

Holmes Financing No 1 plc, Holmes Financing No 8 plc, Holmes Financing No 9 plc,  
Holmes Financing No 10 plc, Holmes Master Issuer 2006-1,  
Holmes Master Issuer 2007-1, Holmes Master Issuer 2007-2, Holmes Master Issuer 2007-3, Holmes Master Issuer 2008-1.  
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**Mortgage Asset Analysis**

Analysis of Mortgage Trust Movements

	Current Period	
	Number	£000's
Brought Forward	445,026	42,041,421
Replenishment	0	0
Repurchased	(7,371)	(592,002)
Redemptions	(6,371)	(666,520)
Losses	(19)	(638)
Capitalised Interest	0	4,517 (* see below )
Other Movements	0	0
Carried Forward	431,265	40,786,778

\* Capitalised interest refers to interest due met from amounts standing to the credit of overpayment facilities on flexible loans

	Cumulative	
	Number	£000's
Brought Forward	115,191	6,399,214
Replenishment	1,692,652	152,060,893
Repurchased	(574,653)	(49,319,585)
Redemptions	(799,989)	(68,618,580)
Losses	(440)	(8,500)
Capitalised Interest	0	273,336 (* see above )
Other Movements	0	0
Carried Forward	431,265	40,786,778

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Prepayment Rates

	Trust Payment Rate (CPR) - Redemptions	Annualised Trust Payment Rate (CPR)
1 Month	1.59%	17.45%
3 Month	5.30%	19.57%
12 Month	23.25%	23.25%

	Trust Payment Rate (CPR) - Repurchases	Annualised Trust Payment Rate (CPR)
1 Month	1.41%	13.11%
3 Month	5.95%	18.39%
12 Month	18.45%	18.45%

	Trust Payment Rate (CPR) - Redemptions and Repurchases	Annualised Trust Payment Rate (CPR)
1 Month	2.99%	30.56%
3 Month	11.25%	37.96%
12 Month	41.70%	41.70%

Asset Profiles

Weighted Average Seasoning	38.66	months
Weighted Average Loan size	£94,574.75	
Weighted Average LTV	65.94%	*** (see below)
Weighted Average Indexed LTV	62.42%	using Halifax House Price Index ****
Weighted Average Indexed LTV	60.91%	using Nationwide House Price Index ****
Weighted Average Remaining Term	17.56	Years

\*\*\*\* these figures have been corrected as of 9 March 2009. Please see the Special Schedule attached to this report.

Product Type Analysis

	£000's	%
Variable Rate	9,009,799	22.09%
Fixed Rate	18,121,565	44.43%
Tracker Rate	13,655,413	33.48%
	40,786,778	100.00%

As at 08 September 2008 approximately 17.92% of the loans were flexible loans

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<u>Repayment Method Analysis</u>	£000's	%
Endowment	3,683,046	9.03%
Interest Only	14,626,139	35.86%
Repayment	22,477,593	55.11%
	40,786,778	100.00%

As at 08 September 2008 approximately 29.58% of the loans were written under Abbey's policy of non-income verification

<u>Loan Purpose Analysis</u>	£000's	%
Purchase	22,628,504	55.48%
Remortgage	18,158,274	44.52%
	40,786,778	100.00%

Mortgage Standard Variable Rate

<u>Effective Date</u>	<u>Rate</u>
01 May 2008	7.09%
01 March 2008	7.34%
01 January 2008	7.59%
01 August 2007	7.84%

Geographic Analysis

<u>Region</u>	<u>Number</u>	<u>£000's</u>	<u>%</u>
East Anglia	16,339	1,402,926	3.44%
East Midlands	22,902	1,834,924	4.50%
Greater London	74,230	9,252,610	22.69%
North	17,214	1,162,881	2.85%
North West	49,981	3,778,865	9.26%
Scotland	26,123	1,765,684	4.33%
South East	115,732	12,757,978	31.28%
South West	35,299	3,312,807	8.12%
Wales	20,021	1,446,127	3.55%
West Midlands	26,314	2,102,414	5.15%
Yorkshire and Humberside	26,676	1,933,227	4.74%
Unknown	434	36,336	0.09%
Total	431,265	40,786,778	100.00%

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Original LTV Bands

Range	Number	£000's	%	Average Seasoning
0.00 - 25.00	38,174	1,407,322	3.45%	37.78
25.01 - 50.00	116,057	7,752,652	19.01%	40.56
50.01 - 75.00	161,715	17,507,943	42.93%	37.85
75.01 - 80.00	20,267	2,591,977	6.35%	35.97
80.01 - 85.00	28,054	3,949,727	9.68%	33.05
85.01 - 90.00	41,120	5,565,947	13.65%	34.70
90.01 - 95.00	25,878	2,011,210	4.93%	64.45
Total	431,265	40,786,778	100.00%	38.66

\*\*\* The balance is the current outstanding balance on the account including accrued interest. The LTV is that at origination and excludes any capitalised high loan to value fees, valuation fees or booking fees.

Arrears

Band	Number	Principal	Overdue	%
Current	417,696	39,339,389	72	96.51%
1.00 - 1.99 months	7,839	849,692	6,820	2.08%
2.00 - 2.99 months	2,640	258,690	4,072	0.63%
3.00 - 3.99 months	1,166	116,074	2,588	0.28%
4.00 - 4.99 months	496	50,228	1,433	0.12%
5.00 - 5.99 months	371	38,077	1,334	0.09%
6.00 -11.99 months	696	73,313	3,650	0.18%
12 months and over	93	9,183	1,069	0.02%
Properties in Possession	268	28,843	2,251	0.07%
Total	431,265	40,763,489	23,289	100.00%

Definition of Arrears

This arrears multiplier is calculated as the arrears amount ( which is the difference between the expected monthly repayments and the amount that has actually been paid, i.e. a total of under and/or over payments ) divided by the monthly amount repayable. It is recalculated every time the arrears amount changes, i.e. on the date when a payment is due.

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Movement in Shares of Trust

	Funding	Seller
	£000's	£000's
Balance Brought Forward	32,069,234	9,972,187
Replenishment of Assets	0	0
Acquisition by Funding	0	0
Distribution of Principal Receipts	0	(1,258,522)
Allocation of Losses	(487)	(151)
Share of Capitalised Interest	3,448	1,069
Payment Re Capitalised Interest	(3,448)	3,448
Balance Carried Forward	32,068,747	8,718,031
Carried Forward Percentage	78.62535%	21.37465%
Minimum Seller Share	2,672,072	6.55%

Cash Accumulation Ledger

	£000's	
Brought Forward	1,515,206	
Additional Amounts Accumulated	487	
Payment of Notes	0	
Carried Forward	1,515,693	
Target Balance	1,514,019	payable on 15th October 2008
	1,514,019	

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Excess Spread \*

Quarter to 15/07/08	0.3592%
Quarter to 15/04/08	0.3174%
Quarter to 15/01/08	0.5229%
Quarter to 15/10/07	0.5859%

\*Excess spread is calculated by reference to deferred consideration (determined according to relevant accounting policies) for the period, adjusted for non-cash related items and items relating to amounts falling due after transfers to the first and second reserve funds in the Funding Revenue Priority of Payments, expressed as a percentage of the average note balance over that period.

Reserve Funds

	First Reserve	Second Reserve	Funding Reserve
Balance as at 15/07/08	£563,000,000.00	£0.00	£10,000,000.00
Required Amount as at 15/07/08	£563,000,000.00	£0.00	£10,000,000.00
Percentage of Notes	1.68%	0.00%	0.03%
Percentage of Funding Share	1.76%	0.00%	0.03%

Notes Outstanding

	£000's	Enhancement
AAA Notes Outstanding	31,252,520	8.62%
AA Notes Outstanding	894,322	5.96%
A Notes Outstanding	464,856	4.57%
BBB Notes Outstanding	972,232	1.68%
Total	33,583,930	

Properties in Possession

Stock

	Current Period	
	Number	£000's
Brought Forward	260	28,195
Repossessed in Period	57	14,074
Sold in Period	(49)	(11,175)
Carried Forward	268	31,094

	Cumulative	
	Number	£000's
Repossessed to date	2,271	376,418
Sold to date	(2,003)	(345,324)
Carried Forward	268	31,094

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Repossession Sales Information

Average time Possession to Sale	106	Days
Average arrears at time of Sale	£6,621	

MIG Claim Status \*\*

	Number	£000's
MIG Claims made	199	1,396

\*\*On the 14th October, 2005, Abbey exercised its right to cancel all relevant MIG policies and therefore, none of the mortgage loans in the portfolio are currently covered by a MIG policy.

Trigger Events

There has been no debit to the AAA Principal Deficiency Ledger  
 The Seller has not suffered an Insolvency Event  
 The Seller is still the Servicer  
 The Outstanding Principal balance is in excess of £30 billion

Contact Details

If you have any queries regarding this report please contact the Securitisation Team via

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Or, visit our website at [www.holmesreporting.com](http://www.holmesreporting.com)

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<u>Notes</u>	<u>Deal</u>	<u>Rating (S&amp;P/Moody's/Fitch)</u>	<u>Outstanding</u>	<u>Reference Rate</u>	<u>Margin</u>
Series 4 Class A	Holmes Financing No. 1	AAA/Aaa/AAA	£250,000,000		6.62%
Series 4 Class B	Holmes Financing No. 1	AA/Aa3/AA	£11,000,000	5.81938%	0.62%
Series 4 Class C	Holmes Financing No. 1	BBB/Baa2/BBB	£14,000,000	5.81938%	1.75%
Series 3 Class A	Holmes Financing No. 8	AAA/Aaa/AAA	€330,000,000	4.96300%	0.15%
Series 3 Class B	Holmes Financing No. 8	AA/Aa3/AA	€11,333,333	4.96300%	0.27%
Series 3 Class C	Holmes Financing No. 8	BBB/Baa2/BBB	€19,166,667	4.96300%	0.85%
Series 4 Class A 1	Holmes Financing No. 8	AAA/Aaa/AAA	£900,000,000	5.81938%	0.15%
Series 4 Class A 2	Holmes Financing No. 8	AAA/Aaa/AAA	\$500,000,000	2.79063%	0.14%
Series 4 Class B	Holmes Financing No. 8	AA/Aa3/AA	£39,900,000	5.81938%	0.30%
Series 4 Class C	Holmes Financing No. 8	BBB/Baa2/BBB	£68,000,000	5.81938%	0.90%
Series 2 Class A	Holmes Financing No. 9	AAA/Aaa/AAA	\$2,175,000,000	2.79063%	0.06%
Series 3 Class A1	Holmes Financing No. 9	AAA/Aaa/AAA	€740,000,000	4.96300%	0.10%
Series 3 Class A2	Holmes Financing No. 9	AAA/Aaa/AAA	£400,000,000	5.81938%	0.09%
Series 4 Class A	Holmes Financing No. 9	AAA/Aaa/AAA	£600,000,000	5.81938%	0.09%
Series 3 Class A	Holmes Financing No. 10	AAA/Aaa/AAA	€1,000,000,000	4.96300%	0.07%
Series 3 Class B1	Holmes Financing No. 10	AA/Aa3/AA	€37,000,000	4.96300%	0.12%
Series 3 Class B2	Holmes Financing No. 10	AA/Aa3/AA	£27,500,000	5.81938%	0.12%
Series 3 Class M1	Holmes Financing No. 10	A/A2/A	€34,000,000	4.96300%	0.20%
Series 3 Class M2	Holmes Financing No. 10	A/A2/A	£20,000,000	5.81938%	0.20%
Series 3 Class C1	Holmes Financing No. 10	BBB/Baa2/BBB	€52,500,000	4.96300%	0.40%
Series 3 Class C2	Holmes Financing No. 10	BBB/Baa2/BBB	£22,000,000	5.81938%	0.40%
Series 4 Class A1	Holmes Financing No. 10	AAA/Aaa/AAA	\$1,440,000,000	2.79063%	0.08%
Series 4 Class A2	Holmes Financing No. 10	AAA/Aaa/AAA	£750,000,000	5.81938%	0.09%
Series 2 Class A	Holmes Master Issuer 2006-1	AAA/Aaa/AAA	\$1,500,000,000	2.79063%	0.06%
Series 2 Class B	Holmes Master Issuer 2006-1	AA/Aa3/AA	\$35,000,000	2.79063%	0.12%
Series 2 Class M	Holmes Master Issuer 2006-1	A/A2/A	\$30,000,000	2.79063%	0.19%
Series 2 Class C	Holmes Master Issuer 2006-1	BBB/Baa2/BBB	\$40,000,000	2.79063%	0.39%
Series 3 Class A1	Holmes Master Issuer 2006-1	AAA/Aaa/AAA	\$900,000,000	2.79063%	0.08%
Series 3 Class A2	Holmes Master Issuer 2006-1	AAA/Aaa/AAA	€670,000,000	4.96300%	0.10%
Series 3 Class A3	Holmes Master Issuer 2006-1	AAA/Aaa/AAA	£700,000,000	5.81938%	0.10%
Series 3 Class B2	Holmes Master Issuer 2006-1	AA/Aa3/AA	€37,500,000	4.96300%	0.15%
Series 3 Class B3	Holmes Master Issuer 2006-1	AA/Aa3/AA	£20,000,000	5.81938%	0.15%
Series 3 Class M2	Holmes Master Issuer 2006-1	A/A2/A	€35,500,000	4.96300%	0.22%
Series 3 Class M3	Holmes Master Issuer 2006-1	A/A2/A	£12,000,000	5.81938%	0.22%
Series 3 Class C2	Holmes Master Issuer 2006-1	BBB/Baa2/BBB	€61,500,000	4.96300%	0.42%
Series 3 Class C3	Holmes Master Issuer 2006-1	BBB/Baa2/BBB	£12,500,000	5.81938%	0.42%
Series 2 Class A	Holmes Master Issuer 2007-1	AAA/Aaa/AAA	\$1,500,000,000	2.79063%	0.05%
Series 2 Class B2	Holmes Master Issuer 2007-1	AA/Aa3/AA	€26,300,000	4.96300%	0.14%
Series 2 Class M2	Holmes Master Issuer 2007-1	A/A2/A	€10,600,000	4.96300%	0.22%
Series 2 Class M3	Holmes Master Issuer 2007-1	A/A2/A	£10,800,000	5.81938%	0.22%
Series 2 Class C1	Holmes Master Issuer 2007-1	BBB/Baa2/BBB	\$9,800,000	2.79063%	0.42%
Series 2 Class C2	Holmes Master Issuer 2007-1	BBB/Baa2/BBB	€21,900,000	4.96300%	0.42%
Series 2 Class C3	Holmes Master Issuer 2007-1	BBB/Baa2/BBB	£5,000,000	5.81938%	0.42%
Series 3 Class A1	Holmes Master Issuer 2007-1	AAA/Aaa/AAA	\$1,600,000,000	2.79063%	0.08%
Series 3 Class A2	Holmes Master Issuer 2007-1	AAA/Aaa/AAA	€1,500,000,000	4.96300%	0.10%
Series 3 Class A3	Holmes Master Issuer 2007-1	AAA/Aaa/AAA	£800,000,000	5.81938%	0.10%
Series 3 Class B2	Holmes Master Issuer 2007-1	AA/Aa3/AA	€46,700,000	4.96300%	0.14%



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Series 3 Class B3	Holmes Master Issuer 2007-1	AA/Aa3/AA	£48,000,000	5.81938%	0.14%
Series 3 Class M2	Holmes Master Issuer 2007-1	A/A2/A	€ 28,000,000	4.96300%	0.22%
Series 3 Class M3	Holmes Master Issuer 2007-1	A/A2/A	£28,800,000	5.81938%	0.22%
Series 3 Class C2	Holmes Master Issuer 2007-1	BBB/Baa2/BBB	€ 86,900,000	4.96300%	0.42%
Series 3 Class C3	Holmes Master Issuer 2007-1	BBB/Baa2/BBB	£25,500,000	5.81938%	0.42%
Series 4 Class A	Holmes Master Issuer 2007-1	AAA/Aaa/AAA	\$1,000,000,000	2.79063%	0.10%
Series 2 Class A	Holmes Master Issuer 2007-2	AAA/Aaa/AAA	CAD 600,000,000	3.11429%	0.08%
Series 2 Class A1	Holmes Master Issuer 2007-2	AAA/Aaa/AAA	\$2,750,000,000	2.79063%	0.05%
Series 2 Class B1	Holmes Master Issuer 2007-2	AA/Aa3/AA	\$25,000,000	2.79063%	0.12%
Series 2 Class B2	Holmes Master Issuer 2007-2	AA/Aa3/AA	€ 95,000,000	4.96300%	0.13%
Series 2 Class B3	Holmes Master Issuer 2007-2	AA/Aa3/AA	£50,000,000	5.81938%	0.14%
Series 2 Class C1	Holmes Master Issuer 2007-2	BBB/Baa2/BBB	\$34,000,000	2.79063%	0.41%
Series 2 Class C2	Holmes Master Issuer 2007-2	BBB/Baa2/BBB	€ 106,000,000	4.96300%	0.41%
Series 2 Class C3	Holmes Master Issuer 2007-2	BBB/Baa2/BBB	£45,000,000	5.81938%	0.43%
Series 2 Class M1	Holmes Master Issuer 2007-2	A/A2/A	\$10,000,000	2.79063%	0.22%
Series 2 Class M2	Holmes Master Issuer 2007-2	A/A2/A	€ 20,000,000	4.96300%	0.22%
Series 2 Class M3	Holmes Master Issuer 2007-2	A/A2/A	£38,000,000	5.81938%	0.24%
Series 3 Class A1	Holmes Master Issuer 2007-2	AAA/Aaa/AAA	\$1,250,000,000	2.79063%	0.08%
Series 3 Class A2	Holmes Master Issuer 2007-2	AAA/Aaa/AAA	€ 1,300,000,000	4.96300%	0.09%
Series 3 Class A3	Holmes Master Issuer 2007-2	AAA/Aaa/AAA	£450,000,000	5.81938%	0.09%
Series 4 Class A1	Holmes Master Issuer 2007-2	AAA/Aaa/AAA	\$750,000,000	2.79063%	0.10%
Series 1 Class A1	Holmes Master Issuer 2007-3	AAA/Aaa/AAA	€ 3,854,466,000	5.38800%	0.29%
Series 1 Class A2	Holmes Master Issuer 2007-3	AAA/Aaa/AAA	€ 3,114,720,000	4.81200%	0.31%
Series 1 Class A3	Holmes Master Issuer 2007-3	AAA/Aaa/AAA	€ 2,491,776,000	4.81300%	0.32%
Series 1 Class B	Holmes Master Issuer 2007-3	AA/Aa3/AA	£124,000,000	5.81938%	1.00%
Series 1 Class M	Holmes Master Issuer 2007-3	A/A2/A	£127,000,000	5.81938%	1.60%
Series 1 Class C	Holmes Master Issuer 2007-3	BBB/Baa2/BBB	£250,000,000	5.81938%	2.25%
Series 1 Class A1	Holmes Master Issuer 2008-1	AAA/Aaa/AAA	€ 2,257,200,000	4.74800%	0.44%
Series 1 Class A2	Holmes Master Issuer 2008-1	AAA/Aaa/AAA	€ 4,514,400,000	4.75000%	0.41%
Series 1 Class A3	Holmes Master Issuer 2008-1	AAA/Aaa/AAA	€ 1,003,200,000	5.38800%	0.47%
Series 1 Class A4	Holmes Master Issuer 2008-1	AAA/Aaa/AAA	€ 1,630,200,000	4.74700%	0.44%
Series 1 Class B	Holmes Master Issuer 2008-1	AA/Aa3/AA	£370,000,000	5.81938%	1.00%
Series 1 Class M	Holmes Master Issuer 2008-1	A/A2/A	£120,000,000	5.81938%	1.60%
Series 1 Class C	Holmes Master Issuer 2008-1	BBB/Baa2/BBB	£250,000,000	5.81938%	2.25%

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Retired Class A Notes

Date Retired	Holmes 1	Holmes 8	Holmes 9	Holmes 10	Holmes 2006-1	Holmes 2007-1	Holmes 2007-2	Holmes 2007-3	Holmes 2008-1
02Q3	-	-	-	-	-	-	-	-	-
02Q4	-	-	-	-	-	-	-	-	-
03Q1	-	-	-	-	-	-	-	-	-
03Q2	-	-	-	-	-	-	-	-	-
03Q3	600	-	-	-	-	-	-	-	-
03Q4	-	-	-	-	-	-	-	-	-
04Q1	-	-	-	-	-	-	-	-	-
04Q2	-	-	-	-	-	-	-	-	-
04Q3	-	-	-	-	-	-	-	-	-
04Q4	-	-	-	-	-	-	-	-	-
05Q1	-	-	-	-	-	-	-	-	-
05Q2	-	1,001	-	-	-	-	-	-	-
05Q3	650	-	-	-	-	-	-	-	-
05Q4	-	-	-	-	-	-	-	-	-
06Q1	-	-	-	-	-	-	-	-	-
06Q2	-	-	-	-	-	-	-	-	-
06Q3	-	-	-	-	-	-	-	-	-
06Q4	-	-	1,018	-	-	-	-	-	-
07Q1	-	812	-	-	-	-	-	-	-
07Q2	-	-	-	-	-	-	-	-	-
07Q3	575	-	-	679	-	-	-	-	-
07Q4	-	-	-	-	-	-	-	-	-
08Q1	-	-	-	-	-	771	-	-	-
08Q2	-	221	-	388	-	600	715	-	-
08Q3	-	221	-	388	-	-	715	-	-

Holmes Financing No 1 plc, Holmes Financing No 8 plc, Holmes Financing No 9 plc,  
Holmes Financing No 10 plc, Holmes Master Issuer 2006-1,  
Holmes Master Issuer 2007-1, Holmes Master Issuer 2007-2, Holmes Master Issuer 2007-3, Holmes Master Issuer 2008-1,  
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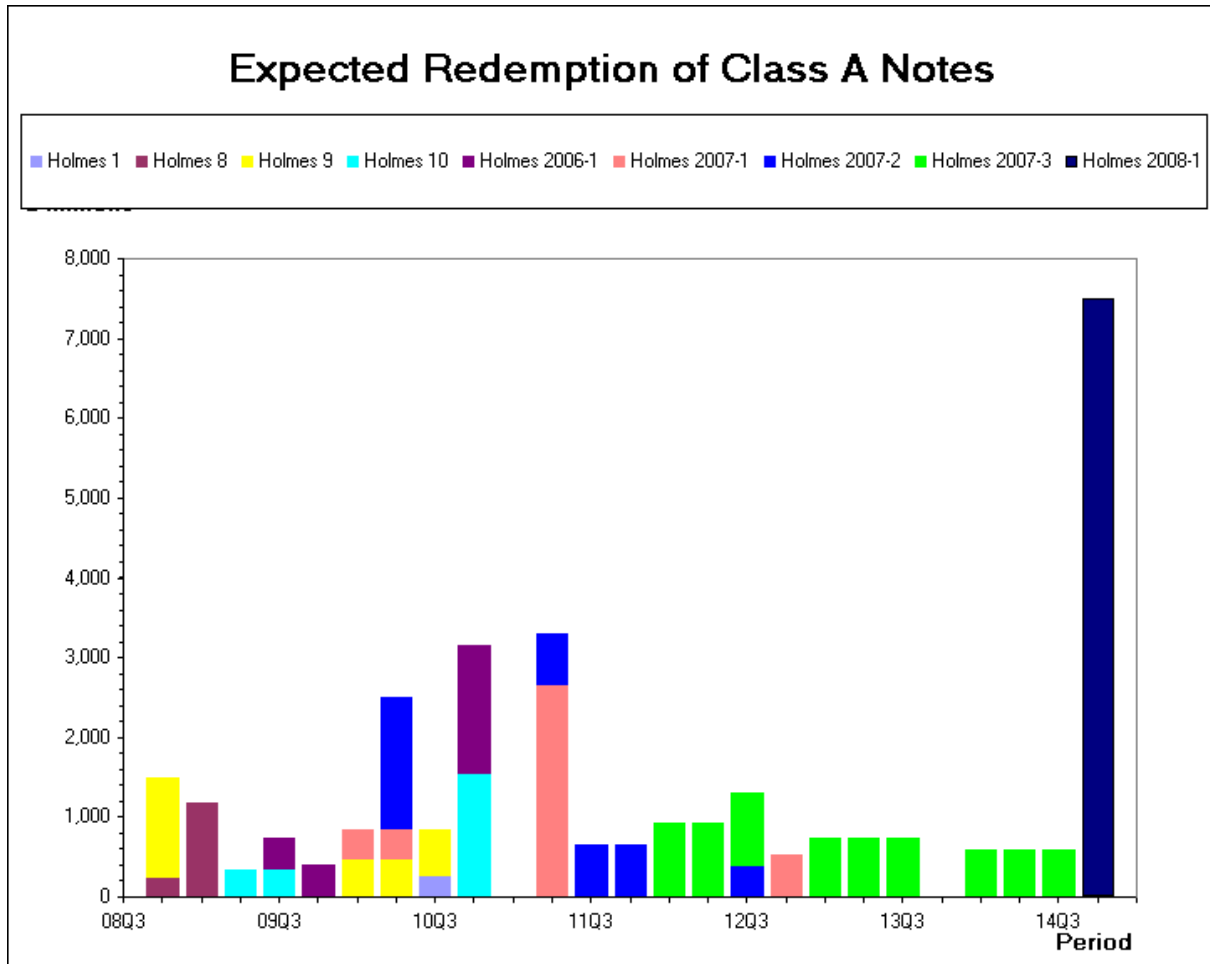
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**Outstanding Class A Notes**

Expected Redemption	Holmes 1	Holmes 8	Holmes 9	Holmes 10	Holmes 2006-1	Holmes 2007-1	Holmes 2007-2	Holmes 2007-3	Holmes 2008-1
08Q3	-	-	-	-	-	-	-	-	-
08Q4	-	221	1,272	-	-	-	-	-	-
09Q1	-	1,171	-	-	-	-	-	-	-
09Q2	-	-	-	342	-	-	-	-	-
09Q3	-	-	-	342	397	-	-	-	-
09Q4	-	-	-	-	397	-	-	-	-
10Q1	-	-	453	-	-	386	-	-	-
10Q2	-	-	453	-	-	386	1,664	-	-
10Q3	250	-	600	-	-	-	-	-	-
10Q4	-	-	-	1,526	1,632	-	-	-	-
11Q1	-	-	-	-	-	-	-	-	-
11Q2	-	-	-	-	-	2,649	654	-	-
11Q3	-	-	-	-	-	-	654	-	-
11Q4	-	-	-	-	-	-	654	-	-
12Q1	-	-	-	-	-	-	-	918	-
12Q2	-	-	-	-	-	-	-	918	-
12Q3	-	-	-	-	-	-	377	918	-
12Q4	-	-	-	-	-	515	-	-	-
13Q1	-	-	-	-	-	-	-	742	-
13Q2	-	-	-	-	-	-	-	742	-
13Q3	-	-	-	-	-	-	-	742	-
13Q4	-	-	-	-	-	-	-	-	-
14Q1	-	-	-	-	-	-	-	593	-
14Q2	-	-	-	-	-	-	-	593	-
14Q3	-	-	-	-	-	-	-	593	-
14Q4	-	-	-	-	-	-	-	-	7,500
15Q1	-	-	-	-	-	-	-	-	-

Holmes Financing No 1 plc, Holmes Financing No 8 plc, Holmes Financing No 9 plc,  
Holmes Financing No 10 plc, Holmes Master Issuer 2006-1,  
Holmes Master Issuer 2007-1, Holmes Master Issuer 2007-2, Holmes Master Issuer 2007-3, Holmes Master Issuer 2008-1,  
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## **Special Schedule**

### **Improvement of Abbey and Holmes Indexed Loan-to-Value Metrics**

We provide indexed loan-to-value measures to help investors assess the level of collateral backing supporting the mortgages in each of our mortgage backed security programs.

During 2008 it became clear to Abbey that the rapid changes in house-prices being observed in the UK were very unevenly distributed.

Specific house-types (for example, flats) and specific locations (for example, provincial city-centres such as Leeds, Manchester & Cardiff) were performing very poorly relative to other property types and locations. As a result, we have found the reliability of indexed original valuations as a guide to property values has deteriorated significantly.

In-line with other major UK lenders, Abbey uses automated valuations to value properties for remortgages and further advances, where a reliable automated valuation is available.

In response to our increasing concerns regarding the accuracy of indexed original valuations, and finding no reliable alternative method of indexation, in Q4 2008 Abbey re-valued all properties in our residential property portfolio for which a reliable automated valuation was available. This was successful in more than 90% of cases.

Abbey has several years of experience working with- and analysing- automated valuations. We view these valuations as accurate and reliable, and use them in a range of portfolio- and risk- management processes. In addition to the underwriting uses noted above, the automated re-valuation data acquired in Q4 2008 has been integrated into Abbey's pricing strategies, Basel II IRB ratings models and management information.

Automated valuations are demonstrably more accurate than indexed original values. In testing we have found the variability of the disposal value of a property relative to a recent automated valuation to be roughly half the variability of the disposal value of a property relative to its indexed original valuation. While no method of valuation is perfect, this is a significant improvement.

During February 2009 work began to review the approach to integrate re-valuation data into the reporting of indexed loan-to-values in Abbey's mortgage-backed securities reporting. Unfortunately, it was discovered that due to steps omitted in generating monthly Holmes reporting, indexed property values used in the August report (covering the period 8<sup>th</sup> July to 8<sup>th</sup> August) were not indexed further in subsequent reporting.

As a result, the indexed loan-to-value figures detailed in original reports from September 2008 through to January 2009 were incorrect. We apologise for these errors.

Original loan-to-value figures are unaffected and have been reported accurately.

A thorough review of the calculation of Holmes indexed loan-to-value calculations has been undertaken. In addition to the omission noted above, we have determined that the calculation can be improved:

1. The Halifax indexed loan-to-value has previously been calculated using the national non-seasonally adjusted previous-owner-occupier-only data series. The Nationwide indexed loan-to-value has previously been calculated using the national, seasonally adjusted, all buyer-type indices. The Halifax index previously used introduces unnecessary distortion and volatility.
2. The loan balance used previously in indexed loan-to-value calculations is the original advance, or the balance outstanding after the completion of any subsequent Further Advance, if there has been a subsequent Further Advance.

This approach omits the effects of the repayment method chosen, and any over-payments, on the balance currently outstanding. As mortgage contracts have become more flexible, and customers have made more use of this flexibility, these effects have become significant.

We provide indexed loan-to-value data to help investors assess the level of collateral backing supporting the mortgage exposures in each of our mortgage backed security programs. We believe this is best assessed by:

- Using the current balance outstanding on each loan
- Using the most recent valuation of the property suitable for underwriting purposes (whether obtained by internal inspection, external inspection, or automated valuation)
- Indexing this valuation from the valuation date to the current date using the national, seasonally-adjusted, all buyer-type house price indices published by Nationwide and/or Halifax
- Updating this valuation at least once each year using a reputable automated valuation, wherever this yields a sufficiently accurate valuation for underwriting purposes

Going forward, we will construct the indexed loan-to-value figures we publish in Holmes monthly reporting in this way.

To make the impact of these changes clear, we have tabulated below the indexed loan-to-value, using Halifax and Nationwide indices:

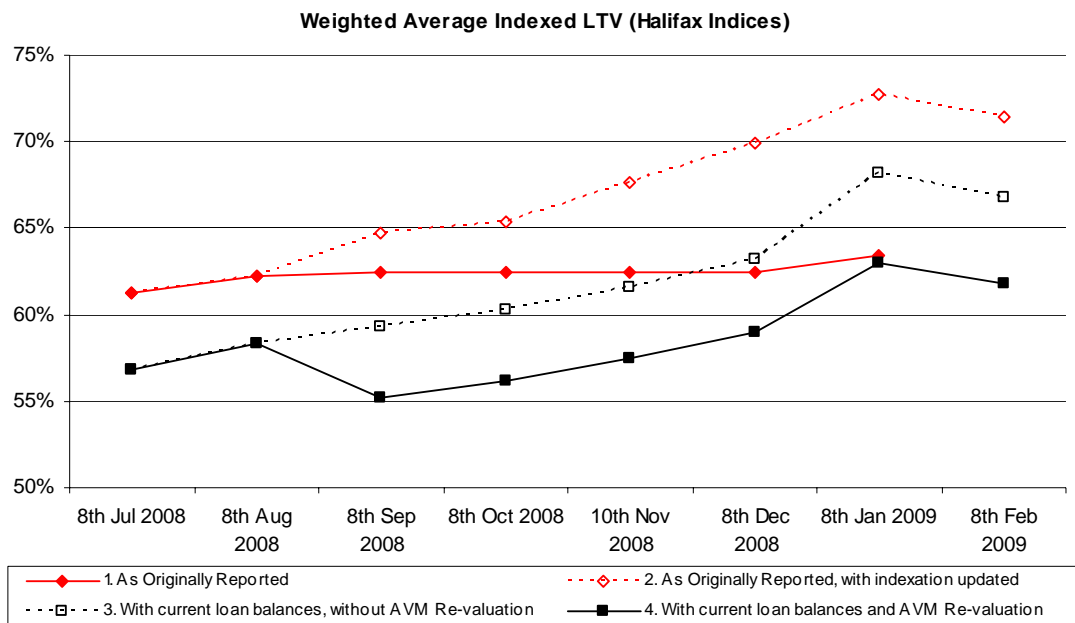
1. As originally published
2. As originally published, with the indexation omitted from the original calculations applied
3. Calculated using current loan balances, and national, non-seasonally adjusted, all-buyer type indices, but excluding the automated re-valuation data
4. Calculated using current loan balances, using national, non-seasonally adjusted, all-buyer type indices, and indexing from the most recent reliable valuation, including automated re-valuations

This fourth data-series is our best current view of the indexed loan-to-value of the Holmes portfolio, and will form the basis of future indexed loan-to-value figures published in Holmes monthly reports.

Holmes Financing No 1 plc, Holmes Financing No 8 plc, Holmes Financing No 9 plc,  
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<b>Weighted Average Indexed LTV (Halifax indices)</b>				
	<b>1. As Originally Reported</b>	<b>2. As Originally Reported, with indexation updated</b>	<b>3. With current loan balances, without AVM Re-valuation</b>	<b>4. With current loan balances and AVM Re-valuation</b>
<b>8th Jul 2008</b>	61.23%	61.23%	56.78%	56.78%
<b>8th Aug 2008</b>	62.20%	62.20%	58.31%	58.31%
<b>8th Sep 2008</b>	62.42%	64.70%	59.27%	55.23%
<b>8th Oct 2008</b>	62.44%	65.35%	60.25%	56.20%
<b>10th Nov 2008</b>	62.43%	67.64%	61.62%	57.51%
<b>8th Dec 2008</b>	62.45%	69.86%	63.16%	58.99%
<b>8th Jan 2009</b>	63.47%	72.72%	68.13%	62.98%
<b>8th Feb 2009</b>		71.47%	66.79%	61.76%



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<b>Weighted Average Indexed LTV (Nationwide indices)</b>				
	<b>1. As originally reported</b>	<b>2. As originally reported, with indexation updated</b>	<b>3. With current loan balances, without AVM Re-valuation</b>	<b>4. With current loan balances and AVM Re-valuation</b>
<b>8th Jul 2008</b>	59.55%	59.55%	55.90%	55.90%
<b>8th Aug 2008</b>	60.66%	60.66%	57.48%	57.48%
<b>8th Sep 2008</b>	60.91%	63.78%	58.52%	55.14%
<b>8th Oct 2008</b>	60.93%	64.93%	59.74%	56.34%
<b>10th Nov 2008</b>	60.92%	66.11%	60.57%	57.16%
<b>8th Dec 2008</b>	60.94%	66.31%	60.68%	57.29%
<b>8th Jan 2009</b>	61.97%	69.81%	66.02%	61.81%
<b>8th Feb 2009</b>		71.36%	66.86%	62.62%

