Rating Action: Moody's upgrades the ratings of the Class B and C Notes issued by NOW Trust 2021-1

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Sydney, February 02, 2023 -- Moody's Investors Service has upgraded the ratings on the Class B and C Notes issued by NOW Trust 2021-1.

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Issuer: NOW Trust 2021-1

....Class B Notes, Upgraded to Aa1 (sf); previously on Jul 1, 2021 Definitive Rating Assigned Aa2 (sf)

....Class C Notes, Upgraded to A1 (sf); previously on Jul 1, 2021 Definitive Rating Assigned A2 (sf)

RATINGS RATIONALE

The upgrades were prompted by an increase in note subordination available to the affected notes and performance of the collateral pool to date.

Following the January 2023 payment, note subordination available for the Class B and Class C Notes have increased to 22.9% and 15.8%, respectively, from 15.9% and 10.8% at closing.

As of December 2022, 2.0% of the outstanding pool was 30-plus day delinquent and 0.4% was 90-plus day delinquent. The deal has incurred 1.6% of gross losses (as a percentage of original note balance) to date, which have been covered by excess spread.

Based on the observed performance to date and loan attributes, Moody's has updated its expected default assumption at 7.0% of the outstanding portfolio balance (equivalent to 4.7% of the original portfolio balance), compared with 7.25% of the outstanding portfolio balance (equivalent to 5.7% of the original portfolio balance) during the last rating action in May 2022. Moody's has lowered the Aaa portfolio credit enhancement to 31% from 32% durin the last rating action.

The transaction is a cash securitisation of a portfolio of Australian unsecured and secured personal loans originated by Now Finance Group Pty Ltd.

The principal methodology used in these ratings was "Moody's Approach to Rating Consumer Loan-Backed ABS"

published in December 2022 and available at https://ratings.moodys.com/api/rmc-documents/396935. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors that could lead to an upgrade of the ratings include (1) performance of the underlying collateral that is better than Moody's expectations, and (2) an increase in credit enhancement available for the notes.

Factors that could lead to a downgrade of the ratings include (1) performance of the underlying collateral that is worse than Moody's expectations, (2) a decrease in credit enhancement available for the notes, and (3) a deterioration in the credit quality of the transaction counterparties.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

The analysis includes an assessment of collateral characteristics and performance to determine the expected collateral loss or a range of expected collateral losses or cash flows to the rated instruments. As a second step, Moody's estimates expected collateral losses or cash flows using a quantitative tool that takes into account credit enhancement, loss allocation and other structural features, to derive the expected loss for each rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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