the Participations (on the basis of the fair value of the new mortgages to be purchased) less the value of the amount paid by the new Participant. This difference is recognized under 'Other operating income'.

Cashflow statement

The cashflow statement has been formulated according to the so-called 'indirect method' making a distinction between cash flows from investment and financing activities. Cash relates to demand deposits held by banks. With regard to the cash flow from investment activities the result is adjusted for costs not being expenditure and income not being revenue.



Notes to the balance sheet and profit and loss account

1. Investments

The investments can be broken down as follows (x €1,000):

Investments	31-12-2020	31-12-2019
Mortgages	4,456,705	2,937,332
Provision for credit losses	-11	-8
Total investments	4,456,694	2,937,324

The movement in investments during the reporting period was as follows (x €1,000):

Movement schedule of investments					
	Fair Value 01-01-2020	Purchases	Repayments	Revaluation	Fair Value 31-12-2020
Mortgages	2,937,332	1,757,584	-267,265	29,054	4,456,705
Total	2,937,332	1,757,584	-267,265	29,054	4,456,705

Movement schedule of investments					
	Fair Value 01-01-2019	Purchases	Repayments	Revaluation	Fair Value 31-12-2019
Mortgages	1,436,163	1,440,097	-126,039	187,111	2,937,332
Total	1,436,163	1,440,097	-126,039	187,111	2,937,332

The net present value calculation is used for the valuation of mortgages. Please refer to the principles of value calculation for the assumptions applied in this connection. At 31 December 2020 the provision for credit losses amounted to € 11 (31 December 2019: € 8).

2. Receivables

The receivables have a term of less than one year and can be broken down as follows (x €1,000):

Receivables	31-12-2020	31-12-2019
Mortgage debtors	54	25
Amounts receivable for construction deposits	64,541	66,641
Mortgage interest receivable	8,131	5,889
Other mortgage receivables	30,578	25,365
Total	103,304	97,920

When mortgages are purchased from ASR Levensverzekering N.V., the full amount including the construction deposit will be settled. The payments from the construction deposit to the borrowers are subsequently settled with the borrowers via ASR Levensverzekering N.V. The receivable of the Fund from ASR Levensverzekering N.V. is recognized as 'Construction deposit amounts receivable'. Other mortgage receivables relate mostly to mortgage repayments of the preceding month.

3. Cash

Cash relates to credit balances with banks that are available on demand. At 31 December 2020 the negative cash balance (€ 651) is recognized under current liabilities.

4. Current liabilities

The current liabilities all have a term of less than one year and can be broken down as follows (x €1,000):

Current liabilities	31-12-2020	31-12-2019
Management fee payable	-1,714	-1,103
Due to credit institutions	-651	-
Construction deposits amounts payable	-64,541	-66,641
Other liabilities	-230	-179
Total	-67,136	-67,923

The construction deposits amounts payable relate to the amounts to be settled with the borrower on account of the construction deposit.

5. Issued participation capital, unappropriated result and other reserves

Multi-year overview Subfund without NHG

Net Asset Value	31-12-2020	31-12-2019	31-12-2018	31-12-2017
Fund Net Assets (x € 1.000)	4,492,862	2,968,585	1,446,000	381,074
Number of participations	414,672	274,880	143,396	37,714
Net Asset Value in euros per participation	10,834.73	10,799.56	10,083.93	10,104.42

For investments for which no frequent market quotation is available, a revaluation reserve must be formed for unrealized changes in fair value – insofar as the fair value exceeds the historic cost price. As at 31 December 2020 this amounts to € 239,207 (31 December 2019: € 210,153).

The development of the subscribed participation (Unit) capital during the reporting period is as follows (x €1,000):

Issued participation capital	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Balance at the start of the reporting period	2,811,615	1,435,645
Issued during the reporting period	1,553,414	1,385,726
Repaid to participants during the reporting period	-49,529	-9,756
Balance at the end of the reporting period	4,315,500	2,811,615

The movement in the number of participations during the reporting period was as follows:

Movement schedule of number of Participations	Number 01-01-2020	Issue	Redemp- tion	Number 31-12-2020
Subfund without NHG	274,880	144,397	-4,605	414,672

Movement schedule of number of Participations	Number 01-01-2019	Issue	Redemp- tion	Number 31-12-2019
Subfund without NHG	143,396	132,441	-957	274,880

The movement in other reserves during the reporting period was as follows (x €1,000):

Other reserves	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Balance at the start of the reporting period	7,851	-10,734
Addition in the reporting period	149,119	21,089
Dividend payment	-4,786	-2,504
Balance at the end of the reporting period	152,184	7,851

The movement in unappropriated result during the reporting period was as follows (x €1,000):

Unappropriated result	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Balance at the start of the reporting period	149,119	21,089
Profit distribution in the previous financial year	-149,119	-21,089
Result of the current financial year	87,386	186,978
Dividend paid with regard to current reporting period	-62,208	-37,859
Balance at the end of the reporting period	25,178	149,119

6. Contingent assets and liabilities

There are no contingent assets and liabilities.

7. Investment income

The investment income can be specified as follows (x €1,000):

Investment income	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Interest from mortgages	86,160	52,083
Interest from cash	-27	-12
Total	86,133	52,071

8. Changes in the fair value of investments

The realized changes in the fair value of the investments are the results from sales, including any selling costs.

The unrealized changes in the fair value of investments held include any purchasing costs.

The realized changes in the fair value of investments can be specified as follows (x €1,000):

Realized changes in the value of investments	01-01-2020 to 31-12-2020 (positive)	01-01-2020 to 31-12-2020 (negative)	01-01-2019 to 31-12-2019 (positive)	01-01-2019 to 31-12-2019 (negative)
Mortgages	-	-	-	-
Total	-	-	-	-

The unrealized changes in the fair value of investments can be broken down as follows (x €1,000):

Unrealized changes in the fair value of invest- ments	01-01-2020 to 31-12-2020 (positive)	01-01-2020 to 31-12-2020 (negative)	01-01-2019 to 31-12-2019 (positive)	01-01-2019 to 31-12-2019 (negative)
Mortgages	44,248	-15,194	188,332	-1,221
Total	44,248	-15,194	188,332	-1,221

9. Other income

Mortgages are produced for the benefit of the reinvestment of cash or the new client on the basis of a commitment, therefore upon issuance of Participations the offer risk is exclusively allocated to the reinvesting or new Participant. The number of Participations to be issued is calculated on the basis of the fair value of the new mortgages to be purchased. The offer risk relates to the difference between the purchase value of the Participations (on the basis of the fair value of the new mortgages to be purchased) less the value of the amount paid by the new Participant. This difference is recognized under 'Other operating income'.

10. Operating expenses

The operating expenses can be broken down as follows (x €1,000):

Operating expenses	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Management fee	-17,108	-9,426
Other expenses	-3	-8
Total	-17,111	-9,434

Other expenses refer to the change in the provision for credit losses.

Ongoing Charges Figure (OCF)			
	Information Memorandum	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Subfund without NHG	0.45%	0.45%	0.45%

The Ongoing Charges Figure (OCF) includes all costs charged to the Fund in the reporting period including the management and service fee of the underlying funds and pools, excluding the interest charges, any taxes and transaction costs as a result of the acquisitions and disposals of investments which the Subfund carries out. The OCF is calculated by dividing the total costs in the reporting period by the average net asset value of the Subfund.

The average net asset value of the Fund is the sum of the net asset values divided by the number of times at which the net asset value is calculated during the reporting year. The net asset value is calculated twice a month for the mortgage fund. The number of measurement points is considered as the weighted average.

Portfolio Turnover Rate (PTR)		
	01-01-2020 to 31-12-2020	01-01-2019 to 31-12-2019
Subfund without NHG	11.14%	8.17%

The Portfolio Turnover Ratio (PTR) provides an indication of the turnover rate of the investments relative to the average fund capital and is a benchmark for the degree to which an investment policy is active. For example, a turnover ratio of 200% indicates that purchase and sales transactions amounting to twice the value of the average fund capital have been executed in addition to purchase and sales transactions resulting from subscriptions and redemptions.

In the calculation used, the turnover is equal to the sum of purchases and sales of investments in the reporting period less the sum of issues and redemptions of participations. This includes all investment categories except deposits with an original term of less than one month. The PTR is determined by the turnover expressed as a percentage of the average Net Asset Value of the Subfund, calculated in the same way as when determining the OCF for the reporting period.

Related party transactions

The Subfund has the following relations with related parties:

- a.s.r. vermogensbeheer is the Manager of the Fund and charges a management fee;
- The Subfund invests in Dutch mortgage receivables recently originated by ASR Levensverzekering N.V. The Subfund obtains mortgages by subscribing to a cross section of new mortgage production. The mortgages are valued at the moment of acquisition at the acquisition price. The total value of the acquisitions during the financial year is evident from the movement schedule of investments.
- Group companies of ASR Nederland participate for an amount of € 397.8 million in the Subfund without NHG (36,716 participations).

Transactions with related parties are performed at rates in line with the market.

Other

Entry charges, exit charges, management fees and service fees are exempt from VAT.

Profit appropriation

Following the adoption of the annual report, the unappropriated result is added to the other reserves as part of the fund assets.

Proposed dividend

Every month the Subfund pays the interest result of the previous month to the Participants, which is equal to the interest received less the interest paid and the management fee. Upon adoption of the annual report the interest result on an annual basis will be determined and following from this any surplus / deficit will be settled with the Participants.

Surplus / deficit to be settled (x €1,000)	01-01-2020 to 31-12-2020
Investment income	86,133
Management fee	-17,108
Dividend paid during the reporting period	-66,994
Dividend paid with regard to previous reporting period	4,786
Surplus / deficit to be settled	6,817

The surplus of € 6,817 relates to the interest result for December and was paid to the Participants in January 2021.

Events subsequent to the balance sheet date

No events occurred in the period up to the preparation of this annual report that require any changes or explanatory notes to the financial statements.

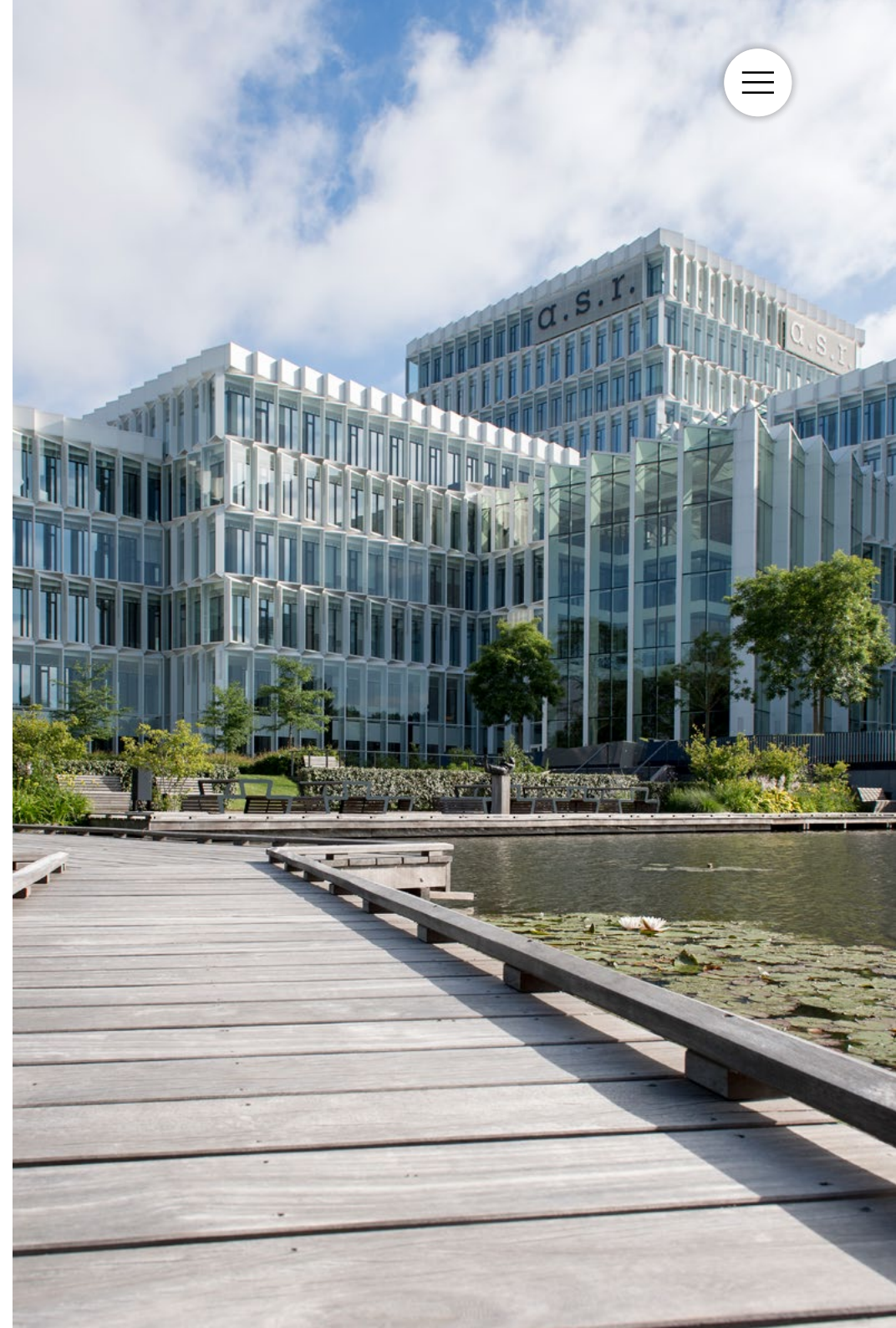
SIGNING OF THE FINANCIAL STATEMENTS

Utrecht, 8 March 2021

ASR Vermogensbeheer N.V.
On behalf of Subfund without NHG

The management,

Mr. J.T.M. Julicher (director)
Mr. M.R. Lavooi (director)
Mrs. W.M. Schouten (director)
Mr. N.H. van den Heuvel (CFRO)



Other information

Independent auditor's report

To: the participants of ASR Mortgage Fund – Subfund without Dutch National Mortgage Guarantee

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2020 of ASR Mortgage Fund - Subfund without Dutch National Mortgage Guarantee (or hereafter 'the Fund'), based in Utrecht.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ASR Mortgage Fund - Subfund without Dutch National Mortgage Guarantee as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the balance sheet as at 31 December 2020;
- 2 the profit and loss account for 2020; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of ASR Mortgage Fund - Subfund without Dutch National Mortgage Guarantee in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- General information ASR Mortgage Fund;
- management board's report;
- Supervisory Board Report;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The manager, ASR Vermogensbeheer N.V., is responsible for the preparation of the other information, including the management board's report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the manager for the financial statements

The manager is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the manager is responsible for such internal control as the manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the manager is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the manager should prepare the financial statements using the going concern basis of accounting unless the manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so. The manager should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit. Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern.

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;

- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group operations. Decisive were the size and/or the risk profile of the group operations. On this basis, we selected group operations for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Utrecht, 8 March 2021

KPMG Accountants N.V.

G.J. Hoeve RA



ASR Vermogensbeheer N.V.

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