

WESTERN ASSET PREMIER BOND FUND
Form N-CSR
February 26, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES
Investment Company Act file number 811-10603

Western Asset Premier Bond Fund
(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY 10018
(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

Registrant's telephone number, including area code: (888) 777-0102

Date of fiscal year end: December 31

Date of reporting period: December 31, 2014

ITEM 1. REPORT TO STOCKHOLDERS.

The **Annual** Report to Stockholders is filed herewith.

Annual Report

December 31, 2014

WESTERN ASSET

PREMIER BOND FUND (WEA)

INVESTMENT PRODUCTS: NOT FDIC INSURED NO BANK GUARANTEE MAY LOSE VALUE

What's inside	
Letter from the president	II
Investment commentary	IV
Fund overview	1
Fund at a glance	6
Spread duration	7
Effective duration	8
Schedule of investments	9
Statement of assets and liabilities	24
Statement of operations	25
Statements of changes in net assets	26
Statement of cash flows	27
Financial highlights	28
Notes to financial statements	30
Report of independent registered public accounting firm	46
Board approval of management and subadvisory agreements	47
Additional information	50
Additional shareholder information	54
Annual principal executive officer and principal financial officer certifications	56
Other shareholder communications regarding accounting matters	57
Dividend reinvestment plan	58
Important tax information	60

Fund objective

The Fund's investment objective is to provide current income and capital appreciation.

Letter from the president

Dear Shareholder,

We are pleased to provide the annual report of Western Asset Premier Bond Fund for the twelve-month reporting period ended December 31, 2014. Please read on for a detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

Special shareholder notice

On July 10, 2014, Western Asset Premier Bond Fund (the "Fund") announced the final results for its issuer tender offer for up to 100% of its outstanding auction rate preferred shares (ARPS) at a price equal to 97% of the liquidation preference of \$25,000 per share (or \$24,250 per share), plus any unpaid dividends accrued through expiration of the offer. The Fund's tender offer expired on July 3, 2014, at 5:00 p.m. New York City time. All shares that were validly tendered and not withdrawn during the offering period were accepted for payment. The Fund accepted for payment 2,863 ARPS, which represented approximately 99% of its outstanding ARPS.

On August 14, 2014, the Board of Trustees approved the redemption of the remaining Series M ARPS and Series W ARPS, at the liquidation preference of \$25,000 per share, plus any accumulated but unpaid dividends, on September 26, 2014 and September 30, 2014, respectively.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, www.lmcef.com. Here you can gain immediate access to market and investment information, including:

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Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

A host of educational resources.

II Western Asset Premier Bond Fund

We look forward to helping you meet your financial goals.

Sincerely,

Kenneth D. Fuller

President and Chief Executive Officer

January 30, 2015

Western Asset Premier Bond Fund

III

Investment commentary

Economic review

Despite weakness in early 2014, the U.S. economy expanded at a solid pace during the twelve months ended December 31, 2014 (the reporting period). The U.S. Department of Commerce reported that in the first quarter of 2014, U.S. gross domestic product (GDP) contracted 2.1%. This was the first negative GDP report in three years and partially attributed to severe winter weather. Thankfully, this setback was very brief, as second quarter GDP growth was 4.6%. The rebound in GDP growth was driven by several factors, including an acceleration in personal consumption expenditures (PCE), increased private inventory investment and exports, as well as an upturn in state and local government spending. The economy then gained further momentum as third quarter GDP growth was 5.0%, its strongest reading since the third quarter of 2003. This was driven by contributions from PCE, exports, nonresidential fixed investment and government spending. After the reporting period ended, the U.S. Department of Commerce's initial estimate showed that fourth quarter 2014 GDP growth was 2.6%. Moderating growth was due to several factors, including an upturn in imports, a downturn in federal government spending and decelerations in nonresidential fixed investment and in exports.

The U.S. manufacturing sector was another tailwind for the economy. Based on figures for the Institute for Supply Management's Purchasing Managers' Index (PMI), U.S. manufacturing expanded during all twelve months of the reporting period (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). After a reading of 56.5 in December 2013, the PMI fell to 51.3 in January 2014, but generally rose over the next several months, reaching a high of 59.0 in August, its best reading since March 2011. While the PMI dipped to 56.6 in September, it rose back to 59.0 in October. Manufacturing activity then moderated over the last two months of the year and the PMI was 55.5 in December. However, for 2014 as a whole the PMI averaged 55.8, the best annual reading since 2010.

The improving U.S. job market was another factor supporting the overall economy during the reporting period. When the period began, unemployment, as reported by the U.S. Department of Labor, was 6.6%. Unemployment generally declined throughout the reporting period and reached a low of 5.6% in December 2014, the lowest level since June 2008.

The Federal Reserve Board (Fed) took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As it has since December 2008, the Fed kept the federal funds rate^{iv} at a historically low range between zero and 0.25%. The Fed also ended its asset purchase program that was announced in December 2012. At that time, the Fed said it would continue purchasing \$40 billion per month of agency mortgage-backed securities (MBS), as well as \$45 billion per month of longer-term Treasuries. Following the meeting that concluded on December 18, 2013, the Fed announced that it would begin reducing its monthly asset purchases, saying "Beginning in January 2014, the Committee will add to its holdings of agency MBS at a pace of \$35 billion per month rather than \$40 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$40 billion per month rather than \$45 billion

per month. At each of the Fed's next six meetings (January, March, April, June, July and September 2014), it announced further \$10 billion tapering of its asset purchases. At its meeting that ended on October 29, 2014, the Fed announced that its asset purchase program had concluded. During its last meeting of the year that concluded on December 17, 2014, the Fed said that "Based on its current assessment, the Committee judges that it can be patient to maintain the 0 to 1/4 percent target range for the federal funds rate for a considerable time." Finally, at its meeting that ended on January 28, 2015, after the reporting period ended, the Fed said "Based on its current assessment, the Committee judges that it can be patient in beginning to normalize the stance of monetary policy."

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

Kenneth D. Fuller

President and Chief Executive Officer

January 30, 2015

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results.

ⁱ Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

ⁱⁱ The Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the U.S. manufacturing sector.

ⁱⁱⁱ The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

^{iv} The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

Fund overview

Q. What is the Fund's investment strategy?

A. The Fund's investment objective is to provide current income and capital appreciation by investing primarily in a diversified portfolio of investment grade bonds. Under normal market conditions, the Fund expects to invest substantially all (but at least 80%) of its total managed assetsⁱ in bonds, including corporate bonds, U.S. government and agency securities and mortgage-related securities, and at least 65% of its total managed assets in bonds that, at the time of purchase, are of investment grade quality. The Fund may invest up to 35% of its total managed assets in bonds of below investment grade quality at the time of purchase. The Fund may invest in securities or instruments other than bonds (including preferred stock) and may invest up to 10% of its total managed assets in instruments denominated in currencies other than the U.S. dollar. The Fund expects that the average effective durationⁱⁱ of its portfolio will range between 3.5 and seven years, although this target duration may change from time to time.

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio management personnel, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. The individuals responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are S. Kenneth Leech, Michael C. Buchanan and Christopher F. Kilpatrick.

Q. What were the overall market conditions during the Fund's reporting period?

A. The U.S. spread sectors (non-Treasuries) generated positive results and largely outperformed equal-durationⁱⁱⁱ Treasuries over the twelve months ended December 31, 2014. Risk aversion was prevalent at times given mixed economic data, questions surrounding the outlook for global growth, changing monetary policy by the Federal Reserve Board (Fed^v), and numerous geopolitical issues. However, these factors were largely overshadowed by solid demand from investors looking to generate incremental yield in the low interest rate environment.

Short-term Treasury yields moved higher, whereas longer-term Treasury yields declined during the twelve months ended December 31, 2014. Two-year Treasury yields rose from 0.38% at the beginning of the period to 0.67% at the end of the period. Their peak of 0.73% occurred on December 23, December 24 and December 26, 2014, and they were as low as 0.30% in early February 2014. Ten-year Treasury yields were at a peak of 3.04% when the reporting period began and reached a low of 2.07% on December 16, 2014. They ended the reporting period at 2.17%.

All told, the Barclays U.S. Aggregate Index^v returned 5.97% for the twelve months ended December 31, 2014. Comparatively, riskier fixed-income securities, including high-yield bonds and emerging market debt, produced weaker results. Over the fiscal year, the Barclays U.S. Corporate High Yield 2% Issuer Cap Index^x gained 2.46%. During this period, as measured by the Index, lower-quality CCC-rated bonds underperformed higher-quality BB-rated securities, as they returned -1.11% and 5.37%, respectively. In contrast, the

Fund overview (cont'd)

emerging market debt asset class, as measured by the JPMorgan Emerging Markets Bond Index Global (EMBI Globalⁱⁱ), returned 5.53% over the same period.

Q. How did we respond to these changing market conditions?

A. A number of adjustments were made to the Fund during the reporting period. We increased the Fund's allocation to investment grade corporate and, to a lesser extent, its high-yield corporate bond exposure. In contrast, we reduced our allocations to non-agency mortgage-backed securities (MBS), asset-backed securities (ABS) and commercial mortgage-backed securities, as valuations have become less compelling. In addition, we reinvested the principle proceeds from prepayments in our MBS primarily into corporate bonds.

The Fund utilized leverage during the reporting period. This contributed to results given the market's positive results. We ended the period with leverage as a percentage of gross assets of roughly 23%, versus 29% from the beginning of the year. It's worth mentioning that the net leverage change was less dramatic given that we reduced our low-yielding cash position as we decreased the Fund's gross leverage during the reporting period.

We continued to emphasize spread product or credit risk over interest rate risk during the reporting period. We utilized Treasury futures to reduce the Fund's duration and manage yield curveⁱⁱⁱ positioning. These hedges detracted from performance during the reporting period as the U.S. government bond market continued to see strong demand despite fears that the Fed could continue to reduce stimulus and raise interest rates. We ended the period with effective duration of roughly 5.0 years (net basis) which was three-fifths of a year longer than the high yield market and 1.4 years shorter than the investment-grade corporate bond market. Currency forwards were used to hedge the Fund's non-U.S. dollar exposure. These hedges were beneficial to performance as the U.S. dollar strengthened versus the euro as the market priced in a greater probability for additional European quantitative easing.

Performance review

For the twelve months ended December 31, 2014, Western Asset Premier Bond Fund returned 7.53% based on its net asset value (NAV^x) and 2.88% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Barclays U.S. Corporate High Yield Index^x and the Barclays U.S. Credit Index^{xi}, returned 2.45% and 7.49%, respectively, for the same period. The Lipper Corporate BBB-Rated Debt Closed-End Funds Category Average^{xii} returned 6.82% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling \$1.08 per share*. The performance table shows the Fund's twelve-month total return based on its NAV and market price as of December 31, 2014. **Past performance is no guarantee of future results.**

Performance Snapshot as of December 31, 2014

Price Per Share	12-Month Total Return**
\$14.83 (NAV)	7.53% ..
\$13.89 (Market Price)	2.88%

All figures represent past performance and are not a guarantee of future results.

** Total returns are based on changes in NAV or market price, respectively. Returns reflect the deduction of all Fund expenses, including management fees, operating expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.

Total return assumes the reinvestment of all distributions at NAV.

Total return assumes the reinvestment of all distributions in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

Q. What were the leading contributors to performance?

A. The largest contributor to the Fund's absolute performance during the reporting period was its allocation to investment-grade corporate bonds. In particular, overweight positions in Barclays, Wells Fargo and Verizon Communications were additive for results. Barclays and Wells Fargo performed well as investor sentiment, overall, improved due to continued balance sheet and capital ratio improvement, as well as strengthening fundamental prospects. Additionally the Fund's Barclays exposure performed well as the company sold equity to further strengthen its balance sheet and announced additional cost-cutting initiatives at the company. Fundamental performance at Verizon Communications continued to strengthen, increasing the value of the Fund's positions that we acquired during the company's large new bond offering in September 2013.

The Fund's allocation to non-agency MBS also meaningfully added to the Fund's absolute performance. They were supported by generally solid investor demand, attractive yields, continued principal paydowns and signs of stabilization in the housing market.

The Fund's high-yield bond exposure was also additive. An example of a strong holding was Ally Financial, Inc. The company, previously known as General Motors Acceptance Corporation (GMAC), provides a range of financial services, including auto financing, corporate financing, insurance, mortgage services and online banking. It performed well due to improving financials.

The Fund benefited from the tender and repurchase of approximately 99% of the Fund's outstanding Auction Rate Preferred Shares at 97% of the per share liquidation preference.

Q. What were the leading detractors from performance?

A. The Fund generated a strong absolute return during the reporting period. However, our Venezuelan sovereign debt detracted from performance. It was negatively impacted by declining oil prices, coupled with political and economic uncertainties.

A number of the Fund's individual high-yield corporate bond holdings were drags on

* For the tax character of distributions paid during the fiscal year ended December 31, 2014, please refer to page 44 of this report.

.. The total return based on NAV reflects the impact of the tender and repurchase by the Fund of a portion of its Auction Rate Preferred Shares at 97% of the per share liquidation preference. Absent this transaction, the total return based on NAV would have been 6.22%.

Fund overview (cont d)

performance, including our positions in Hercules Offshore and Halcon Resources Corp. These energy-related companies were also hurt by falling oil prices. Elsewhere the Fund's position in investment-grade Cliffs Natural Resources detracted from results. This U.S.-based company specializes in the mining and processing of iron ore and the mining of coal. It was negatively impacted by falling iron ore prices, as well as investor concerns regarding a large amount of debt on the company's books that is set to mature in the near future.

Looking for additional information?

The Fund is traded under the symbol **WEA** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XWEAX** on most financial websites. *Barron's* and the *Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as www.lmcef.com.

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Thank you for your investment in Western Asset Premier Bond Fund. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Western Asset Management Company

January 20, 2015

***RISKS:** Bonds are subject to a variety of risks, including interest rate, credit and inflation risks. As interest rates rise, bond prices fall, reducing the value of a fixed-income investment's price. The Fund may invest in high-yield bonds, which are rated below investment grade and carry more risk than higher-rated securities. To the extent that the Fund invests in asset-backed, mortgage-backed or mortgage related securities, its exposure to prepayment and extension risks may be greater than investments in other fixed-income securities. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss. The Fund may invest, to a limited extent, in foreign securities, including emerging markets, which involve additional risks. The Fund may make significant investments in derivative instruments. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.*

Portfolio holdings and breakdowns are as of December 31, 2014 and are subject to change and may not be representative of the portfolio managers' current or future investments. Please refer to pages 9 through 23 for a list and percentage breakdown of the Fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. Portfolio holdings are subject to change at any time and may not be representative of the portfolio managers' current or future investments. The Fund's top five sector holdings (as a percentage of net assets) as of

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December 31, 2014 were: Financials (26.7%), Asset-Backed Securities (17.0%), Collateralized Mortgage Obligations (12.4%), Energy (11.7%) and Industrials (11.3%). The Fund's portfolio composition is subject to change at any time.

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

- ⁱ Total managed assets equals the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage).
- ⁱⁱ Effective duration measures the expected sensitivity of market price to changes in interest rates, taking into account the effects of structural complexities. (For example, some bonds can be prepaid by the issuer.)
- ⁱⁱⁱ Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- ^{iv} The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- ^v The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- ^{vi} The Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- ^{vii} The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.
- ^{viii} The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- ^{ix} Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total investments) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- ^x The Barclays U.S. Corporate High Yield Index covers the universe of fixed-rate, non-investment grade debt, including corporate and non-corporate sectors. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging market countries are included. Original issue zero coupon bonds, step-up coupon structures and 144-A securities are also included.
- ^{xi} The Barclays U.S. Credit Index is an index composed of corporate and non-corporate debt issues that are investment grade (rated Baa3/BBB- or higher).

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^{xii} Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended December 31, 2014, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 9 funds in the Fund's Lipper category.

Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the Fund's portfolio as of December 31, 2014 and December 31, 2013 and does not include derivatives such as futures contracts and forward foreign currency contracts. The Fund's portfolio is actively managed. As a result, the composition of its portfolio holdings and sectors is subject to change at any time.

Spread duration (unaudited)

Economic exposure December 31, 2014

Total Spread Duration

WEA 4.67 years
 Benchmark 6.99 years

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

ABS	Asset-Backed Securities
Benchmark	Barclays U.S. Credit Index
EM	Emerging Markets
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities
WEA	Western Asset Premier Bond Fund

Effective duration (unaudited)

Interest rate exposure December 31, 2014

Total Effective Duration

WEA 3.83 years
Benchmark 7.07 years

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

ABS	Asset-Backed Securities
Benchmark	Barclays U.S. Credit Index
EM	Emerging Markets
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities
WEA	Western Asset Premier Bond Fund

Schedule of investments

December 31, 2014

Western Asset Premier Bond Fund

	Rate	Maturity Date	Face Amount	Value
Security				
Corporate Bonds & Notes	81.6%			
Consumer Discretionary	10.8%			
<i>Automobiles</i>	<i>3.7%</i>			
DaimlerChrysler NA Holding Corp., Notes	8.500%	1/18/31	1,000,000	\$ 1,529,494 ^(a)
Ford Motor Credit Co., LLC, Senior Notes	12.000%	5/15/15	1,030,000	1,070,528
Ford Motor Credit Co., LLC, Senior Notes	8.000%	12/15/16	680,000	761,023 ^(a)
Ford Motor Credit Co., LLC, Senior Notes	2.375%	1/16/18	1,000,000	1,005,795
General Motors Co., Senior Notes	6.250%	10/2/43	1,750,000	2,090,550
<i>Total Automobiles</i>				<i>6,457,390</i>
<i>Diversified Consumer Services</i>	<i>0.0%</i>			
Service Corp. International, Senior Notes	7.625%	10/1/18	5,000	5,577 ^(a)
Service Corp. International, Senior Notes	7.500%	4/1/27	60,000	67,500 ^(a)
<i>Total Diversified Consumer Services</i>				<i>73,077</i>
<i>Hotels, Restaurants & Leisure</i>	<i>1.0%</i>			
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	9.000%	2/15/20	160,000	117,600 ^(a)
CCM Merger Inc., Senior Notes	9.125%	5/1/19	570,000	598,500 ^{(a)(b)}
Greektown Holdings LLC/Greektown Mothership Corp., Senior Secured Notes	8.875%	3/15/19	280,000	279,300 ^{(a)(b)}
Landry's Holdings II Inc., Senior Notes	10.250%	1/1/18	720,000	741,600 ^{(a)(b)}
<i>Total Hotels, Restaurants & Leisure</i>				<i>1,737,000</i>
<i>Household Durables</i>	<i>0.2%</i>			
William Lyon Homes Inc., Senior Notes	8.500%	11/15/20	390,000	420,225 ^(a)
<i>Media</i>	<i>5.7%</i>			
21st Century Fox America Inc., Notes	8.875%	4/26/23	400,000	538,844 ^(a)
Comcast Corp., Notes	5.900%	3/15/16	400,000	424,078
Comcast Corp., Notes	7.050%	3/15/33	1,000,000	1,391,361 ^(a)
CSC Holdings LLC, Senior Notes	6.750%	11/15/21	1,000,000	1,105,000 ^(a)
DISH DBS Corp., Senior Notes	7.875%	9/1/19	385,000	436,975 ^(a)
New Cotai LLC/New Cotai Capital Corp., Senior Secured Notes	10.625%	5/1/19	363,293	383,274 ^{(a)(b)(c)}
Time Warner Cable Inc., Debentures	7.300%	7/1/38	720,000	992,775 ^(a)
Time Warner Cable Inc., Senior Notes	5.850%	5/1/17	500,000	545,774 ^(a)
Time Warner Inc., Senior Debentures	7.700%	5/1/32	980,000	1,384,582 ^(a)
UPC Holding BV, Junior Secured Subordinated Notes	6.375%	9/15/22	1,820,000 ^{EUR}	2,378,475 ^{(a)(b)}
WMG Acquisition Corp., Senior Notes	6.750%	4/15/22	530,000	482,300 ^{(a)(b)}
<i>Total Media</i>				<i>10,063,438</i>
<i>Specialty Retail</i>	<i>0.2%</i>			
Hot Topic Inc., Senior Secured Notes	9.250%	6/15/21	270,000	288,900 ^{(a)(b)}
Total Consumer Discretionary				19,040,030

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2014

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Consumer Staples 4.4%				
<i>Food & Staples Retailing 2.2%</i>				
CVS Pass-Through Trust, Secured Bonds	5.789%	1/10/26	453,255	\$ 514,333 ^{(a)(b)}
CVS Pass-Through Trust, Secured Notes	5.880%	1/10/28	458,646	522,138 ^(a)
CVS Pass-Through Trust, Secured Notes	6.036%	12/10/28	456,657	532,511 ^(a)
CVS Pass-Through Trust, Secured Notes	6.943%	1/10/30	439,319	532,673 ^(a)
CVS Pass-Through Trust, Secured Notes	7.507%	1/10/32	428,666	546,669 ^{(a)(b)}
Kroger Co., Senior Notes	6.400%	8/15/17	1,090,000	1,218,333 ^(a)
<i>Total Food & Staples Retailing</i>				<i>3,866,657</i>
<i>Food Products 2.2%</i>				
Ahold Lease USA Inc., Pass-Through Certificates	8.620%	1/2/25	686,921	854,631 ^(a)
Chiquita Brands International Inc./Chiquita Brands LLC, Senior Secured Notes	7.875%	2/1/21	262,000	281,650 ^(a)
Hearthside Group Holdings LLC/Hearthside Finance Co., Senior Notes	6.500%	5/1/22	500,000	487,500 ^{(a)(b)}
Wells Enterprises Inc., Senior Secured Notes	6.750%	2/1/20	176,000	180,400 ^{(a)(b)}
WM Wrigley Jr. Co., Senior Notes	2.000%	10/20/17	2,000,000	2,014,428 ^(b)
<i>Total Food Products</i>				<i>3,818,609</i>
Total Consumer Staples				7,685,266
Energy 11.7%				
<i>Energy Equipment & Services 1.0%</i>				
CGG, Senior Notes	6.500%	6/1/21	750,000	570,000 ^(a)
FTS International Inc., Senior Secured Notes	6.250%	5/1/22	370,000	270,100 ^{(a)(b)}
Hercules Offshore Inc., Senior Notes	8.750%	7/15/21	410,000	188,600 ^{(a)(b)}
Hercules Offshore Inc., Senior Notes	6.750%	4/1/22	650,000	279,500 ^(b)
Transocean Inc., Senior Notes	6.800%	3/15/38	500,000	428,453
<i>Total Energy Equipment & Services</i>				<i>1,736,653</i>
<i>Oil, Gas & Consumable Fuels 10.7%</i>				
Anadarko Finance Co., Senior Notes	7.500%	5/1/31	570,000	749,597 ^(a)
Anadarko Petroleum Corp., Senior Notes	4.500%	7/15/44	1,000,000	970,475
Apache Corp., Senior Notes	4.250%	1/15/44	250,000	218,484
Arch Coal Inc., Senior Notes	7.000%	6/15/19	1,080,000	318,600 ^(a)
Burlington Resources Finance Co., Senior Notes	7.400%	12/1/31	450,000	634,325 ^(a)
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes	6.500%	4/15/21	900,000	801,000 ^{(a)(b)}
Colorado Interstate Gas Co., Senior Notes	6.800%	11/15/15	150,000	156,901
CONSOL Energy Inc., Senior Notes	8.250%	4/1/20	440,000	456,500 ^(a)
Continental Resources Inc., Senior Notes	4.900%	6/1/44	500,000	433,330
Devon Energy Corp., Debentures	7.950%	4/15/32	310,000	427,320 ^(a)

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels continued</i>				
Ecopetrol SA, Senior Bonds	4.125%	1/16/25	1,000,000	\$ 950,000
Ecopetrol SA, Senior Notes	5.875%	9/18/23	55,000	58,231 ^(a)
Ecopetrol SA, Senior Notes	5.875%	5/28/45	130,000	120,250
El Paso Corp., Medium-Term Notes	7.800%	8/1/31	190,000	231,350 ^(a)
Enterprise Products Operating LLC, Senior Notes	5.100%	2/15/45	1,000,000	1,075,191
EXCO Resources Inc., Senior Notes	8.500%	4/15/22	320,000	234,400 ^(a)
Halcon Resources Corp., Senior Notes	9.750%	7/15/20	670,000	502,500 ^(a)
Hess Corp., Notes	7.875%	10/1/29	350,000	447,870 ^(a)
Lonestar Resources America Inc., Senior Notes	8.750%	4/15/19	180,000	135,000 ^{(a)(b)}
Magnum Hunter Resources Corp., Senior Notes	9.750%	5/15/20	740,000	584,600 ^(a)
MEG Energy Corp., Senior Notes	7.000%	3/31/24	840,000	760,200 ^{(a)(b)}
Natural Resource Partners LP/Natural Resource Partners Finance Corp., Senior Notes	9.125%	10/1/18	370,000	358,900 ^(a)
Noble Energy Inc., Senior Notes	5.250%	11/15/43	1,000,000	1,015,547
Parsley Energy LLC/Parsley Finance Corp., Senior Notes	7.500%	2/15/22	150,000	142,125 ^{(a)(b)}
Petrobras Global Finance BV, Senior Notes	7.250%	3/17/44	1,000,000	987,500
Petroleos Mexicanos, Senior Notes	4.250%	1/15/25	1,500,000	1,490,250 ^(b)
Plains Exploration & Production Co., Senior Notes	6.500%	11/15/20	429,000	464,380
Plains Exploration & Production Co., Senior Notes	6.875%	2/15/23	650,000	723,125 ^(a)
Regency Energy Partners LP/Regency Energy Finance Corp., Senior Notes	5.875%	3/1/22	80,000	79,800 ^(a)
Reliance Holdings USA Inc., Senior Notes	5.400%	2/14/22	1,000,000	1,083,308 ^(b)
Reliance Holdings USA Inc., Senior Notes	5.400%	2/14/22	250,000	270,827 ^(d)
Sanchez Energy Corp., Senior Notes	7.750%	6/15/21	380,000	353,400 ^(a)
Summit Midstream Holdings LLC/Summit Midstream Finance Corp., Senior Notes	7.500%	7/1/21	230,000	241,500 ^(a)
Transocean Inc., Senior Notes	5.050%	12/15/16	1,000,000	1,004,788
Williams Cos. Inc., Debentures	7.500%	1/15/31	413,000	438,215 ^(a)
Williams Cos. Inc., Senior Notes	8.750%	3/15/32	39,000	45,516 ^(a)
<i>Total Oil, Gas & Consumable Fuels</i>				<i>18,965,305</i>
Total Energy				20,701,958
Financials 23.8%				
<i>Banks 16.3%</i>				
Bank of America Corp., Senior Notes	3.750%	7/12/16	1,000,000	1,035,759
Bank of America Corp., Senior Notes	5.000%	5/13/21	1,100,000	1,227,438 ^(a)
Bank of America Corp., Subordinated Notes	4.250%	10/22/26	700,000	698,428
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	610,000	818,979 ^{(a)(b)}
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	2,500,000	2,733,562 ^(a)
BPCE SA, Subordinated Notes	5.150%	7/21/24	1,000,000	1,030,471 ^(b)

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2014

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Banks continued</i>				
Capital One N.A., Senior Notes	1.500%	3/22/18	1,810,000	\$ 1,782,162 ^(a)
Citigroup Inc., Senior Notes	1.700%	7/25/16	1,000,000	1,006,849 ^(a)
Citigroup Inc., Subordinated Notes	3.500%	5/15/23	500,000	486,745
Citigroup Inc., Subordinated Notes	5.500%	9/13/25	200,000	221,301
Citigroup Inc., Subordinated Notes	6.625%	6/15/32	1,000,000	1,245,782 ^(a)
Credit Agricole SA, Junior Subordinated Notes	7.875%	1/23/24	750,000	763,150 ^{(b)(e)(f)}
Credit Agricole SA, Subordinated Notes	8.375%	10/13/19	1,610,000	1,855,525 ^{(a)(b)(e)(f)}
HBOS PLC, Subordinated Notes	6.750%	5/21/18	700,000	780,147 ^{(a)(b)}
HSBC Holdings PLC, Junior Subordinated Bonds	6.375%	9/17/24	2,460,000	2,484,600 ^{(a)(e)(f)}
Intesa Sanpaolo SpA, Senior Notes	3.625%	8/12/15	300,000	304,052 ^(b)
Intesa Sanpaolo SpA, Senior Notes	3.875%	1/16/18	1,000,000	1,041,154
Intesa Sanpaolo SpA, Subordinated Bonds	5.017%	6/26/24	910,000	883,169 ^(b)
JPMorgan Chase & Co., Junior Subordinated Notes	6.100%	10/1/24	750,000	748,125 ^{(e)(f)}
Lloyds Banking Group PLC, Subordinated Notes	4.500%	11/4/24	1,000,000	1,009,139
M&T Bank Corp., Junior Subordinated Bonds	6.875%	6/15/16	760,000	777,100 ^(f)
Royal Bank of Scotland Group PLC, Subordinated Notes	6.100%	6/10/23	1,470,000	1,594,355
Royal Bank of Scotland Group PLC, Subordinated Notes	6.000%	12/19/23	150,000	162,360
Royal Bank of Scotland Group PLC, Subordinated Notes	5.125%	5/28/24	1,580,000	1,607,162
Royal Bank of Scotland NV, Subordinated Notes	7.750%	5/15/23	140,000	164,225 ^(a)
Santander UK PLC, Subordinated Notes	5.000%	11/7/23	510,000	538,660 ^(b)
Santander US Debt SA Unipersonal, Senior Notes	3.724%	1/20/15	300,000	300,411 ^(b)
Wachovia Capital Trust III, Junior Subordinated Bonds	5.570%	2/17/15	1,480,000	1,428,940 ^{(e)(f)}
<i>Total Banks</i>				<i>28,729,750</i>
<i>Capital Markets 2.9%</i>				
Deutsche Bank AG, Subordinated Notes	4.296%	5/24/28	2,000,000	1,931,860 ^{(a)(e)}
Goldman Sachs Group Inc., Senior Notes	6.150%	4/1/18	1,000,000	1,122,419 ^(a)
Goldman Sachs Group Inc., Senior Notes	5.250%	7/27/21	800,000	902,930 ^(a)
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	1,000,000	1,257,375 ^(a)
<i>Total Capital Markets</i>				<i>5,214,584</i>
<i>Consumer Finance 1.1%</i>				
Ally Financial Inc., Senior Notes	8.000%	3/15/20	282,000	332,760
Capital One Financial Corp., Subordinated Notes	6.150%	9/1/16	500,000	537,319
Synchrony Financial, Senior Notes	4.250%	8/15/24	1,000,000	1,026,129
<i>Total Consumer Finance</i>				<i>1,896,208</i>
<i>Diversified Financial Services 2.5%</i>				
General Electric Capital Corp., Notes	5.300%	2/11/21	450,000	513,894 ^(a)
General Electric Capital Corp., Subordinated Debentures	6.375%	11/15/67	500,000	536,250 ^{(a)(e)}
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	1,380,000	1,528,350 ^(a)

See Notes to Financial Statements.

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Diversified Financial Services continued</i>				
International Lease Finance Corp., Senior Notes	5.875%	8/15/22	750,000	\$ 813,750 ^(a)
International Lease Finance Corp., Senior Secured Notes	7.125%	9/1/18	400,000	448,000 ^{(a)(b)}
ZFS Finance USA Trust II, Bonds	6.450%	12/15/65	500,000	526,835 ^{(b)(e)}
<i>Total Diversified Financial Services</i>				4,367,079
<i>Insurance 0.6%</i>				
Liberty Mutual Group Inc., Junior Subordinated Bonds	7.800%	3/15/37	200,000	234,000 ^{(a)(b)}
Metlife Inc., Junior Subordinated Notes	10.750%	8/1/39	500,000	812,500 ^(a)
<i>Total Insurance</i>				1,046,500
<i>Real Estate Management & Development 0.4%</i>				
Howard Hughes Corp., Senior Notes	6.875%	10/1/21	690,000	714,150 ^{(a)(b)}
Total Financials				41,968,271
<i>Health Care 1.5%</i>				
<i>Health Care Equipment & Supplies 0.5%</i>				
ConvaTec Finance International SA, Senior Notes	8.250%	1/15/19	340,000	345,100 ^{(a)(b)(c)}
Lantheus Medical Imaging Inc., Senior Notes	9.750%	5/15/17	610,000	585,600 ^(a)
<i>Total Health Care Equipment & Supplies</i>				930,700
<i>Health Care Providers & Services 0.8%</i>				
HCA Inc., Debentures	7.500%	11/15/95	475,000	453,625 ^(a)
HCA Inc., Notes	7.690%	6/15/25	90,000	101,250 ^(a)
IASIS Healthcare LLC/IASIS Capital Corp., Senior Notes	8.375%	5/15/19	230,000	241,500 ^(a)
Tenet Healthcare Corp., Senior Notes	8.125%	4/1/22	480,000	536,400 ^(a)
<i>Total Health Care Providers & Services</i>				1,332,775
<i>Pharmaceuticals 0.2%</i>				
Salix Pharmaceuticals Ltd., Senior Notes	6.000%	1/15/21	350,000	357,000 ^(b)
Total Health Care				2,620,475
<i>Industrials 11.2%</i>				
<i>Aerospace & Defense 0.6%</i>				
Boeing Co., Notes	6.125%	2/15/33	600,000	795,908 ^(a)
GenCorp Inc., Secured Notes	7.125%	3/15/21	250,000	261,825 ^(a)
<i>Total Aerospace & Defense</i>				1,057,733
<i>Airlines 6.7%</i>				
Air 2 US, Notes	8.027%	10/1/19	1,213,785	1,298,750 ^{(a)(b)}
America West Airlines Inc., Pass-Through Certificates, Ambac Assurance Corp.	8.057%	7/2/20	1,448,479	1,644,024 ^(a)
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	122,473	141,456 ^(a)
Northwest Airlines Corp., Pass-Through Certificates	7.575%	3/1/19	352,881	396,991 ^(a)
United Airlines Inc., Pass-Through Certificates	6.900%	1/2/18	526,806	551,145

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2014

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Airlines continued</i>				
United Airlines Inc., Pass-Through Certificates	6.820%	5/1/18	587,355	\$ 631,407
United Airlines Inc., Pass-Through Certificates	6.545%	2/2/19	822,877	903,602
United Airlines Inc., Pass-Through Certificates	8.048%	11/1/20	449,357	509,436 (a)
United Airlines Inc., Pass-Through Certificates	6.703%	6/15/21	657,055	709,620
United Airlines Inc., Pass-Through Certificates, Secured Notes	6.250%	4/11/20	847,971	890,369 (a)
US Airways, Pass-Through Trust, Pass-Through Certificates	6.850%	1/30/18	2,030,057	2,151,860
US Airways, Pass-Through Trust, Secured Notes	7.125%	10/22/23	1,630,205	1,899,189 (a)
<i>Total Airlines</i>				<i>11,727,849</i>
<i>Commercial Services & Supplies 0.5%</i>				
Garda World Security Corp., Senior Notes	7.250%	11/15/21	220,000	217,800 (b)
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	7.750%	4/15/20	590,000	625,400 (a)(b)
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	7.750%	4/15/20	72,000	76,320 (a)(b)
<i>Total Commercial Services & Supplies</i>				<i>919,520</i>
<i>Construction & Engineering 0.8%</i>				
Ausdrill Finance Pty Ltd., Senior Notes	6.875%	11/1/19	270,000	221,400 (a)(b)
Michael Baker International LLC/CDL Acquisition Co. Inc., Senior Secured Notes	8.250%	10/15/18	610,000	606,950 (a)(b)
Modular Space Corp., Secured Notes	10.250%	1/31/19	360,000	311,400 (a)(b)
OAS Investments GmbH, Senior Notes	8.250%	10/19/19	200,000	68,000 (a)(b)
Odebrecht Offshore Drilling Finance Ltd., Senior Secured Notes	6.625%	10/1/22	192,480	174,194 (b)
<i>Total Construction & Engineering</i>				<i>1,381,944</i>
<i>Electrical Equipment 0.2%</i>				
International Wire Group Holdings Inc., Senior Secured Notes	8.500%	10/15/17	340,000	356,150 (a)(b)
<i>Machinery 0.4%</i>				
SPL Logistics Escrow LLC/SPL Logistics Finance Corp., Senior Secured Notes	8.875%	8/1/20	710,000	752,600 (a)(b)
<i>Marine 1.2%</i>				
Horizon Lines LLC, Senior Secured Notes	11.000%	10/15/16	1,664,000	1,672,320 (a)(g)
Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes	8.125%	11/15/21	470,000	458,250 (a)(b)
<i>Total Marine</i>				<i>2,130,570</i>
<i>Road & Rail 0.5%</i>				
Florida East Coast Holdings Corp., Senior Notes	9.750%	5/1/20	620,000	616,900 (a)(b)
Jurassic Holdings III Inc., Secured Notes	6.875%	2/15/21	280,000	260,400 (a)(b)
<i>Total Road & Rail</i>				<i>877,300</i>

See Notes to Financial Statements.

Western Asset Premier Bond Fund

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Trading Companies & Distributors 0.3%</i>				
H&E Equipment Services Inc., Senior Notes	7.000%	9/1/22	590,000	\$ 606,963 (a)
Total Industrials				19,810,629
Information Technology 1.6%				
<i>Electronic Equipment, Instruments & Components 0.2%</i>				
Interface Security Systems Holdings Inc./Interface Security Systems LLC, Senior Secured Notes	9.250%	1/15/18	340,000	343,400
<i>IT Services 1.4%</i>				
Compiler Finance Subordinated Inc., Senior Notes	7.000%	5/1/21	465,000	399,900 (a)(b)
Electronic Data Systems Corp., Notes	7.450%	10/15/29	500,000	631,743 (a)
First Data Corp., Senior Notes	12.625%	1/15/21	940,000	1,116,250 (a)
First Data Corp., Senior Secured Notes	6.750%	11/1/20	98,000	104,615 (a)(b)
First Data Corp., Senior Subordinated Notes	11.750%	8/15/21	208,000	238,680 (a)
<i>Total IT Services</i>				<i>2,491,188</i>
Total Information Technology				2,834,588
Materials 3.8%				
<i>Chemicals 0.3%</i>				
Braskem Finance Ltd., Senior Notes	5.375%	5/2/22	230,000	223,100 (b)
HIG BBC Intermediate Holdings LLC/HIG BBC Holdings Corp., Senior Notes	10.500%	9/15/18	250,000	242,500 (a)(b)(c)
<i>Total Chemicals</i>				<i>465,600</i>
<i>Containers & Packaging 0.7%</i>				
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	9.125%	10/15/20	415,000	439,900 (a)(b)
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	7.000%	11/15/20	213,529	215,665 (a)(b)
Coveris Holdings SA, Senior Notes	7.875%	11/1/19	590,000	607,700 (a)(b)
Pactiv LLC, Senior Notes	7.950%	12/15/25	50,000	50,250 (a)
<i>Total Containers & Packaging</i>				<i>1,313,515</i>
<i>Metals & Mining 1.9%</i>				
Barmenco Finance Pty Ltd., Senior Notes	9.000%	6/1/18	430,000	391,300 (a)(b)
Barrick Gold Corp., Senior Notes	6.950%	4/1/19	300,000	341,613 (a)
Cliffs Natural Resources Inc., Senior Notes	5.700%	1/15/18	160,000	104,000
Freeport-McMoRan Inc., Senior Notes	4.550%	11/14/24	900,000	873,925
Prince Mineral Holding Corp., Senior Secured Notes	12.500%	12/15/19	260,000	265,200 (a)(b)
Ryerson Inc./Joseph T. Ryerson & Son Inc., Senior Notes	11.250%	10/15/18	414,000	440,910 (a)
SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., Senior Notes	7.375%	2/1/20	200,000	207,750 (a)(b)
SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., Senior Notes	7.375%	2/1/20	90,000	93,488 (a)(b)

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2014

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Metals & Mining continued</i>				
Vedanta Resources PLC, Senior Bonds	8.250%	6/7/21	580,000	\$ 574,200 ^{(a)(d)}
<i>Total Metals & Mining</i>				3,292,386
<i>Paper & Forest Products 0.9%</i>				
Fibria Overseas Finance Ltd., Senior Notes	5.250%	5/12/24	610,000	606,035
Klabin Finance SA, Senior Notes	5.250%	7/16/24	290,000	282,750 ^(b)
Weyerhaeuser Co., Debentures	7.375%	3/15/32	560,000	745,555 ^(a)
<i>Total Paper & Forest Products</i>				1,634,340
Total Materials				6,705,841
<i>Telecommunication Services 9.4%</i>				
<i>Diversified Telecommunication Services 8.4%</i>				
AT&T Inc., Senior Notes	5.350%	9/1/40	170,000	184,080
Cincinnati Bell Telephone Co., Senior Debentures	6.300%	12/1/28	25,000	23,500 ^(a)
Level 3 Financing Inc., Senior Notes	8.625%	7/15/20	290,000	312,837 ^(a)
Level 3 Financing Inc., Senior Notes	6.125%	1/15/21	530,000	548,550
Orange, Notes	9.000%	3/1/31	600,000	915,229 ^(a)
Qwest Corp., Senior Notes	6.750%	12/1/21	2,000,000	2,312,618 ^(a)
Telecom Italia SpA, Senior Notes	5.303%	5/30/24	2,750,000	2,784,375 ^(b)
Telefonica Emisiones SAU, Senior Notes	5.134%	4/27/20	2,000,000	2,214,012 ^(a)
Verizon Communications Inc., Senior Notes	5.150%	9/15/23	4,330,000	4,781,329 ^(a)
Windstream Corp., Senior Notes	6.375%	8/1/23	800,000	748,000 ^(a)
<i>Total Diversified Telecommunication Services</i>				14,824,530
<i>Wireless Telecommunication Services 1.0%</i>				
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	750,000	660,000 ^(a)
Sprint Communications Inc., Senior Notes	9.000%	11/15/18	500,000	568,700 ^{(a)(b)}
VimpelCom Holdings BV, Senior Notes	5.950%	2/13/23	570,000	432,915 ^{(a)(b)}
<i>Total Wireless Telecommunication Services</i>				1,661,615
Total Telecommunication Services				16,486,145
<i>Utilities 3.4%</i>				
<i>Electric Utilities 2.6%</i>				
Centrais Eletricas Brasileiras SA, Senior Notes	5.750%	10/27/21	210,000	201,600 ^(b)
Electricite de France, Junior Subordinated Notes	5.625%	1/22/24	1,500,000	1,580,625 ^{(b)(e)(f)}
FirstEnergy Corp., Notes	7.375%	11/15/31	1,770,000	2,142,348 ^(a)
Southern Co., Senior Notes	1.950%	9/1/16	150,000	151,878
State Grid Overseas Investment 2014 Ltd., Senior Notes	4.125%	5/7/24	500,000	525,678 ^(d)
<i>Total Electric Utilities</i>				4,602,129
<i>Gas Utilities 0.0%</i>				
Southern Natural Gas Co., Senior Notes	8.000%	3/1/32	20,000	25,911 ^(a)

See Notes to Financial Statements.

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Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
<i>Independent Power and Renewable Electricity Producers 0.8%</i>				
AES Corp., Senior Notes	8.000%	6/1/20	100,000	\$ 114,250 (a)
Calpine Corp., Senior Secured Notes	7.875%	1/15/23	489,000	539,122 (a)(b)
First Wind Holdings Inc., Senior Secured Notes	10.250%	6/1/18	746,000	790,760 (a)(b)
<i>Total Independent Power and Renewable Electricity Producers</i>				<i>1,444,132</i>
Total Utilities				6,072,172
Total Corporate Bonds & Notes (Cost \$137,741,752)				143,925,375
<i>Asset-Backed Securities 17.0%</i>				
AAA Trust, 2005-1A 1A3B	0.579%	2/27/35	468,562	356,144 (b)(e)
ABFS Mortgage Loan Trust, 2002-3 M1	5.902%	9/15/33	954,632	763,337
ACE Securities Corp., 2005-WF1 M1	0.590%	5/25/35	470,000	445,155 (e)
Ameriquest Mortgage Securities Inc., 2004-R1 A1B	0.970%	2/25/34	436,451	408,944 (e)
Ameriquest Mortgage Securities Inc., 2004-R9 M1	1.100%	10/25/34	108,558	108,526 (e)
Argent Securities Inc., 2003-W3 M1	1.280%	9/25/33	51,089	49,643 (e)
Associates Manufactured Housing Pass Through Certificates, 1997-CLB2	8.900%	6/15/28	2,044,398	1,912,145 (h)
Bank of America Manufactured Housing Contract Trust, 1997-2M	6.900%	4/10/28	51,705	54,015 (e)
Bayview Financial Asset Trust, 2004-SSRA A1	0.770%	12/25/39	191,134	180,342 (b)(e)
Bayview Financial Asset Trust, 2007-SR1A M1	0.970%	3/25/37	997,340	863,198 (b)(e)
Bayview Financial Asset Trust, 2007-SR1A M3	1.320%	3/25/37	378,302	287,509 (b)(e)
Bayview Financial Asset Trust, 2007-SR1A M4	1.670%	3/25/37	103,173	72,221 (b)(e)
Bear Stearns Asset Backed Securities Trust, 2006-SD3 1P0, STRIPS, PO	0.000%	8/25/36	549,894	357,410
Centex Home Equity Loan Trust, 2003-B AF4	3.735%	2/25/32	349,152	351,600
Citigroup Mortgage Loan Trust Inc., 2006-SHL1 A1	0.370%	11/25/45	85,037	82,213 (b)(e)
Contimortgage Home Equity Trust, 1997-4 B1F	7.330%	10/15/28	189,105	191,404
Countrywide Asset-Backed Certificates, 2004-3 3A3	0.930%	8/25/34	135,516	131,996 (e)
Countrywide Asset-Backed Certificates, 2006-3 3A1	0.290%	6/25/36	261,944	252,482 (e)
Countrywide Asset-Backed Certificates, 2007-13 2A1	1.070%	10/25/47	913,803	799,138 (e)
Countrywide Asset-Backed Certificates, 2007-SEA2 1A1	1.170%	8/25/47	41,521	37,739 (b)(e)
Credit-Based Asset Servicing and Securitization LLC, 2005-RP1 M1	0.790%	1/25/35	245,936	240,704 (b)(e)
CS First Boston Mortgage Securities Corp., 2004-CF2 2A1	0.640%	5/25/44	11,667	11,525 (b)(e)
Education Funding Capital Trust, 2004-1 B1	1.880%	6/15/43	1,200,000	1,092,000 (a)(e)(h)
EMC Mortgage Loan Trust, 2003-B A1	0.720%	11/25/41	22,255	22,113 (b)(e)
Firstfed Corp. Manufactured Housing Contract, 1996-1 B	8.060%	10/15/22	530,994	373,753 (b)
GMAC Mortgage Corp. Loan Trust, 2004-VF1 A1	0.920%	2/25/31	130,803	125,489 (b)(e)
Green Tree Financial Corp., 1993-1 B	8.450%	4/15/18	23,398	13,055
Green Tree Home Improvement Loan Trust, 1996-D HIB2	8.000%	9/15/27	15,857	13,366

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2014

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Asset-Backed Securities continued				
Greenpoint Manufactured Housing, 1999-2 A2	2.907%	3/18/29	425,000	\$ 389,206 ^(e)
Greenpoint Manufactured Housing, 1999-3 2A2	3.520%	6/19/29	125,000	108,750 ^(e)
Greenpoint Manufactured Housing, 1999-4 A2	3.655%	2/20/30	125,000	108,750 ^(e)
Greenpoint Manufactured Housing, 1999-5 A5	7.820%	12/15/29	216,635	219,807 ^(e)
Greenpoint Manufactured Housing, 2001-2 IA2	3.662%	2/20/32	325,000	297,905 ^(e)
Greenpoint Manufactured Housing, 2001-2 IIA2	3.661%	3/13/32	550,000	497,231 ^(e)
GSAA Home Equity Trust, 2004-8 A3A	0.910%	9/25/34	121,163	120,808 ^(e)
GSAA Home Equity Trust, 2006-19 A3A	0.410%	12/25/36	615,013	353,959 ^(e)
GSAMP Trust, 2003-SEA2 A1	4.422%	7/25/33	1,353,525	1,331,363
GSRPM Mortgage Loan Trust, 2006-1 A1	0.470%	3/25/35	85,787	84,250 ^{(b)(e)}
GSRPM Mortgage Loan Trust, 2006-2 A2	0.470%	9/25/36	134,349	127,246 ^{(b)(e)}
Indymac Manufactured Housing Contract, 1997-1 A5	6.970%	2/25/28	116,268	120,498
Lehman XS Trust, 2007-1 WF1	4.891%	1/25/37	613,209	359,630 ^(e)
Long Beach Mortgage Loan Trust, 2004-4 M1	1.070%	10/25/34	1,620,000	1,534,219 ^(e)
Morgan Stanley ABS Capital I, 2003-SD1 A1	1.170%	3/25/33	16,731	15,863 ^(e)
Morgan Stanley Capital Inc., 2003-NC9 M	1.295%	9/25/33	1,121,051	1,084,995 ^(e)
Morgan Stanley Capital Inc., 2004-HE7 M1	1.070%	8/25/34	1,539,471	1,455,781 ^(e)
New Century Home Equity Loan Trust, 2004-2 A2	0.910%	8/25/34	475,320	447,421 ^(e)
New Century Home Equity Loan Trust, 2004-3 M1	1.100%	11/25/34	1,480,740	1,367,502 ^(e)
Oakwood Mortgage Investors Inc., 2002-B A3	6.060%	6/15/32	174,178	180,141 ^(e)
Option One Mortgage Loan Trust, 2003-2 A2	0.770%	4/25/33	290,773	269,001 ^(e)
Origen Manufactured Housing, 2006-A A2	2.645%	10/15/37	2,077,920	1,851,687 ^(e)
Origen Manufactured Housing, 2007-A A2	2.497%	4/15/37	2,406,116	2,118,774 ^(e)
PAMCO CLO, 1997-1A B	7.910%	8/6/13	439,165	79,050 ⁽ⁱ⁾
Park Place Securities Inc., 2004-WCW1 M2	1.190%	9/25/34	915,976	908,861 ^(e)
Park Place Securities Inc., 2004-WHQ2 M2	1.115%	2/25/35	415,367	414,722 ^(e)
Pegasus Aviation Lease Securitization, 2000-1 A2, IO	8.370%	3/25/30	1,600,000	336,000 ^(b)
People's Choice Home Loan Securities Trust, 2004-1 A3	1.210%	6/25/34	400,842	391,831 ^(e)
RAAC Series, 2007-RP1 M1	0.720%	5/25/46	210,000	152,273 ^{(b)(e)}
Renaissance Home Equity Loan Trust, 2004-2 AF4	5.392%	7/25/34	264,430	268,102
Renaissance Home Equity Loan Trust, 2005-2 AF5	5.201%	8/25/35	750,000	670,283
Renaissance Home Equity Loan Trust, 2005-3 AV3	0.550%	11/25/35	530,042	432,905 ^(e)
Residential Asset Mortgage Products Inc., 2004-RZ1 AII	0.650%	3/25/34	340,390	337,723 ^(e)
Residential Asset Securities Corp., 2002-KS2 AI6	6.228%	4/25/32	164,331	167,819 ^(e)
Residential Asset Securities Corp., 2003-KS8 AI6	4.830%	10/25/33	151,235	150,106 ^(e)
Settlement Fee Finance LLC, 2004-1A A	9.100%	7/25/34	529,932	570,016 ^(b)
Structured Asset Securities Corp., 2003-AL1 A	3.357%	4/25/31	61,806	60,734 ^(b)
Structured Asset Securities Corp., 2005-4XS 2A1A	1.906%	3/25/35	369,540	368,312 ^(e)

See Notes to Financial Statements.

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Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Asset-Backed Securities continued				
Structured Asset Securities Corp., 2006-GEL3 A2	0.400%	7/25/36	558,998	\$ 556,098 ^{(b)(e)}
Total Asset-Backed Securities (Cost \$26,352,897)				29,906,788
Collateralized Mortgage Obligations 12.4%				
American Home Mortgage Investment Trust, 2007-A 4A	1.055%	7/25/46	671,849	250,350 ^{(b)(e)}
Banc of America Funding Corp., 2004-B 6A1	3.728%	12/20/34	311,563	223,644 ^(e)
BCAP LLC Trust, 2009-RR12 2A2	0.515%	3/26/35	1,844,014	1,197,859 ^{(b)(e)}
Bear Stearns Alt-A Trust, 2004-03 A1	0.810%	4/25/34	317,524	309,063 ^(e)
Bear Stearns Alt-A Trust, 2005-10 21A1	2.537%	1/25/36	786,937	643,714 ^(e)
Bear Stearns Asset Backed Securities Trust, 2002-AC1 B4	7.000%	1/25/32	478,291	91,085 ^(b)
BlackRock Capital Finance LP, 1997-R2 B5	4.778%	12/25/35	81,677	2,083 ^{(b)(h)}
Chevy Chase Mortgage Funding Corp., 2004-3A A1	0.420%	8/25/35	871,884	796,395 ^{(b)(e)}
Chevy Chase Mortgage Funding Corp., 2004-4A A1	0.400%	10/25/35	1,409,788	1,298,900 ^{(b)(e)}
Chevy Chase Mortgage Funding Corp., 2005-4A A1	0.370%	10/25/36	1,194,947	1,020,324 ^{(b)(e)}
Countrywide Home Loans, 2004-R2 1AF1	0.590%	11/25/34	236,038	207,416 ^{(b)(e)}
Countrywide Home Loans, 2005-7 1A1	0.710%	3/25/35	1,053,831	1,003,436 ^(e)
Countrywide Home Loans, 2006-HYB4 3B	2.540%	6/20/36	756,612	625,196 ^(e)
Credit Suisse Mortgage Capital Certificates, 2009-16R 4A1	2.490%	3/26/35	306,445	295,209 ^{(b)(e)}
Federal Home Loan Mortgage Corp. (FHLMC), Multi-Family Structured Pass-Through Certificates, K007 X1, IO	1.186%	4/25/20	1,257,224	57,856 ^(e)
Greenpoint Mortgage Funding Trust, 2005-AR5 3A2	0.440%	11/25/46	224,975	856,480 ^(e)
GSMPs Mortgage Loan Trust, 2001-2 A	7.500%	6/19/32	1,093,762	1,151,334 ^{(b)(e)}
HarborView Mortgage Loan Trust, 2004-08 3A2	0.964%	11/19/34	111,399	84,461 ^(e)
HarborView Mortgage Loan Trust, 2004-10 4A	2.556%	1/19/35	247,498	247,057 ^(e)
HarborView Mortgage Loan Trust, 2005-9 B10	1.916%	6/20/35	191,051	2 ^(e)
Impac CMB Trust, 2004-9 1A1	0.930%	1/25/35	37,919	34,213 ^(e)
Impac CMB Trust, 2005-2 2A2	0.970%	4/25/35	103,197	94,165 ^(e)
Impac CMB Trust, 2A-10	0.810%	3/25/35	291,888	248,763 ^(e)
Indymac Manufactured Housing Contract, A2-2	6.170%	8/25/29	90,927	90,309
Jefferies & Co., 2009-B 9A	0.494%	11/21/35	16,518	323,574 ^{(b)(e)(h)}
JPMorgan Alternative Loan Trust, 2006-S1 3A4	6.180%	3/25/36	962,903	619,500 ^(e)
JPMorgan Mortgage Trust, 2005-A6 3A3	2.649%	9/25/35	630,000	596,903 ^(e)
JPMorgan Mortgage Trust, 2007-A2 4A2	5.000%	4/25/37	200,950	173,698 ^(e)
LB-UBS Commercial Mortgage Trust, 2001-C3 X, IO, STRIPS	0.500%	6/15/36	251,358	666 ^{(b)(e)(g)}
Luminant Mortgage Trust, 2006-6 A1	0.370%	10/25/46	695,135	592,898 ^(e)
MASTR Adjustable Rate Mortgages Trust, 2004-13 3A7	2.639%	11/21/34	1,291,798	1,314,441 ^(e)
Merit Securities Corp., 11PA 3A1	0.790%	4/28/27	106,364	93,547 ^{(b)(e)}
Merit Securities Corp., 11PA B3	2.420%	9/28/32	749,111	692,205 ^{(b)(e)}
Metropolitan Asset Funding Inc., 1998-BI B1	8.000%	11/20/24	471,599	437,653 ^(e)

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2014

Western Asset Premier Bond Fund

Security	Rate	Maturity Date	Face Amount	Value
Collateralized Mortgage Obligations continued				
Nomura Asset Acceptance Corp., 2004-AR4 1A1	2.658%	12/25/34	190,300	\$ 191,518 ^(e)
Prime Mortgage Trust, 2005-2 2XB, STRIPS, IO	1.743%	10/25/32	2,655,729	106,477 ^(e)
Prime Mortgage Trust, 2005-5 1X, STRIPS, IO	0.972%	7/25/34	4,891,531	203,057 ^(e)
Prime Mortgage Trust, 2005-5 1XB, STRIPS, IO	1.213%	7/25/34	890,182	20,327 ^(e)
Regal Trust IV, 1999-1 A	2.167%	9/29/31	36,814	34,460 ^{(b)(e)}
Residential Asset Mortgage Products Inc., 2005-SL2 AP0, STRIPS, PO	0.000%	2/25/32	53,070	50,708
Sequoia Mortgage Trust, 2003-2 A2	1.003%	6/20/33	25,044	24,333 ^(e)
Sequoia Mortgage Trust, 2004-10 A1A	0.476%	11/20/34	21,614	20,654 ^(e)
Sequoia Mortgage Trust, 2004-11 A1	0.466%	12/20/34	32,811	31,289 ^(e)
Sequoia Mortgage Trust, 2004-12 A1	0.436%	1/20/35	264,068	249,636 ^(e)
Structured Asset Securities Corp., 1998-RF2 A	6.703%	7/15/27	248,841	247,843 ^{(b)(e)}
Structured Asset Securities Corp., 2002-9 A2	0.770%	10/25/27	532,274	520,260 ^(e)
Structured Asset Securities Corp., 2003-9A 2A2	2.355%	3/25/33	151,814	151,289 ^(e)
Structured Asset Securities Corp., 2004-NP1 A	0.970%	9/25/33	111,965	110,602 ^{(b)(e)}
Thornburg Mortgage Securities Trust, 2003-4 A1	0.810%	9/25/43	413,175	394,669 ^(e)
Thornburg Mortgage Securities Trust, 2004-03 A	0.910%	9/25/44	454,275	440,441 ^(e)
Thornburg Mortgage Securities Trust, 2007-4 3A1	6.038%	9/25/37	229,557	237,057 ^(e)
WaMu Mortgage Pass-Through Certificates, 2004-AR06 A	0.590%	5/25/44	424,483	414,227 ^(e)
WaMu Mortgage Pass-Through Certificates, 2004-AR08 A1	0.590%	6/25/44	289,645	267,594 ^(e)
Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-5 3A3	6.221%	7/25/36	702,458	395,782
Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-7 A2A	4.712%	9/25/36	1,088,129	656,509
Washington Mutual Alternative Mortgage Pass-Through Certificates, 2006-7 A3	4.712%	9/25/36	134,480	76,584
Washington Mutual Inc., 2005-AR8 2A1A	0.460%	7/25/45	300,329	280,471 ^(e)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2004-AR12 A2A	0.578%	10/25/44	341,708	329,481 ^(e)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2005-AR13 A1A1	0.460%	10/25/45	247,327	226,632 ^(e)
Washington Mutual Inc., Mortgage Pass-Through Certificates, 2006-AR5 3A	1.053%	7/25/46	812,089	471,652 ^(e)
Washington Mutual Inc., MSC Pass-Through Certificates, 2004-RA1 2A	7.000%	3/25/34	18,484	19,500
Total Collateralized Mortgage Obligations (Cost \$17,395,349)				21,847,451
Mortgage-Backed Securities 0.1%				
<i>FNMA 0.1%</i>				
Federal National Mortgage Association (FNMA), Whole Loan (Cost \$244,267)	6.500%	8/25/44	239,733	266,853

See Notes to Financial Statements.

Western Asset Premier Bond Fund

	Rate	Maturity Date	Face Amount	Value
Security				
Senior Loans 1.5%				
Consumer Discretionary 0.3%				
Hotels, Restaurants & Leisure 0.2%				
Equinox Holdings Inc., Second Lien Term Loan	9.750%	7/31/20	430,000	\$ 436,450 (i)(k)
Specialty Retail 0.1%				
Gymboree Corp., Initial Term Loan	5.000%	2/23/18	210,000	136,500 (i)(k)
Total Consumer Discretionary				572,950
Consumer Staples 0.1%				
Food Products 0.1%				
AdvancePierre Foods Inc., Second Lien Term Loan	9.500%	10/10/17	180,000	177,300 (i)(k)
Health Care 0.5%				
Health Care Providers & Services 0.5%				
CRC Health Corp., Second Lien Term Loan	9.000%	9/28/21	360,000	367,200 (i)(k)
Radnet Management Inc., Second Lien Term Loan	8.000%	3/25/21	440,000	435,600 (i)(k)
Total Health Care				802,800
Materials 0.2%				
Chemicals 0.2%				
Kronos Inc., Second Lien Term Loan	9.750%	4/30/20	329,741	334,688 (i)(k)
Utilities 0.4%				
Independent Power and Renewable Electricity Producers 0.4%				
Energy Future Intermediate Holding Co., LLC, DIP Term Loan	4.250%	6/19/16	735,191	734,731 (i)(k)
Total Senior Loans (Cost \$2,674,413)				2,622,469
Sovereign Bonds 8.0%				
Argentina 0.4%				
Republic of Argentina, Senior Bonds	7.000%	10/3/15	810,000	785,641 (a)
Brazil 1.8%				
Federative Republic of Brazil, Notes	10.000%	1/1/17	8,989,000 BRL	3,221,049
Mexico 3.1%				
United Mexican States, Bonds	8.000%	6/11/20	11,147,000 MXN	850,377
United Mexican States, Bonds	6.500%	6/9/22	60,296,400 MXN	4,284,967
United Mexican States, Bonds	10.000%	12/5/24	2,750,000 MXN	244,137
Total Mexico				5,379,481
Poland 1.5%				
Republic of Poland, Bonds	4.000%	10/25/23	8,440,000 PLN	2,684,409
Turkey 1.2%				
Republic of Turkey, Senior Bonds	5.625%	3/30/21	210,000	230,738
Republic of Turkey, Senior Bonds	5.750%	3/22/24	1,200,000	1,341,000

See Notes to Financial Statements.

Schedule of investments (cont d)

December 31, 2014

Western Asset Premier Bond Fund

	Rate	Maturity Date	Face Amount	Value
Security				
<i>Turkey continued</i>				
Republic of Turkey, Senior Notes	6.250%	9/26/22	400,000	\$ 456,500 ^(a)
<i>Total Turkey</i>				2,028,238
Total Sovereign Bonds (Cost \$15,930,267)				14,098,818
U.S. Government & Agency Obligations 4.5%				
<i>U.S. Government Obligations 4.5%</i>				
U.S. Treasury Notes (Cost \$8,001,537)	0.250%	2/15/15	8,000,000	8,001,560 ^(a)
			Shares	
Common Stocks 1.0%				
Financials 0.8%				
<i>Banks 0.8%</i>				
Citigroup Inc.			25,131	1,359,838
Health Care 0.1%				
<i>Health Care Providers & Services 0.1%</i>				
Physiotherapy Associates Holdings Inc.			1,900	157,700 ^{*(g)(h)}
Industrials 0.1%				
<i>Marine 0.1%</i>				
DeepOcean Group Holding AS			8,860	216,969 ^{(g)(h)}
Total Common Stocks (Cost \$1,128,516)				1,734,507
Preferred Stocks 2.1%				
Financials 2.1%				
<i>Consumer Finance 0.9%</i>				
GMAC Capital Trust I	8.125%		62,722	1,654,606 ^(e)
<i>Diversified Financial Services 1.2%</i>				
Citigroup Capital XIII	7.875%		75,725	2,012,771 ^(e)
Corporate-Backed Trust Certificates, Series 2001-8, Class A-1	7.375%		33,900	34 ^{*(l)}
<i>Total Diversified Financial Services</i>				2,012,805
<i>Thrifts & Mortgage Finance 0.0%</i>				
Federal Home Loan Mortgage Corp. (FHLMC)	5.000%		200	1,100 [*]
Federal Home Loan Mortgage Corp. (FHLMC)	0.000%		100	570 ^{*(e)}
<i>Total Thrifts & Mortgage Finance</i>				1,670
Total Preferred Stocks (Cost \$3,682,190)				3,669,081
Total Investments 128.2% (Cost \$213,151,188#)				226,072,902
Liabilities in Excess of Other Assets (28.2%)				(49,679,183)
Total Net Assets 100.0%				\$ 176,393,719

Face amount denominated in U.S. dollars, unless otherwise noted.

* Non-income producing security.

See Notes to Financial Statements.

Western Asset Premier Bond Fund

- (a) All or a portion of this security is pledged as collateral pursuant to the loan agreement (See Note 7).
- (b) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Trustees, unless otherwise noted.
- (c) Payment-in-kind security for which the issuer has the option at each interest payment date of making interest payments in cash or additional debt securities.
- (d) Security is exempt from registration under Regulation S of the Securities Act of 1933. Regulation S applies to securities offerings that are made outside of the United States and do not involve direct selling efforts in the United States. This security has been deemed liquid pursuant to guidelines approved by the Board of Trustees, unless otherwise noted.
- (e) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (f) Security has no maturity date. The date shown represents the next call date.
- (g) Illiquid security (unaudited).
- (h) Security is valued in good faith in accordance with procedures approved by the Board of Trustees (See Note 1).
- (i) The maturity principal is currently in default as of December 31, 2014.
- (j) Interest rates disclosed represent the effective rates on senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
- (k) Senior loans may be considered restricted in that the Fund ordinarily is contractually obligated to receive approval from the agent bank and/or borrower prior to the disposition of a senior loan.
- (l) The coupon payment on these securities is currently in default as of December 31, 2014.

Aggregate cost for federal income tax purposes is \$213,225,526.

Abbreviations used in this schedule:

BRL	Brazilian Real
CLO	Collateral Loan Obligation
CMB	Cash Management Bill
DIP	Debtor-in-Possession
EUR	Euro
IO	Interest Only

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MXN	Mexican Peso
PLN	Polish Zloty
PO	Principal Only
STRIPS	Separate Trading of Registered Interest and Principal Securities

[See Notes to Financial Statements.](#)

Statement of assets and liabilities

December 31, 2014

Assets:	
Investments, at value (Cost \$213,151,188)	\$ 226,072,902
Foreign currency, at value (Cost \$17)	14
Cash	577,455
Receivable for securities sold	4,238,780
Interest receivable	2,515,541
Receivable for insurance proceeds (Note 9)	1,714,935
Deposits with brokers for open futures contracts	223,514
Unrealized appreciation on forward foreign currency contracts	73,178
Principal paydown receivable	60,298
Prepaid expenses	39,631
Other assets	15,486
Total Assets	235,531,734
Liabilities:	
Loan payable (Note 7)	53,000,000
Payable for securities purchased	5,638,522
Investment management fee payable	107,681
Interest payable	43,255
Payable to broker variation margin on open futures contracts	29,531
Trustees fees payable	1,730
Accrued expenses	317,296
Total Liabilities	59,138,015
Total Net Assets	\$ 176,393,719
Net Assets:	
Common shares, no par value, unlimited number of shares authorized, 11,897,629 shares issued and outstanding	168,083,329
Undistributed net investment income	6,409,161
Accumulated net realized loss on investments, futures contracts and foreign currency transactions	(11,507,822)
Net unrealized appreciation on investments, futures contracts and foreign currencies	13,409,051
Total Net Assets	\$ 176,393,719
Shares Outstanding	11,897,629
Net Asset Value	\$14.83

See Notes to Financial Statements.

Statement of operations

For the Year Ended December 31, 2014

Investment Income:	
Interest	\$ 14,815,654
Dividends	230,028
Less: Foreign taxes withheld	(21,913)
Total Investment Income	15,023,769
Expenses:	
Investment management fee (Note 2)	1,341,143
Legal fees	443,710
Interest expense (Note 7)	257,817
Excise tax (Note 1)	235,357
Audit and tax fees	71,192
Fund accounting fees	49,394
Rating agency fees	40,384
Transfer agent fees	38,789
Shareholder reports	36,956
Stock exchange listing fees	24,925
Trustees fees	24,689
Auction participation fees (Note 5)	19,006
Auction agent fees	17,487
Custody fees	12,847
Commitment fees (Note 7)	9,342
Insurance	4,378
Miscellaneous expenses	20,574
Total Expenses	2,647,990
Net Investment Income	12,375,779
Realized and Unrealized Gain (Loss) on Investments, Futures Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):	
Net Realized Gain (Loss) From:	
Investment transactions	1,047,201
Futures contracts	(638,921)
Foreign currency transactions	7,739
Net Realized Gain	416,019
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments and investment in other assets	(1,792,948)
Futures contracts	(221,378)
Foreign currencies	146,208
Change in Net Unrealized Appreciation (Depreciation)	(1,868,118)
Net Loss on Investments, Futures Contracts and Foreign Currency Transactions	(1,452,099)
Distributions Paid to Auction Rate Preferred Stockholders from	
Net Investment Income (Note 5)	(51,720)
Increase in Net Assets from Operations	\$ 10,871,960

See Notes to Financial Statements.

Statements of changes in net assets

For the Years Ended December 31,	2014	2013
Operations:		
Net investment income	\$ 12,375,779	\$ 13,622,048
Net realized gain	416,019	2,381,492
Change in net unrealized appreciation (depreciation)	(1,868,118)	(2,674,405)
Distributions paid to auction rate preferred stockholders from net investment income	(51,720)	(109,226)
<i>Increase in Net Assets from Operations</i>	<i>10,871,960</i>	<i>13,219,909</i>
Distributions to Shareholders From (Note 1):		
Net investment income	(12,848,714)	(13,551,587)
<i>Decrease in Net Assets from Distributions to Shareholders</i>	<i>(12,848,714)</i>	<i>(13,551,587)</i>
Fund Share Transactions:		
Net increase from tender and repurchase of Auction Rate Preferred Shares (Note 5)	2,147,250	
Reinvestment of distributions (2,039 and 20,226 shares issued, respectively)	31,278	309,192
<i>Increase in Net Assets from Fund Share Transactions</i>	<i>2,178,528</i>	<i>309,192</i>
<i>Increase (Decrease) in Net Assets</i>	<i>201,774</i>	<i>(22,486)</i>
Net Assets:		
Beginning of year	176,191,945	176,214,431
End of year*	\$ 176,393,719	\$ 176,191,945
*Includes undistributed net investment income of:	\$6,409,161	\$7,019,971

See Notes to Financial Statements.

Statement of cash flows

For the Year Ended December 31, 2014

Increase (Decrease) in Cash:

Cash Provided (used) by Operating Activities:

Net increase in net assets resulting from operations	\$ 10,923,680
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided (used) by operating activities:	
Purchases of portfolio securities	(73,050,323)
Sales of portfolio securities	76,555,650
Net purchases, sales and maturities of short-term investments	13,177,961
Payment-in-kind	(35,727)
Net amortization of premium (accretion of discount)	(418,320)
Increase in receivable for securities sold	(3,312,529)
Decrease in interest receivable	99,737
Decrease in receivable from broker variation margin on open futures contracts	5,672
Decrease in prepaid expenses	1,368
Increase in receivable from principal paydown	(6,346)
Increase in receivable for insurance proceeds	(165,831)
Increase in other assets	(15,486)
Increase in deposits with brokers for open futures contracts	(167,511)
Increase in payable for securities purchased	4,685,788
Decrease in investment management fee payable	(8,386)
Increase in Trustees fees payable	1,646
Increase in interest payable	43,255
Increase in accrued expenses	168,636
Increase in payable to broker variation margin on open futures contracts	29,531
Net realized gain on investments	(1,047,201)
Change in unrealized depreciation of investments and forward foreign currency transactions	2,225,669
<i>Net Cash Provided by Operating Activities*</i>	<i>29,690,933</i>

Cash Flows from Financing Activities:

Distributions paid on Common Stock	\$ (12,817,436)
Repurchase of Auction Rate Preferred Shares	(69,852,750)
Increase in loan payable	53,000,000
Distributions paid on Auction Rate Preferred Shares	(71,164)
<i>Net Cash Used in Financing Activities</i>	<i>(29,741,350)</i>

Net Decrease in Cash

Cash at Beginning of Year	627,886
Cash at End of Year	\$ 577,469

Non-Cash Financing Activities:

Proceeds from reinvestment of distributions	\$ 31,278
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* Included in operating expenses is cash of \$219,195 paid for interest and commitment fees on borrowings.

See Notes to Financial Statements.

Financial highlights

For a share of capital stock outstanding throughout each year ended December 31:

	2014 ¹	2013 ¹	2012 ¹	2011 ¹	2010 ¹
Net asset value, beginning of year	\$14.81	\$14.84	\$13.05	\$13.96	\$12.39
Income (loss) from operations:					
Net investment income	1.04	1.15	1.16	1.32	1.47
Net realized and unrealized gain (loss)	(0.12)	(0.03)	1.96	(0.73)	1.57
Distributions paid to auction rate preferred stockholders from net investment income	(0.00) ²	(0.01)	(0.01)	(0.01)	(0.02)
<i>Total income from operations</i>	<i>0.92</i>	<i>1.11</i>	<i>3.11</i>	<i>0.58</i>	<i>3.02</i>
Less distributions from:					
Net investment income	(1.08)	(1.14)	(1.32)	(1.49)	(1.45)
<i>Total distributions</i>	<i>(1.08)</i>	<i>(1.14)</i>	<i>(1.32)</i>	<i>(1.49)</i>	<i>(1.45)</i>
Net increase from tender and repurchase of Auction Rate Preferred Shares	0.18				
Net asset value, end of year	\$14.83	\$14.81	\$14.84	\$13.05	\$13.96
Market price, end of year	\$13.89	\$14.53	\$15.54	\$15.95	\$14.13
<i>Total return, based on NAV^{3,4}</i>	<i>7.53%⁵</i>	<i>7.71%</i>	<i>24.90%</i>	<i>4.12%</i>	<i>25.50%</i>
<i>Total return, based on Market Price⁶</i>	<i>2.88%</i>	<i>0.97%</i>	<i>6.16%</i>	<i>24.87%</i>	<i>17.56%</i>
Net assets, end of year (000s)	\$176,394	\$176,192	\$176,214	\$154,406	\$163,814
Ratios to average net assets:⁷					
Gross expenses	1.47%	1.20%	1.19%	1.30%	1.38%
Net expenses ⁸	1.47	1.20	1.19	1.30	1.38
Net investment income	6.85	7.68	8.33	9.45	11.12
Portfolio turnover rate	32%	36%	36%	18%	33%
Auction Rate Preferred Stock:					
Total Amount Outstanding (000s)		\$72,000	\$72,000	\$72,000	\$72,000
Asset Coverage		345% ⁹	345% ⁹	314% ⁹	327% ⁹
Involuntary Liquidating Preference Per Share (000s)		25 ¹⁰	25 ¹⁰	25 ¹⁰	25 ¹⁰
Supplemental data:					
Loans Outstanding, End of Year (000s)	\$53,000				
Asset Coverage for Loan Outstanding	433%				
Weighted Average Loan (000s) ¹¹	\$53,000				
Weighted Average Interest Rate on Loans ¹¹	1.00%				

¹ Per share amounts have been calculated using the average shares method.

² Amount represents less than \$0.005 per share.

³ Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results.

See Notes to Financial Statements.

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- ⁴ The total return calculation assumes that distributions are reinvested at NAV. Past performance is no guarantee of future results.
- ⁵ The total return based on NAV reflects the impact of the tender and repurchase by the Fund of a portion of its Auction Rate Preferred Shares at 97% of the per share liquidation preference. Absent this transaction, the total return based on NAV would have been 6.22%.
- ⁶ The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results.
- ⁷ Calculated on the basis of average net assets of common stock shareholders. Ratios do not reflect the effect of dividend payments to preferred stockholders.
- ⁸ The impact of compensating balance arrangements, if any, was less than 0.01%.
- ⁹ Asset coverage on preferred shares equals net assets of common shares plus the redemption value of the preferred shares divided by the value of outstanding preferred stock.
- ¹⁰ Excludes accumulated and unpaid distributions.
- ¹¹ Weighted average based on the number of days that the Fund had a loan outstanding.

[See Notes to Financial Statements.](#)

Notes to financial statements

1. Organization and significant accounting policies

Western Asset Premier Bond Fund (the Fund) is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a diversified, closed-end management investment company. The Fund commenced investment operations on March 28, 2002.

The Fund's investment objective is to provide current income and capital appreciation by investing primarily in a diversified portfolio of investment grade bonds.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ. Subsequent events have been evaluated through the date the financial statements were issued.

(a) Investment valuation. The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment's fair value. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. When the Fund holds securities or other assets that are denominated in a foreign currency, the Fund will normally use the currency exchange rates as of 4:00 p.m. (Eastern Time). If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund's Board of Trustees.

The Board of Trustees is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North American Fund Valuation Committee (the Valuation Committee). The Valuation Committee, pursuant to the policies adopted by the Board of Trustees, is responsible for making fair value determinations, evaluating the effectiveness of the Fund's pricing policies, and reporting to the Board of Trustees. When determining the reliability of third party pricing information for investments owned by the Fund, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer's financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts' research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Trustees, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Trustees quarterly.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

GAAP establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are summarized in the three broad levels listed below:

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Notes to financial statements (cont d)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)
The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used in valuing the Fund's assets and liabilities carried at fair value:

ASSETS				
Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Long-term investments :				
Corporate bonds & notes		\$ 143,925,375		\$ 143,925,375
Asset-backed securities		26,902,643	\$ 3,004,145	29,906,788
Collateralized mortgage obligations		21,845,368	2,083	21,847,451
Mortgage-backed securities		266,853		266,853
Senior loans		2,622,469		2,622,469
Sovereign bonds		14,098,818		14,098,818
U.S. government & agency obligations		8,001,560		8,001,560
Common stocks:				
Health care			157,700	157,700
Industrials			216,969	216,969
Other common stocks	\$ 1,359,838			1,359,838
Preferred stocks	3,669,081			3,669,081
Total investments	\$ 5,028,919	\$ 217,663,086	\$ 3,380,897	\$ 226,072,902
Receivable for insurance proceeds		\$ 1,714,935		\$ 1,714,935
Other assets			\$ 15,486	\$ 15,486
Other financial instruments:				
Forward foreign currency contracts		\$ 73,178		\$ 73,178
Total	\$ 5,028,919	\$ 219,451,199	\$ 3,396,383	\$ 227,876,501
LIABILITIES				
Description	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other financial instruments:				
Futures contracts	\$ 145,876			\$ 145,876

See Schedule of Investments for additional detailed categorizations.

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The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

	Asset- Backed Securities	Collateralized Mortgage Obligations	Common Stocks		Other Assets	Total
			Health Care	Industrials		
Investments in Securities						
Balance as of December 31, 2013	\$ 3,293,008	\$ 4,756		\$ 291,986		\$ 3,589,750
Accrued premiums/discouts	60,272	(6,229)				54,043
Realized gain (loss) ¹	(110,990)	(11,609)				(122,599)
Change in unrealized appreciation (depreciation) ²	(238,145)	(15,620)	\$ (14,931)	(75,017)	\$ 15,486	(328,227)
Purchases		30,785	172,631		0*	203,416
Sales						
Transfers into Level 3						
Transfers out of Level 3						
Balance as of December 31, 2014	\$ 3,004,145	\$ 2,083	\$ 157,700	\$ 216,969	\$ 15,486	\$ 3,396,383
Net change in unrealized appreciation (depreciation) for investments in securities still held at December 31, 2014 ²	\$ (238,145)	\$ (15,620)	\$ (14,931)	\$ (75,017)	\$ 15,486	\$ (328,227)

The Fund's policy is to recognize transfers between levels as of the end of the reporting period.

* Value is less than \$1.

¹ This amount is included in net realized gain (loss) from investment transactions in the accompanying Statement of Operations.

² This amount is included in the change in net unrealized appreciation (depreciation) in the accompanying Statement of Operations. Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

(b) Repurchase agreements. The Fund may enter into repurchase agreements with institutions that its investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. Under the terms of a typical repurchase agreement, the Fund acquires a debt security subject to an obligation of the seller to repurchase, and of the Fund to resell, the security at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian, acting on the Fund's behalf, take possession of the underlying collateral securities, the market value of which, at all times, at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction maturity exceeds one business day, the value of the collateral is marked-to-market and measured against the value of the agreement in an effort to ensure the adequacy of the collateral. If the counterparty defaults, the Fund generally has the right to use the collateral to satisfy the terms of the repurchase transaction. However, if the market value of the collateral declines during the period in which the Fund seeks to assert its rights or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

(c) Loan participations. The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund's investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with

Notes to financial statements (cont d)

purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement related to the loan, or any rights of off-set against the borrower and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

The Fund assumes the credit risk of the borrower, the lender that is selling the participation and any other persons interpositioned between the Fund and the borrower. In the event of the insolvency of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not benefit from any off-set between the lender and the borrower.

(d) Futures contracts. The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the initial margin and subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. The daily changes in contract value are recorded as unrealized gains or losses in the Statement of Operations and the Fund recognizes a realized gain or loss when the contract is closed.

Futures contracts involve, to varying degrees, risk of loss in excess of the amounts reflected in the financial statements. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(e) Stripped securities. The Fund may invest in Stripped Securities, a term used collectively for components, or strips, of fixed income securities. Stripped securities can be principal only securities (PO), which are debt obligations that have been stripped of unmatured interest coupons, or interest only securities (IO), which are unmatured interest coupons that have been stripped from debt obligations. The market value of Stripped Securities will fluctuate in response to changes in economic conditions, rates of pre-payment, interest rates and the market's perception of the securities. However, fluctuations in response to interest rates may be greater in Stripped Securities than for debt obligations of comparable maturities that pay interest currently. The amount of fluctuation may increase with a longer period of maturity.

The yield to maturity on IOs is sensitive to the rate of principal repayments (including prepayments) on the related underlying debt obligation and principal payments may have a material effect on yield to maturity. If the underlying debt obligation experiences greater than anticipated prepayments of principal, the Fund may not fully recoup its initial investment in IOs.

(f) Forward foreign currency contracts. The Fund enters into a forward foreign currency contract to hedge exposure of bond positions or in an attempt to increase the Fund's return. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price with delivery and settlement at a future date. The contract is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When a forward foreign currency contract is closed, through either delivery or offset by entering into another forward foreign currency contract, the Fund recognizes a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it is closed.

Forward foreign currency contracts involve elements of market risk in excess of the amounts reflected on the Statement of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

(g) Foreign currency translation. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

The Fund does not isolate that portion of the results of operations resulting from fluctuations in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, including gains and losses on forward foreign currency contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the values of assets and liabilities, other than investments in securities, on the date of valuation, resulting from changes in exchange rates.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

(h) Credit and market risk. The Fund invests in high-yield and emerging market instruments that are subject to certain credit and market risks. The yields of high-yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund's investments in securities rated below investment grade typically involve

Notes to financial statements (cont'd)

risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund's investments in non-U.S. dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

Investments in securities that are collateralized by residential real estate mortgages are subject to certain credit and liquidity risks. When market conditions result in an increase in default rates of the underlying mortgages and the foreclosure values of underlying real estate properties are materially below the outstanding amount of these underlying mortgages, collection of the full amount of accrued interest and principal on these investments may be doubtful. Such market conditions may significantly impair the value and liquidity of these investments and may result in a lack of correlation between their credit ratings and values.

(i) Foreign investment risks. The Fund's investments in foreign securities may involve risks not present in domestic investments. Since securities may be denominated in foreign currencies, may require settlement in foreign currencies or pay interest or dividends in foreign currencies, changes in the relationship of these foreign currencies to the U.S. dollar can significantly affect the value of the investments and earnings of the Fund. Foreign investments may also subject the Fund to foreign government exchange restrictions, expropriation, taxation or other political, social or economic developments, all of which affect the market and/or credit risk of the investments.

(j) Counterparty risk and credit-risk-related contingent features of derivative instruments. The Fund may invest in certain securities or engage in other transactions, where the Fund is exposed to counterparty credit risk in addition to broader market risks. The Fund may invest in securities of issuers, which may also be considered counterparties as trading partners in other transactions. This may increase the risk of loss in the event of default or bankruptcy by the counterparty or if the counterparty otherwise fails to meet its contractual obligations. The Fund's investment manager attempts to mitigate counterparty risk by (i) periodically assessing the creditworthiness of its trading partners, (ii) monitoring and/or limiting the amount of its net exposure to each individual counterparty based on its assessment and (iii) requiring collateral from the counterparty for certain transactions. Market events and changes in overall economic conditions may impact the assessment of such counterparty risk by the investment manager. In addition, declines in the values of underlying collateral received may expose the Fund to increased risk of loss.

The Fund has entered into master agreements with certain of its derivative counterparties that provide for general obligations, representations, agreements, collateral, events of default or termination and credit related contingent features. The credit related contingent features include, but are not limited to, a percentage decrease in the Fund's net assets or

NAV over a specified period of time. If these credit related contingent features were triggered, the derivatives counterparty could terminate the positions and demand payment or require additional collateral.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearinghouse for exchange traded derivatives while collateral terms are contract specific for over-the-counter traded derivatives. Cash collateral that has been pledged to cover obligations of the Fund under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities. Securities pledged as collateral, if any, for the same purpose are noted in the Schedule of Investments.

Absent an event of default by the counterparty or a termination of the agreement, the terms of the master agreements do not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the Fund and the applicable counterparty. The enforceability of the right to offset may vary by jurisdiction.

As of December 31, 2014, the Fund did not have any open derivative transactions with credit related contingent features in a net liability position.

(k) Security transactions and investment income. Security transactions are accounted for on a trade date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults or a credit event occurs that impacts the issuer, the Fund may halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default or credit event.

(l) Distributions to shareholders. Distributions from net investment income of the Fund, if any, are declared quarterly and paid on a monthly basis. Distributions of net realized gains, if any, are declared at least annually. Distributions to shareholders of the Fund are recorded on the ex-dividend date and are determined in accordance with income tax regulations, which may differ from GAAP.

(m) Compensating balance arrangements. The Fund has an arrangement with its custodian bank whereby a portion of the custodian's fees is paid indirectly by credits earned on the Fund's cash on deposit with the bank.

(n) Net asset value. The net asset value (NAV) of the Fund's common stock is determined no less frequently than the close of business on the Fund's last business day of each week (generally Friday) and on the last business day of the month. It is determined by dividing the value of the net assets available to common stock by the total number of shares of common stock outstanding.

(o) Cash flow information. The Fund invests in securities and distributes dividends from net investment income and net realized gains, which are paid in cash and may be reinvested at the discretion of shareholders. These activities are reported in the Statement

Notes to financial statements (cont'd)

of Changes in Net Assets and additional information on cash receipts and cash payments are presented in the Statement of Cash Flows.

(p) Federal and other taxes. It is the Fund's policy to comply with the federal income and excise tax requirements of the Internal Revenue Code of 1986 (the Code), as amended, applicable to regulated investment companies. Accordingly, the Fund intends to distribute its taxable income and net realized gains, if any, to shareholders in accordance with timing requirements imposed by the Code. Therefore, no federal or state income tax provision is required in the Fund's financial statements.

However, due to the timing of when distributions are made by the Fund, the Fund may be subject to an excise tax of 4% of the amount by which 98% of the Fund's annual taxable income and 98.2% net realized gains exceed the distributions from such taxable income and realized gains for the calendar year. The Fund paid \$15,357 of Federal excise taxes attributable to calendar year 2013 in March 2014. The Fund anticipates being subject to an excise tax for calendar year 2014 of approximately \$220,000.

Management has analyzed the Fund's tax positions taken on income tax returns for all open tax years and has concluded that as of December 31, 2014, no provision for income tax is required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

Under the applicable foreign tax laws, a withholding tax may be imposed on interest, dividends and capital gains at various rates.

(q) Reclassification. GAAP requires that certain components of net assets be reclassified to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. During the current year, the following reclassifications have been made:

	Undistributed Net Investment Income	Accumulated Net Realized Loss	Paid-in Capital
(a)	\$ 235,357		\$ (235,357)
(b)	(321,512)	\$ 321,512	

(a) Reclassifications are due to a non-deductible excise tax paid by the Fund.

(b) Reclassifications are due to foreign currency transactions treated as ordinary income for tax purposes and losses from mortgage backed securities treated as capital losses for tax purposes.

2. Investment management agreement and other transactions with affiliates

The Fund has a management agreement with Western Asset Management Company (Western Asset). Pursuant to the terms of the management agreement, the Fund pays Western Asset an annual fee, payable monthly, in an amount equal to 0.55% of the average weekly value of the Fund's total managed assets. Total managed assets means the total assets of the Fund (including any assets attributable to leverage) minus accrued liabilities (other than liabilities representing leverage). The liquidation preference of any Preferred

Shares outstanding is not considered a liability. Pursuant to a Portfolio Management Agreement between Western Asset and Western Asset Management Company Limited (WAML), Western Asset pays a portion of the fees it receives from the Fund to WAML at an annual rate of 0.425% of the average weekly value of the Fund's total managed assets that WAML manages. Western Asset Management Company Pte. Ltd. (Western Singapore) and Western Asset Management Company Ltd (Western Japan) are additional subadvisers to the Fund under portfolio management agreements between Western Asset and Western Singapore, and Western Asset and Western Japan.

Western Singapore and Western Japan provide certain subadvisory services to the Fund relating to currency transactions and investments in non-U.S. dollar-denominated securities and related foreign currency instruments in Asia (excluding Japan) and Japan, respectively.

Under the terms of the administration services agreement among the Fund, Western Asset and Legg Mason Partners Fund Adviser, LLC (LMPFA), Western Asset (not the Fund) pays LMPFA, a monthly fee at an annual rate of 0.125% of the Fund's average weekly total managed assets, subject to a monthly minimum fee of \$12,500.

LMPFA, Western Asset, WAML, Western Singapore and Western Japan are wholly-owned subsidiaries of Legg Mason, Inc.

During periods in which the Fund utilizes financial leverage, the fees which are payable to the investment manager as a percentage of the Fund's assets will be higher than if the Fund did not utilize leverage because the fees are calculated as a percentage of the Fund's assets, including those investments purchased with leverage.

3. Investments

During the year ended December 31, 2014, the aggregate cost of purchases and proceeds from sales of investments (excluding short-term investments) and U.S Government & Agency Obligations were as follows:

	Investments	U.S. Government & Agency Obligations
Purchases	\$ 73,050,323	
Sales	71,702,139	\$ 4,853,511

At December 31, 2014, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

Gross unrealized appreciation	\$ 20,799,935
Gross unrealized depreciation	(7,952,559)
Net unrealized appreciation	\$ 12,847,376

At December 31, 2014, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Depreciation
Contracts to Sell:					
U.S. Treasury 10-Year Notes	135	3/15	\$ 16,971,702	\$ 17,117,578	\$ (145,876)

Notes to financial statements (cont d)

At December 31, 2014, the Fund had the following open forward foreign currency contracts:

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation
USD 2,252,128	EUR 1,800,000	JPMorgan Chase Bank	2/13/15	\$ 73,178

Abbreviations used in this table:

EUR Euro
USD United States Dollar

4. Derivative instruments and hedging activities

Below is a table, grouped by derivative type, that provides information about the fair value and the location of derivatives within the Statement of Assets and Liabilities at December 31, 2014.

ASSET DERIVATIVES¹

	Foreign Exchange Risk
Forward foreign currency contracts	\$ 73,178

LIABILITY DERIVATIVES¹

	Interest Rate Risk
Futures contracts ²	\$ 145,876

¹ Generally, the balance sheet location for asset derivatives is receivables/net unrealized appreciation (depreciation) and for liability derivatives is payables/net unrealized appreciation (depreciation).

² Includes cumulative appreciation (depreciation) of futures contracts as reported in the footnotes. Only variation margin is reported within the receivables and/or payables on the Statement of Assets and Liabilities.

The following tables provide information about the effect of derivatives and hedging activities on the Fund's Statement of Operations for the year ended December 31, 2014. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the period. The second table provides additional information about the change in unrealized appreciation (depreciation) resulting from the Fund's derivatives and hedging activities during the period.

AMOUNT OF REALIZED GAIN (LOSS) ON DERIVATIVES RECOGNIZED

	Interest Rate Risk	Foreign Exchange Risk	Total
Futures contracts	\$ (638,921)		\$ (638,921)
Forward foreign currency contracts ¹		\$ 151,562	151,562
Total	\$ (638,921)	\$ 151,562	\$ (487,359)

¹ Net realized gain (loss) from forward foreign currency contracts is reported in net realized gain (loss) from foreign currency transactions in the Statement of Operations.

CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON DERIVATIVES RECOGNIZED

	Interest Rate	Foreign Exchange	
	Risk	Risk	Total
Futures contracts	\$ (221,378)		\$ (221,378)
Forward foreign currency contracts ¹		\$ 147,309	147,309
Total	\$ (221,378)	\$ 147,309	\$ (74,069)

¹ The change in unrealized appreciation (depreciation) from forward foreign currency contracts is reported in the change in net unrealized appreciation (depreciation) from foreign currencies in the Statement of Operations.

During the year ended December 31, 2014, the volume of derivative activity for the Fund was as follows:

	Average Market Value
Futures contracts (to sell)	\$ 15,820,905
Forward foreign currency contracts (to sell)	2,385,291

The following table presents by financial instrument, the Fund's derivative assets net of the related collateral received by the Fund at December 31, 2014:

	Gross Amount of Derivative Assets in the Statement of Assets and Liabilities ¹	Collateral Received	Net Amount
Forward foreign currency contracts	\$ 73,178		\$ 73,178

The following table presents by financial instrument, the Fund's derivative liabilities net of the related collateral pledged by the Fund at December 31, 2014:

	Gross Amount of Derivative Liabilities in the Statement of Assets and Liabilities ¹	Collateral Pledged ^{2,3}	Net Amount
Futures contracts ⁴	\$ 29,531	\$ (29,531)	

¹ Absent an event of default or early termination, derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

² Gross amounts are not offset in the Statement of Assets and Liabilities.

³ In some instances, the actual collateral received and/or pledged may be more than the amount shown here due to overcollateralization.

⁴ Amount represents the current day's variation margin as reported in the Statement of Assets and Liabilities. It differs from the cumulative appreciation (depreciation) presented in the previous table.

5. Auction rate preferred shares

For part of the year, up to 2,880 shares of Auction Rate Preferred Shares (ARPS) were authorized and outstanding. As described below, all of the Fund's outstanding ARPS were purchased or redeemed by the Fund in 2014. When they were outstanding, the ARPS had rights as set forth in the Fund's Agreement and Declaration of Trust, as amended, and its Bylaws, as amended (the Bylaws), or as otherwise determined by the Trustees. The 2,880 ARPS consisted of two series, 1,440 shares of Series M and 1,440 shares of Series W. The Preferred Shares had a liquidation value of \$25,000 per share, plus any accumulated but unpaid dividends whether or not earned or declared.

Notes to financial statements (cont'd)

Dividends on the Series M and Series W ARPS were cumulative and were paid at a rate typically reset every seven and twenty-eight days, respectively, based on the results of an auction. The weekly auctions for Series M and W all failed during the year ended December 31, 2014; consequently, the dividend rate paid on the ARPS was the maximum rate as defined in the prospectus. Since mid-February 2008, holders of ARPS issued by the Fund had been impacted by the lack of liquidity, which had similarly affected ARPS holders in many of the nation's closed-end funds. Since then, regularly scheduled auctions for ARPS issued by the Fund had consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. While repeated auction failures affected the liquidity for ARPS, they did not constitute a default or automatically alter the credit quality of the ARPS, and ARPS holders continued to receive dividends at the defined maximum rate. The maximum rate was calculated at 200% of the reference rates, which was the 7-day AA Financial Composite Commercial Paper rate for Series M and the 30-day AA Commercial Paper rate for Series W. Dividend rates ranged from 0.060% to 0.262% between January 1, 2014 to September 30, 2014.

The ARPS were redeemable at the option of the Fund, in whole or in part, on the second business day preceding any dividend payment date at \$25,000 per share plus any accumulated but unpaid dividends.

The Fund was subject to certain restrictions relating to the ARPS. The Fund could not declare dividends or make other distributions on shares of common stock or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding ARPS would have been less than 200%. The ARPS were also subject to mandatory redemption at \$25,000 per share plus any accumulated or unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of the Fund as set forth in Bylaws were not satisfied.

The ARPS shareholders were entitled to one vote per share and generally voted with the common shareholders but voted separately as a class to elect two trustees and on certain matters affecting the rights of the ARPS. The issuance of ARPS posed certain risks to holders of common stock, including, among others, the possibility of greater market price volatility, and in certain market conditions, it was possible for the yield to holders of common stock to be adversely affected. The Fund was required to maintain certain asset coverages with respect to the ARPS. If the Fund failed to maintain these coverages and did not cure any such failure within the required time period, the Fund would have been required to redeem a requisite number of shares of the ARPS in order to meet the applicable requirement. The ARPS were otherwise not redeemable by holders of the shares. Additionally, failure to meet the foregoing asset coverage requirements would have restricted the Fund's ability to pay dividends to common shareholders.

After each auction, the auction agent paid to each broker/dealer, from monies the Fund provided, a participation fee. For the previous periods since the ARPS were outstanding, the participation fee was paid at the annual rate of 0.25% of the purchase price of the ARPS that the broker/dealer placed at the auction. Since January 1, 2010, the participation fee

was reduced to an annual rate of 0.05% of the purchase price of the ARPS, in the case of failed auctions. For year ended December 31, 2014, the Fund paid auction participation fees totaling \$19,006.

On June 5, 2014, the Fund announced that it had commenced an issuer tender offer for up to 100% of its outstanding ARPS at a price equal to 97% of the liquidation preference of \$25,000 per share, plus any unpaid dividends accrued through July 3, 2014, the expiration date of the tender offer.

The Fund's tender offer was conditioned upon the Fund closing on a secured credit facility and certain other conditions as set forth in the Fund's offer to purchase. The Fund replaced leverage associated with the tendered ARPS to the extent it has borrowed under the secured credit facility.

On July 10, 2014, the Fund announced the final results for its issuer tender offer and all shares that were validly tendered and not withdrawn during the offering period were accepted for payment. The Fund accepted for payment 2,863 ARPS, which represented approximately 99% of its outstanding ARPS. The difference between the liquidation preference of the ARPS and the actual purchase price of the tendered ARPS was recognized by the Fund in the Statement of Changes in Net Assets as an increase in net assets applicable to common shares resulting from the tender and repurchase of the ARPS by the Fund.

On August 14, 2014, the Board of Trustees approved the redemption of the remaining Series M ARPS and Series W ARPS, at the liquidation preference of \$25,000 per share, plus any accumulated but unpaid dividends, on September 26, 2014 and September 30, 2014, respectively.

6. Trustee compensation

Each Trustee of the Fund who is not an interested person (as defined in the 1940 Act) of the Fund, Western Asset, WAML, Western Singapore or Western Japan receives an aggregate fee of \$75,000 annually for serving on the combined Board of Trustees/Directors of the Fund, Western Asset Funds, Inc. and Western Asset Income Fund. Each Trustee also receives a fee of \$7,500 and related expenses for each meeting of the Board or of a committee attended in-person and a fee of \$2,500 for participating in each telephonic meeting. The Chairman of the Board receives an additional \$30,000 per year for serving in such capacity.

The Chairman of the Audit Committee receives an additional \$25,000 per year for serving in such capacity. Each member of the Audit Committee receives a fee of \$6,000 for serving as a member of the Audit Committee. Other committee members receive a fee of \$3,000 for serving as a member of each committee upon which they serve. All such fees are allocated among the Fund, Western Asset Funds, Inc. and Western Asset Income Fund according to each such investment company's average annual net assets.

Trustee Ronald Olson receives from Western Asset an aggregate fee of \$75,000 annually for serving on the combined Board of Trustees/Directors of the Fund, Western Asset Funds,

Notes to financial statements (cont d)

Inc. and Western Asset Income Fund, as well as a fee of \$7,500 and related expenses for each meeting of the Board attended in person and a fee of \$2,500 for participating in each telephonic meeting.

7. Loan

Effective July 7, 2014, the Fund has a revolving credit agreement with State Street Bank and Trust Company that allows the Fund to borrow up to an aggregate amount of \$72,000,000 and renews daily for a 270-day term unless notice to the contrary is given to the Fund. The Fund pays a commitment fee at an annual rate of 0.10%, on the unutilized portion of the loan. The interest on the loan is calculated at a variable rate based on the higher of the overnight federal funds rate or the overnight LIBOR rate, plus any applicable margin. To the extent of the borrowing outstanding, the Fund is required to maintain collateral in a special custody account at the Fund's custodian on the behalf of State Street Bank and Trust Company. The Fund's credit agreement contains customary covenants that, among other things, may limit the Fund's ability to pay distributions in certain circumstances, incur additional debt, change its fundamental investment policies and engage in certain transactions, including mergers and consolidations, and require asset coverage ratios in addition to those required by the 1940 Act. In addition, the credit agreement may be subject to early termination under certain conditions and may contain other provisions that could limit the Fund's ability to utilize borrowing under the agreement. For the year ended December 31, 2014, the Fund incurred a commitment fee in the amount of \$9,342. Interest expense related to this loan for the year ended December 31, 2014 was \$257,817. For the year ended December 31, 2014, the Fund had an average daily loan balance outstanding of \$53,000,000 and the weighted average interest rate was 1.00%, based on the number of days that the Fund had borrowings outstanding. At December 31, 2014, the Fund had \$53,000,000 of borrowings outstanding.

8. Distributions subsequent to December 31, 2014

The following distributions have been declared by the Fund's Board of Trustees and are payable subsequent to the period end of this report:

Record Date	Payable Date	Amount
1/23/2015	1/30/2015	\$ 0.0900
2/20/2015	2/27/2015	\$ 0.0900
3/20/2015	3/27/2015	\$ 0.0900
4/17/2015	4/24/2015	\$ 0.0900
5/22/2015	5/29/2015	\$ 0.0900

9. Other

GreenPoint Mortgage Pass Through Certificates (GreenPoint) was a mortgage-backed security previously held by the Fund. GreenPoint was insured through a policy issued by AMBAC Assurance Corporation to cover certain interest shortfalls and realized losses. In August 2013, the final paydown was received from GreenPoint resulting in a loss to the Fund. A receivable for \$1,714,935 has been recorded representing the estimated insurance proceeds to be paid to the Fund.

10. Income tax information and distributions to shareholders

The tax character of distributions paid during the fiscal years ended December 31, was as follows:

	2014	2013
Distributions paid to Common Shareholders from:		
Ordinary income	\$ 12,848,714	\$ 13,551,587
Distributions paid to Preferred Shareholders from:		
Ordinary income	51,720	109,226
Total distributions paid	\$ 12,900,434	\$ 13,660,813

As of December 31, 2014, the components of accumulated earnings on a tax basis were as follows:

Undistributed ordinary income net	\$ 6,636,830
Capital loss carryforward**	(11,644,915)
Other book/tax temporary differences ^(a)	(16,238)
Unrealized appreciation (depreciation) ^(b)	13,334,713
Total accumulated earnings (losses) net	\$ 8,310,390

** During the taxable year ended December 31, 2014, the Fund utilized \$ 208,181 of its capital loss carryforward available from prior years. As of December 31, 2014, the Fund had the following net capital loss carryforward remaining:

Year of Expiration	Amount
12/31/2017	\$ (11,644,915)

This amount will be available to offset any future taxable capital gains.

^(a) Other book/tax temporary differences are attributable primarily to the realization for tax purposes of unrealized gains (losses) on certain futures and foreign currency contracts, differences between book/tax difference in the accrual of interest income on securities in default and book/tax differences in the timing of the deductibility of various expenses.

^(b) The difference between book-basis and tax-basis unrealized appreciation (depreciation) is attributable primarily to the tax deferral of losses on wash sales and book/tax differences in the accrual of income on certain securities.

Report of independent registered public accounting firm

To the Board of Trustees and Shareholders of Western Asset Premier Bond Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations, of changes in net assets, and of cash flows and the financial highlights present fairly, in all material respects, the financial position of the Western Asset Premier Bond Fund (the Fund) at December 31, 2014, the results of its operations, the changes in its net assets, its cash flows and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements) are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2014 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Baltimore, Maryland

February 20, 2015

Board approval of management and subadvisory agreements (unaudited)

The Executive and Contracts Committee of the Board of Trustees considered the Investment Management Agreement (the Management Agreement) between the Fund and Western Asset Management Company (Western Asset) and the Portfolio Management Agreements (together with the Management Agreement, the Agreements) between Western Asset and each of Western Asset Management Company Limited in London (WAML), Western Asset Management Company Pte. Ltd. in Singapore (Western Singapore) and Western Asset Management Company Ltd in Japan (Western Japan, and together with Western Singapore and WAML, the Non-U.S. Advisers, and together with Western Asset, the Advisers) with respect to the Fund at meetings held on September 9, 2014 and October 21 and 28, 2014. At a meeting held on November 18, 2014, the Executive and Contracts Committee reported to the full Board of Trustees its considerations and recommendation with respect to the Agreements, and the Board of Trustees, including a majority of the Independent Trustees, considered and approved renewal of the Agreements.

The Trustees noted that although Western Asset's business is operated through separate legal entities, such as the Non-U.S. Advisers, its business is highly integrated and senior investment personnel at Western Asset have supervisory oversight responsibility over the investment decisions made by the Non-U.S. Advisers. Therefore, in connection with their deliberations noted below, the Trustees primarily focused on the information provided by Western Asset when considering the approval of the Portfolio Management Agreements. The Trustees also noted that the Fund does not pay any management fees directly to any of the Non-U.S. Advisers because Western Asset pays the Non-U.S. Advisers for services provided to the Fund out of the management fee Western Asset receives from the Fund.

In arriving at their decision to renew the Agreements, the Trustees met with representatives of Western Asset, including relevant investment advisory personnel; reviewed a variety of information prepared by Western Asset and materials provided by Lipper Inc. (Lipper) and counsel to the Independent Trustees; and reviewed performance and expense information for a peer group of comparable funds selected and prepared by Lipper and for certain other comparable products available from Western Asset, including separate accounts managed by Western Asset. These reviews were in addition to information obtained by the Trustees at their regular quarterly meetings with respect to the Fund's performance and other relevant matters, such as information on differences between the Fund's share price and net asset value per share, and related discussions with the Advisers' personnel.

As part of their review, the Trustees examined the Advisers' ability to provide high quality investment management services to the Fund. The Trustees considered the investment philosophy and research and decision-making processes of the Advisers; the experience of their key advisory personnel responsible for management of the Fund; the ability of the Advisers to attract and retain capable research and advisory personnel; the capability and integrity of the Advisers' senior management and staff; and the level of skill required to manage the Fund. In addition, the Trustees reviewed the quality of the Advisers' services

Board approval of management and subadvisory agreements (unaudited) (cont d)

with respect to regulatory compliance and compliance with the investment policies of the Fund and conditions that might affect the Advisers' ability to provide high quality services to the Fund in the future under the Agreements, including their business reputation, financial condition and operational stability. Based on the foregoing, the Trustees concluded that the Advisers' investment process, research capabilities and philosophy were well suited to the Fund given its investment objectives and policies, and that the Advisers would be able to meet any reasonably foreseeable obligations under the Agreements.

In reviewing the quality of the services provided to the Fund, the Trustees also reviewed comparisons of the performance of the Fund to the performance of certain comparable leveraged funds in a peer group consisting of funds that invest at least 65% of their assets in corporate and government debt issues rated in the top four grades. The Trustees noted that the performance of the Fund exceeded its peer average for each of the one-, three-, five- and ten-year periods ended August 31, 2014.

The Trustees also considered the management fee and total expenses payable by the Fund. They reviewed information concerning management fees paid to investment advisers of similarly-managed funds, as well as fees paid by the Advisers' other clients, including separate accounts managed by the Advisers. The Trustees observed that the Fund's total expenses were higher than the average of the fees paid by funds in its Lipper peer group and the management fee paid by the Fund to Western Asset, whether measured as a percentage of net assets attributable to common shares or total assets, was higher than the average of the funds in its Lipper peer group. They noted that the management fee paid by the Fund was generally higher than the fees paid by other clients of the Advisers with similar investment strategies, but that Western Asset was responsible for payment of the management fee to the Non-U.S. Advisers and that the administrative and operational responsibilities for the Advisers with respect to the Fund were also relatively higher. In light of these differences, the Trustees concluded that the management fee paid by the Fund relative to the fees paid by the Advisers' other clients was reasonable.

The Trustees further evaluated the benefits of the advisory relationship to the Advisers, including, among others, the profitability of the relationship to the Advisers and the direct and indirect benefits that the Advisers may receive from their relationship with the Fund, including any "fallout benefits", such as reputational value derived from serving as investment adviser to the Fund; and the affiliation between the Advisers and Legg Mason Partners Funds Advisor, LLC, the Fund's administrator. In that connection, the Trustees concluded that the Advisers' profitability was consistent with levels of profitability that had been determined by courts not to be excessive. The Trustees noted that Western Asset does not have soft dollar arrangements.

Finally, the Trustees considered, in light of the profitability information provided by Western Asset, the extent to which economies of scale would be realized by the Advisers as the assets of the Fund grow. The Trustees concluded that because the Fund is a closed-end

fund and does not make a continuous offer of its securities, the Fund's size was relatively fixed and it would be unlikely that the Advisers would realize economies of scale from the Fund's growth.

In their deliberations with respect to these matters, the Independent Trustees were advised by their independent counsel, who are independent of the Advisers within the meaning of the Securities and Exchange Commission rules regarding the independence of counsel. The Independent Trustees weighed each of the foregoing matters in light of the advice given to them by their independent counsel as to the law applicable to the review of investment advisory contracts. In arriving at a decision, the Trustees, including the Independent Trustees, did not identify any single matter as all-important or controlling, and the foregoing summary does not detail all the matters considered. The Trustees judged the terms and conditions of the Agreements, including the investment advisory fees, in light of all of the surrounding circumstances.

Based upon their review, the Trustees, including all of the Independent Trustees, determined, in the exercise of their business judgment, that they were generally satisfied with the quality of investment advisory services being provided by the Advisers, but would continue to closely monitor the Advisers' performance; that the fees to be paid to the Advisers under the Agreements were fair and reasonable given the scope and quality of the services rendered by the Advisers; and that approval of the Agreements was in the best interest of the Fund and its shareholders.

Additional information (unaudited)

Information about Trustees and Officers

The business and affairs of Western Asset Premier Bond Fund (the Fund) are conducted by management under the supervision and subject to the direction of its Board of Trustees. The business address of each Trustee is c/o Kenneth D. Fuller, Legg Mason, 100 International Drive, 11th Floor, Baltimore, Maryland 21202. Information pertaining to the Trustees and officers of the Fund is set forth below.

Independent Trustees :

Robert Abeles, Jr.

Year of birth	1945
Position(s) held with Fund	Trustee
Term of office and length of time served ¹	Served since 2013
Principal occupations during the past five years	Senior Vice President, Finance and Chief Financial Officer (since 2009) of University of Southern California; Director, Hanmi Financial Corporation and Hanmi Bank (2008-2009).
Number of portfolios in fund complex overseen by Trustee (including the Fund) ²	12
Other board memberships held by Trustee during the past five years	None

Ronald J. Arnault

Year of birth	1943
Position(s) held with Fund	Trustee
Term of office and length of time served ¹	Served since 1997
Principal occupation(s) during past five years	Retired.
Number of portfolios in fund complex overseen by Trustee (including the Fund) ²	12
Other board memberships held by Trustee during past five years	None

Anita L. DeFrantz

Year of birth	1952
Position(s) held with Fund	Trustee
Term of office and length of time served ¹	Served since 1998
Principal occupation(s) during past five years	President (1987-present) and Director (1990-present) of LA84 (formerly Amateur Athletic Foundation of Los Angeles); Director of Kids in Sports (1994-present); Vice President, International Rowing Federation (1995-present); Member of the International Olympic Committee (1986-present).
Number of portfolios in fund complex overseen by Trustee (including the Fund) ²	12
Other board memberships held by Trustee during past five years	OBN Holdings, Inc. (film, television and media company)

Independent Trustees cont d

Avedick B. Poladian

Year of birth	1951
Position(s) held with Fund	Trustee
Term of office and length of time served ¹	Served since 2007
Principal occupation(s) during past five years	Executive Vice President and Chief Operating Officer of Lowe Enterprises, Inc. (real estate and hospitality firm) (2002-present); Partner, Arthur Andersen, LLP (1974-2002).
Number of portfolios in fund complex overseen by Trustee (including the Fund) ²	12
Other board memberships held by Trustee during past five years	Occidental Petroleum Corporation, California Resources Corporation and Public Storage

William E. B. Siart

Year of birth	1946
Position(s) held with Fund	Trustee and Chairman
Term of office and length of time served ¹	Served since 1997
Principal occupation(s) during past five years	Trustee of The Getty Trust (2005-present); Chairman of Walt Disney Concert Hall, Inc. (1998-2006); Chairman of Excellent Education Development (2000-present).
Number of portfolios in fund complex overseen by Trustee (including the Fund) ²	12
Other board memberships held by Trustee during past five years	None

Jaynie Miller Studenmund

Year of birth	1954
Position(s) held with Fund	Trustee
Term of office and length of time served ¹	Served since 2004
Principal occupation(s) during past five years	Director of Forest Lawn (since 2002) (memorial parks); Director of Pinnacle Entertainment, Inc. (since 2012) (gaming and hospitality company). Formerly: Director of Orbitz Worldwide, Inc. (2007 to 2014) (online travel company); Director of MarketTools, Inc. (2010 to 2012) (market research software provider); Director of eHarmony, Inc. (2005 to 2011) (online dating company).
Number of portfolios in fund complex overseen by Trustee (including the Fund) ²	12
Other board memberships held by Trustee during past five years	None

Additional information (unaudited) (cont d)

Information about Trustees and Officers

Interested Trustees:

Kenneth D. Fuller³

Year of birth	1958
Position(s) with Fund	Trustee, President and Chief Executive Officer
Term of office and length of time served ¹	Since 2013
Principal occupation(s) during past five years	Managing Director of Legg Mason & Co., LLC (Legg Mason & Co.) (since 2013); Officer and/or Trustee/Director of 157 funds associated with Legg Mason Partners Fund Advisor, LLC (LMPFA) or its affiliates (since 2013); President and Chief Executive Officer of LM Asset Services, LLC (LMAS) and Legg Mason Fund Asset Management, Inc. (LMFAM) (formerly registered investment advisers) (since 2013); formerly, Senior Vice President of LMPFA (2012 to 2013); formerly, Director of Legg Mason & Co. (2012 to 2013); formerly, Vice President of Legg Mason & Co. (2009 to 2012); formerly, Vice President Equity Division of T. Rowe Price Associates (1993 to 2009), as well as Investment Analyst and Portfolio Manager for certain asset allocation accounts (2004 to 2009).
Number of funds in fund complex overseen by Trustee (including the Fund) ²	147
Other board memberships held by Trustee during past five years	None

Ronald L. Olson⁴

Year of birth	1941
Position(s) held with Fund	Trustee
Term of office and length of time served ¹	Served since 2005
Principal occupation(s) during past five years	Senior Partner of Munger, Tolles & Olson LLP (a law partnership) (1968-present).
Number of portfolios in fund complex overseen by Trustee (including the Fund) ²	12
Other board memberships held by Trustee during past five years	Edison International, City National Corporation (financial services company), The Washington Post Company, and Berkshire Hathaway, Inc.

Officers⁵:

Richard F. Sennett

100 International Drive, 7th Floor, Baltimore, MD 21202

Year of birth	1970
Position(s) with Fund	Principal Financial Officer and Treasurer
Term of office and length of time served	Since 2011 and since 2013
Principal occupation(s) during past five years	Principal Financial Officer and Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011 and since 2013); Managing Director of Legg Mason & Co. and Senior Manager of the Treasury Policy group for Legg Mason & Co.'s Global Fiduciary Platform (since 2011); formerly, Chief Accountant within the SEC's Division of Investment Management (2007 to 2011); formerly, Assistant Chief Accountant within the SEC's Division of Investment Management (2002 to 2007)

Officers cont d

Todd F. Kuehl

100 International Drive, 9th Floor, Baltimore, MD 21202

Year of birth	1969
Position(s) held with Fund	Chief Compliance Officer
Term of office and length of time served	Served since 2007
Principal occupations during past five years	Managing Director of Legg Mason & Co. (since 2011); Chief Compliance Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006); formerly, Chief Compliance Officer of Legg Mason Private Portfolio Group (prior to 2010); Branch Chief, Division of Investment Management, U.S. Securities and Exchange Commission (2002 to 2006)

Robert I. Frenkel

100 First Stamford Place, 6th Floor, Stamford, CT 06902

Year of birth	1954
Position(s) held with Fund	Secretary and Chief Legal Officer
Term of office and length of time served	Served since 2009
Principal occupation(s) during past five years	Vice President and Deputy General Counsel of Legg Mason, Inc. (since 2006); Managing Director and General Counsel of Global Mutual Funds for Legg Mason & Co. (since 2006) and Legg Mason & Co. predecessors (since 1994); Secretary and Chief Legal Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2006) and Legg Mason & Co. predecessors (prior to 2006).

Trustees who are not interested persons of the Fund within the meaning of section 2(a)(19) of the Investment Company Act of 1940, as amended (the "1940 Act").

¹ Each of the Trustee of the Fund holds office until his or her successor shall have been duly elected and shall qualify, subject to prior death, resignation, retirement, disqualification or removed from office and applicable law and the rules of the New York Stock Exchange. Each officer holds office until his or her respective successor is chosen and qualified, or in each case until he or she sooner dies, resigns, is removed with or without cause or becomes disqualified.

² Each Trustee also serves as a Director of Western Asset Income Fund (closed-end investment company) and oversees the eleven portfolios of Western Asset Funds, Inc. (open-end investment companies), which are considered part of the same Fund Complex as the Fund.

³ Mr. Fuller is an interested person (as defined in section 2(a)(19) of the Investment Company Act of 1940) of the Fund because of his positions with subsidiaries of, and ownership of shares of common stock of, Legg Mason, Inc., the parent company of the Investment Adviser.

⁴ Mr. Olson is an interested person (as defined above) of the Fund because his law firm has provided legal services to the Investment Adviser.

⁵ Each officer of the Fund is an interested person (as defined above) of the Fund.

Additional shareholder information (unaudited)

Results of annual meeting of shareholders

The Fund's annual meeting of shareholders was held on November 18, 2014. Of the 11,897,629 common shares outstanding, the following shares were voted in the meeting:

Election of Trustees:	For	Withheld
Robert Abeles, Jr.	10,270,056	257,986
Ronald J. Arnault	10,243,539	284,503
Anita L. DeFrantz	10,229,229	298,813
Kenneth D. Fuller	10,326,401	201,641
Ronald L. Olson	10,134,071	393,971
Avedick B. Poladian	10,322,567	205,475
William E. B. Siart	10,274,554	253,488
Jaynie M. Studenmund	10,231,178	296,864

Shareholder proposals for 2015 annual meeting

The Fund will hold its 2015 Annual Meeting of Shareholders on May 28, 2015, which will be more than 30 days before the anniversary date of the 2014 Annual Meeting of Shareholders. As described in the Fund's proxy statement for the 2014 Annual Meeting of Shareholders, the Fund believes that the submission deadlines for shareholder proposals are as follows.

A. Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "1934 Act"), provides that if the date of the Fund's 2015 Annual Meeting of Shareholders is changed by more than 30 days before or after the first anniversary of the date of the 2014 Annual Meeting of Shareholders, the deadline to submit a shareholder proposal pursuant to Rule 14a-8 for the 2015 Annual Meeting of Shareholders is a reasonable time before the [Fund] begins to print and send its proxy materials for such meeting. The Fund believes that a reasonable time before the Fund begins to print and send its proxy materials for its 2015 Annual Meeting of Shareholders was, for this purpose, no later than December 16, 2014 (as disclosed in the Fund's proxy statement for the 2014 Annual Meeting of Shareholders).

B. Shareholders who wish to make a proposal at the 2015 Annual Meeting of Shareholders other than one that will be included in the Fund's proxy materials or one that does not propose one or more nominees for election as Trustees or propose to fix the number of Trustees should, under the proxy rules, notify the Fund a reasonable time before the [Fund] sends its proxy materials for the 2015 Annual Meeting of Shareholders if they do not want to have proxies solicited by the Fund to confer discretionary voting authority with respect to the proposal. The Fund believes that a reasonable time before the Fund sends its proxy materials for its 2015 Annual Meeting of Shareholders is, for this purpose, no later than March 1, 2015 (as disclosed in the Fund's proxy statement for the 2014 Annual Meeting of Shareholders).

C. Shareholders who wish to propose one or more nominees for election as Trustees, or to make a proposal fixing the number of Trustees, at the 2015 Annual Meeting of Shareholders must provide written notice to the Fund (including all required information) so that such notice is received in good order by the Fund in accordance with the timing requirement in the Fund's Bylaws, as amended. Because the 2015 Annual Meeting of Shareholders will be held on May 28, 2015, which is more than 30 days before November 18, 2015, the deadline is March 11, 2015, which is the tenth (10th) business day following the date on which public announcement of the date of the 2015 Annual Meeting of Shareholders was first made (February 25, 2015).

The proper submission of a shareholder proposal does not guarantee that it will be included in the Fund's proxy materials or presented at a shareholder meeting. Shareholder proposals are subject to the requirements of applicable law and the Fund's Declaration of Trust and Bylaws.

Annual principal executive officer and principal financial officer certifications (unaudited)

The Fund's Principal Executive Officer (PEO) has submitted to the NYSE the required annual certification and the Fund also has included the Certifications of the Fund's PEO and Principal Financial Officer required by Section 302 of the Sarbanes-Oxley Act in the Fund's Form N-CSR filed with the SEC for the period of this report.

Other shareholder communications regarding accounting

matters (unaudited)

The Fund's Audit Committee has established guidelines and procedures regarding the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters (collectively, "Accounting Matters"). Persons with complaints or concerns regarding Accounting Matters may submit their complaints to the Chief Compliance Officer ("CCO"). Persons who are uncomfortable submitting complaints to the CCO, including complaints involving the CCO, may submit complaints directly to the Fund's Audit Committee Chair. Complaints may be submitted on an anonymous basis.

The CCO may be contacted at:

Legg Mason & Co., LLC

Compliance Department

100 International Drive

Baltimore, MD 21202

Complaints may also be submitted by telephone at 1-800-742-5274. Complaints submitted through this number will be received by the CCO.

Dividend reinvestment plan (unaudited)

The Fund and American Stock Transfer & Trust Company LLC (Agent), as the Transfer Agent and Registrar of the Fund, offer a convenient way to add shares of the Fund to your account. The Fund offers to all common shareholders a Dividend Reinvestment Plan (Plan). Under the Plan, cash distributions (e.g., dividends and capital gains) of registered shareholders (those who own shares in their own name on the Fund's records) on the common shares are automatically invested in shares of the Fund unless the shareholder elects otherwise by contacting the Agent at the address set forth below. Shareholders who own shares in a brokerage, bank or other financial institution account must contact the company where their account is held in order to participate in the Plan.

As a participant in the Dividend Reinvestment Plan you will automatically receive your dividend or net capital gains distribution in newly issued shares of the Fund if the market price of a share on the date of the distribution is at or above the NAV of a Fund share, minus estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market. The number of shares to be issued to you will be determined by dividing the amount of the cash distribution to which you are entitled (net of any applicable withholding taxes) by the greater of the NAV per share on such date or 95% of the market price of a share on such date. If the market price of a share on such distribution date is below the NAV, minus estimated brokerage commissions that would be incurred upon the purchase of common shares on the open market, the Agent will, as agent for the participants, buy shares of the Fund through a broker on the open market. The price per share of shares purchased for each participant's account with respect to a particular dividend or other distribution will be the average price (including brokerage commissions, transfer taxes and any other costs of purchase) of all shares purchased with respect to that dividend or other distribution. All common shares acquired on your behalf through the Plan will be automatically credited to an account maintained on the books of the Agent. Full and fractional shares will be voted by the Agent in accordance with your instructions.

Additional information regarding the plan

The Fund will pay all costs applicable to the Plan, except for brokerage commissions for open market purchases by the Agent under the Plan, which will be charged to participants. All shares acquired through the Plan receive voting rights and are eligible for any stock split, stock dividend, or other rights accruing to shareholders that the Board of Trustees may declare. Registered shareholder may terminate participation in the Plan at any time by giving notice to the Agent. Such termination will be effective prior to the record date next succeeding the receipt of such instructions or by a later date of termination specified in such instructions. Upon termination, a participant will receive a certificate for the full shares credited to his or her account or may request the sale of all or part of such shares. Fractional shares credited to a terminating account will be paid for in cash at the current market price at the time of termination. Shareholders who own shares in a brokerage, bank or other financial institution account must contact the company where their account is held in order to terminate participation in the Plan.

Dividends and other distributions invested in additional shares under the Plan are subject to income tax just as if they had been received in cash. After year end, dividends paid on the accumulated shares will be included in the Form 1099-DIV information return to the Internal Revenue Service (IRS) and only one Form 1099-DIV will be sent to participants each year. Inquiries regarding the Plan, as well as notices of termination, should be directed to American Stock Transfer & Trust Company LLC, 6201 15th Avenue, Brooklyn, New York, 11219. Investor Relations Telephone number 1-888-888-0151.

Important tax information (unaudited)

The following information is provided with respect to the distributions paid during the taxable year ended December 31, 2014

Record date:	7/18/2014	Monthly
Payable date:		Aug. 2014
	7/25/2014	Dec. 2014
Ordinary income:		
Qualified dividend income for individuals	1.81%	5.32%
Dividends qualifying for the dividends		
Received deduction for corporations	1.43%	4.21%

The following information is applicable to non-U.S. resident shareholders:

The following ordinary income distributions paid monthly by the Fund represent Qualified Net Investment Income eligible for exemption from U.S. withholding tax for nonresident aliens and foreign corporations.

Record date:	Monthly	7/18/2014	Monthly
Payable date:	Jan. 2014		Aug. 2014
	June 2014	7/25/2014	Dec. 2014
Qualified net investment income	61.00%	59.00%	55.00%

Please retain this information for your records.

Western Asset

Premier Bond Fund

Trustees

William E. B. Siart

Chairman

Kenneth D. Fuller

Robert Abeles, Jr.

Ronald J. Arnault*

Anita L. DeFrantz

Ronald L. Olson

Avedick B. Poladian

Jaynie M. Studenmund

Officers

Kenneth D. Fuller

President and

Chief Executive Officer

Richard F. Sennett

Principal Financial Officer and Treasurer

Todd F. Kuehl

Chief Compliance Officer

Robert I. Frenkel

Secretary and

Chief Legal Officer

* Mr. Arnault retired from the Board of Trustees, effective February 19, 2015.

Western Asset Premier Bond Fund

620 Eighth Avenue

49th Floor

New York, NY 10018

Investment advisers

Western Asset Management Company

Western Asset Management Company Limited

Western Asset Management Company Pte. Ltd.

Western Asset Management Company Ltd

Custodian

State Street Bank and Trust Company

1 Lincoln Street

Boston, MA 02111

Independent registered public accounting firm

PricewaterhouseCoopers LLP

100 East Pratt Street

Baltimore, MD 21202

Legal counsel

Ropes & Gray LLP

1211 Avenue of the Americas

New York, NY 10036

Transfer agent

American Stock Transfer & Trust Company

6201 15th Avenue,

Brooklyn, NY 11219

New York Stock

Exchange Symbol

WEA

Legg Mason Funds Privacy and Security Notice

Your Privacy and the Security of Your Personal Information is Very Important to the Legg Mason Funds

This Privacy and Security Notice (the "Privacy Notice") addresses the Legg Mason Funds' privacy and data protection practices with respect to nonpublic personal information the Funds receive. The Legg Mason Funds include any funds sold by the Funds' distributor, Legg Mason Investor Services, LLC, as well as Legg Mason-sponsored closed-end funds and certain closed-end funds managed or sub-advised by Legg Mason or its affiliates. The provisions of this Privacy Notice apply to your information both while you are a shareholder and after you are no longer invested with the Funds.

The Type of Nonpublic Personal Information the Funds Collect About You

The Funds collect and maintain nonpublic personal information about you in connection with your shareholder account. Such information may include, but is not limited to:

Personal information included on applications or other forms;

Account balances, transactions, and mutual fund holdings and positions;

Online account access user IDs, passwords, security challenge question responses; and

Information received from consumer reporting agencies regarding credit history and creditworthiness (such as the amount of an individual's total debt, payment history, etc.).

How the Funds Use Nonpublic Personal Information About You

The Funds do not sell or share your nonpublic personal information with third parties or with affiliates for their marketing purposes, or with other financial institutions or affiliates for joint marketing purposes, unless you have authorized the Funds to do so. The Funds do not disclose any nonpublic personal information about you except as may be required to perform transactions or services you have authorized or as permitted or required by law. The Funds may disclose information about you to:

Employees, agents, and affiliates on a "need to know" basis to enable the Funds to conduct ordinary business or comply with obligations to government regulators;

Service providers, including the Funds' affiliates, who assist the Funds as part of the ordinary course of business (such as printing, mailing services, or processing or servicing your account with us) or otherwise perform services on the Funds' behalf, including companies that may perform marketing services solely for the Funds;

The Funds' representatives such as legal counsel, accountants and auditors; and

Fiduciaries or representatives acting on your behalf, such as an IRA custodian or trustee of a grantor trust.

NOT PART OF THE ANNUAL REPORT

Legg Mason Funds Privacy and Security Notice (cont'd)

Except as otherwise permitted by applicable law, companies acting on the Funds' behalf are contractually obligated to keep nonpublic personal information the Funds provide to them confidential and to use the information the Funds share only to provide the services the Funds ask them to perform.

The Funds may disclose nonpublic personal information about you when necessary to enforce their rights or protect against fraud, or as permitted or required by applicable law, such as in connection with a law enforcement or regulatory request, subpoena, or similar legal process. In the event of a corporate action or in the event a Fund service provider changes, the Funds may be required to disclose your nonpublic personal information to third parties. While it is the Funds' practice to obtain protections for disclosed information in these types of transactions, the Funds cannot guarantee their privacy policy will remain unchanged.

Keeping You Informed of the Funds' Privacy and Security Practices

The Funds will notify you annually of their privacy policy as required by federal law. While the Funds reserve the right to modify this policy at any time they will notify you promptly if this privacy policy changes.

The Funds' Security Practices

The Funds maintain appropriate physical, electronic and procedural safeguards designed to guard your nonpublic personal information. The Funds' internal data security policies restrict access to your non-public personal information to authorized employees, who may use your nonpublic personal information for Fund business purposes only.

Although the Funds strive to protect your nonpublic personal information, they cannot ensure or warrant the security of any information you provide or transmit to them, and you do so at your own risk. In the event of a breach of the confidentiality or security of your nonpublic personal information, the Funds will attempt to notify you as necessary so you can take appropriate protective steps. If you have consented to the Funds using electronic communications or electronic delivery of statements, they may notify you under such circumstances using the most current email address you have on record with them.

In order for the Funds to provide effective service to you, keeping your account information accurate is very important. If you believe that your account information is incomplete, not accurate or not current, or if you have questions about the Funds' privacy practices, write the Funds using the contact information on your account statements, email the Funds by clicking on the Contact Us section of the Funds' website at www.leggmason.com, or contact the Fund at 1-888-777-0102.

Revised April 2011

NOT PART OF THE ANNUAL REPORT

Western Asset Premier Bond Fund

Western Asset Premier Bond Fund

620 Eighth Avenue

49th Floor

New York, NY 10018

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase at market prices, shares of its Common Stock in the open market.

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at www.sec.gov. The Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington D.C., and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. To obtain information on Form N-Q from the Fund, shareholders can call 1-888-777-0102.

Information on how the Fund voted proxies relating to portfolio securities during the prior 12-month period ended June 30th of each year and a description of the policies and procedures that the Fund uses to determine how to vote proxies related to portfolio transactions are available (1) without charge, upon request, by calling 1-888-777-0102, (2) on the Fund's website at www.lmcef.com and (3) on the SEC's website at www.sec.gov.

This report is transmitted to the shareholders of Western Asset Premier Bond Fund for their information. This is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or any securities mentioned in this report.

American Stock

Transfer & Trust Company

6201 15th Avenue,

Brooklyn, NY 11219

WASX013147 2/15 SR15-2428

ITEM 2. CODE OF ETHICS.

The registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Board of Directors of the registrant has determined that Robert Abeles, Jr. possesses the technical attributes identified in Instruction 2(b) of Item 3 to Form N-CSR to qualify as an audit committee financial expert, and has designated Mr. Abeles as the Audit Committee's financial expert. Mr. Abeles is an independent Director pursuant to paragraph (a)(2) of Item 3 to Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

a) Audit Fees. The aggregate fees billed in the last two fiscal years ending December 31, 2013 and December 31, 2014 (the Reporting Periods) for professional services rendered by the Registrant's principal accountant (the Auditor) for the audit of the Registrant's annual financial statements, or services that are normally provided by the Auditor in connection with the statutory and regulatory filings or engagements for the Reporting Periods, were \$76,272 in December 31, 2013 and \$45,072 in December 31, 2014.

b) Audit-Related Fees. The aggregate fees billed in the Reporting Period for assurance and related services by the Auditor that are reasonably related to the performance of the Registrant's financial statements were \$0 in December 31, 2013 and \$8,480 in December 31, 2014.

(c) Tax Fees. The aggregate fees billed in the Reporting Periods for professional services rendered by the Auditor for tax compliance, tax advice and tax planning (Tax Services) were \$4,410 in December 2013 and \$5,800 in December 31, 2014. These services consisted of (i) review or preparation of U.S. federal, state, local and excise tax returns; (ii) U.S. federal, state and local tax planning, advice and assistance regarding statutory, regulatory or administrative developments, and (iii) tax advice regarding tax qualification matters and/or treatment of various financial instruments held or proposed to be acquired or held.

There were no fees billed for tax services by the Auditors to service affiliates during the Reporting Periods that required pre-approval by the Audit Committee.

d) All Other Fees. The aggregate fees for other fees billed in the Reporting Periods for products and services provided by the Auditor were \$213 in December 31, 2013 and \$190 in December 31, 2014, other than the services reported in paragraphs (a) through (c) of this Item 4 for the Western Asset Premier Bond Fund.

All Other Fees. There were no other non-audit services rendered by the Auditor to Legg Mason Partners Fund Advisors, LLC (LMPFA), and any entity controlling, controlled by or under common control with LMPFA that provided ongoing services to Western Asset Premier Bond Fund requiring pre-approval by the Audit Committee in the Reporting Period.

(e) Audit Committee's pre-approval policies and procedures described in paragraph (c) (7) of Rule 2-01 of Regulation S-X.

(1) The Charter for the Audit Committee (the "Committee") of the Board of each registered investment company (the "Fund") advised by LMPFA or one of their affiliates (each, an "Adviser") requires that the Committee shall approve (a) all audit and permissible non-audit services to be provided to the Fund and (b) all permissible non-audit services to be provided by the Fund's independent auditors to the Adviser and any Covered Service Providers if the engagement relates directly to the operations and financial reporting of the Fund. The Committee may implement policies and procedures by which such services are approved other than by the full Committee.

The Committee shall not approve non-audit services that the Committee believes may impair the independence of the auditors. As of the date of the approval of this Audit Committee Charter, permissible non-audit services include any professional services (including tax services), that are not prohibited services as described below, provided to the Fund by the independent auditors, other than those provided to the Fund in connection with an audit or a review of the financial statements of the Fund. Permissible non-audit services may not include: (i) bookkeeping or other services related to the accounting records or financial statements of the Fund; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

Pre-approval by the Committee of any permissible non-audit services is not required so long as: (i) the aggregate amount of all such permissible non-audit services provided to the Fund, the Adviser and any service providers controlling, controlled by or under common control with the Adviser that provide ongoing services to the Fund ("Covered Service Providers") constitutes not more than 5% of the total amount of revenues paid to the independent auditors during the fiscal year in which the permissible non-audit services are provided to (a) the Fund, (b) the Adviser and (c) any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the Fund during the fiscal year in which the services are provided that would have to be approved by the Committee; (ii) the permissible non-audit services were not recognized by the Fund at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Committee and approved by the Committee (or its delegate(s)) prior to the completion of the audit.

(2) For the Western Asset Premier Bond Fund, the percentage of fees that were approved by the audit committee, with respect to: Audit-Related Fees were 100% and 100% for 2013 and 2014; Tax Fees were 100% and 100% for 2013 and 2014; and Other Fees were 100% and 100% for 2013 and 2014.

(f) N/A

(g) Non-audit fees billed by the Auditor for services rendered to Western Asset Premier Bond Fund, LMPFA and any entity controlling, controlled by, or under common control with LMPFA that provides ongoing services to Western Asset Premier Bond Fund during the reporting period were \$240,000 in December 31, 2013 and \$257,238 in December 31, 2014.

(h) Yes. Western Asset Premier Bond Fund's Audit Committee has considered whether the provision of non-audit services that were rendered to Service Affiliates, which were not pre-approved (not requiring pre-approval), is compatible with maintaining the Accountant's independence. All services provided by the Auditor to the Western Asset Premier Bond Fund or to Service Affiliates, which were required to be pre-approved, were pre-approved as required.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

- a) *Registrant has a separately - designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act.* The Audit Committee consists of the following Board members:

Robert Abeles, Jr.

Ronald J. Arnault*

Anita L. DeFrantz

Avedick B. Poladian

William E.B. Siart

Jaynie Miller Studenmund

* Mr. Arnault retired from the Board of Trustees, effective February 19, 2015.

- b) Not applicable.

ITEM 6. SCHEDULE OF INVESTMENTS.

Included herein under Item 1.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The Registrant has delegated the voting of proxies relating to its portfolio securities to its advisers, Western Asset Management Company and Western Asset Management Company Limited (together, the Advisers). The Proxy Voting Policies and Procedures of the Advisers are attached as an exhibit to this Form N-CSR.

ITEM 8. INVESTMENT PROFESSIONALS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES

As of December 31, 2014, a team of investment professionals at the Advisers, led by Chief Investment Officer S. Kenneth Leech, Portfolio Manager Michael C. Buchanan and Portfolio Manager Christopher F. Kilpatrick manages the Western Asset Premier Bond Fund (the Fund).

Messrs. Leech, Buchanan and Kilpatrick have each served as investment professionals for the Advisers for over five years.

The Fund is managed by a team of portfolio managers, sector specialists and other investment professionals. Messrs. Leech, Buchanan and Kilpatrick serve as co-team leaders responsible for day-to-day strategic oversight of the Fund's investments and for supervising the day-to-day operations of the various sector specialist teams dedicated to the

specific asset classes in which the Fund invests.

Other Accounts

As of December 31, 2014, in addition to the Fund, the portfolio manager(s) were responsible for the day-to-day management of certain other accounts, as follows:

Type of Account	Number of Accounts Managed	Total Assets Managed (\$ billions)	Number of Accounts Managed for which Advisory Fee is	
			Performance-Based	Performance-Based (\$ billions)
S. Kenneth Leech:				
Registered Investment Companies	106	203.9	0	0
Other pooled investment vehicles	233	84.6	9	2.1
Other accounts	667	177.4	54	17.3
Michael C. Buchanan:				
Registered Investment Companies	42	39.3	0	0
Other pooled investment vehicles	58	31.8	4	1.3
Other accounts	192	53.4	21	7.9
Christopher F. Kilpatrick:				
Registered Investment Companies	9	3.7	0	0
Other pooled investment vehicles	0	0	0	0
Other accounts	0	0	0	0

Note: With respect to Mr. Leech, the numbers above reflect the overall number of portfolios managed by the Advisers. Mr. Leech is involved in the management of all of the Advisers' portfolios, but he is not solely responsible for particular portfolios. The Advisers' investment discipline emphasizes a team approach that combines the efforts of groups of specialists working in different market sectors. The individuals that have been identified are responsible for overseeing implementation of the Advisers' overall investment ideas and coordinating the work of the various sector teams. This structure ensures that client portfolios benefit from a consensus that draws on the expertise of all team members.

Potential Conflicts of Interest as of December 31, 2014

Potential conflicts of interest may arise in connection with the management of multiple accounts (including accounts managed in a personal capacity). These could include potential conflicts of interest related to the knowledge and timing of the Fund's trades, investment opportunities and broker selection. Portfolio managers may be privy to the size, timing and possible market impact of the Fund's trades.

It is possible that an investment opportunity may be suitable for both the Fund and other accounts managed by a portfolio manager, but may not be available in sufficient quantities for both the Fund and the other accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by the Fund and another account. A conflict may arise where the portfolio manager may have an incentive to treat an account preferentially as compared to the Fund because the account pays a performance-based fee or the portfolio manager, the Advisers or an affiliate has an interest in the account. The Advisers have adopted procedures for allocation of portfolio transactions and investment opportunities across multiple client accounts on a fair and equitable basis over time. All eligible accounts that can participate in a trade share the same price on a pro-rata allocation basis in an attempt to mitigate any conflict of interest. Trades are allocated among similarly managed accounts to maintain consistency of portfolio

strategy, taking into account cash availability, investment restrictions and guidelines, and portfolio composition versus strategy.

With respect to securities transactions for the Fund, the Adviser determines which broker or dealer to use to execute each order, consistent with their duty to seek best execution of the transaction. However, with respect to certain other accounts (such as pooled investment vehicles that are not registered investment companies and other accounts managed for organizations and individuals), the Advisers may be limited by the client with respect to the selection of brokers or dealers or may be instructed to direct trades through a particular broker or dealer. In these cases, trades for the Fund in a particular security may be placed separately from, rather than aggregated with, such other accounts. Having separate transactions with respect to a security may temporarily affect the market price of the security or the execution of the transaction, or both, to the possible detriment of the Fund or the other account(s) involved. Additionally, the management of multiple accounts may result in a portfolio manager devoting unequal time and attention to the management of the Fund and/or other account.

It is theoretically possible that portfolio managers could use information to the advantage of other accounts they manage and to the possible detriment of the Fund. For example, a portfolio manager could short sell a security for an account immediately prior to the Fund's sale of that security. To address this conflict, the Advisers have adopted procedures for reviewing and comparing selected trades of alternative investment accounts (which may make directional trades such as short sells) with long-only accounts (which includes the Fund) for timing and pattern related issues. Trading decisions for alternative investment and long-only accounts may not be identical even though the same portfolio manager may manage both types of accounts. Whether an Adviser allocates a particular investment opportunity to only alternative investment accounts or to alternative investment and long-only accounts will depend on the investment strategy being implemented. If, under the circumstances, an investment opportunity is appropriate for both its alternative investment and long-only accounts, then it will be allocated to both on a pro-rata basis.

A portfolio manager may also face other potential conflicts of interest in managing the Fund, and the description above is not a complete description of every conflict of interest that could be deemed to exist in managing both the Fund and the other accounts listed above.

Compensation of Portfolio Managers as of December 31, 2014

With respect to the compensation of the portfolio managers, the Advisers' compensation system assigns each employee a total compensation target and a respective cap, which are derived from annual market surveys that benchmark each role with their job function and peer universe. This method is designed to reward employees with total compensation reflective of the external market value of their skills, experience, and ability to produce desired results.

Standard compensation includes competitive base salaries, generous employee benefits, and a retirement plan.

In addition, employees are eligible for bonuses. These are structured to closely align the interests of employees with those of the Advisers, and are determined by the professional's job function and performance as measured by a formal review process. All bonuses are completely discretionary. One of the principal factors considered is a portfolio manager's investment performance versus appropriate peer groups and benchmarks. Because portfolio managers are generally responsible for multiple accounts (including the Fund) with similar investment strategies, they are compensated on the performance of the aggregate group of similar accounts, rather than a specific account. A smaller portion of a bonus payment is derived from factors that include client service, business development, length of service to the Advisers, management or supervisory responsibilities, contributions to developing business strategy and overall contributions to the Advisers' business.

Finally, in order to attract and retain top talent, all professionals are eligible for additional incentives in recognition of outstanding performance. These are determined based upon the factors described above and include Legg Mason, Inc. stock options and long-term incentives that vest over a set period of time past the award date.

Portfolio Manager Ownership of Fund Securities

The following table provides the dollar range of securities beneficially owned by each portfolio manager as of December 31, 2014:

Portfolio Manager	Dollar Range of Fund Securities Beneficially Owned(\$)
S. Kenneth Leech	None
Michael C. Buchanan	None
	None

Christopher F.
Kilpatrick

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the Registrant's Board of Trustees that have been implemented since the Registrant last provided disclosure in response to the requirements of this Item 10.

ITEM 11. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

- (a) (1) Code of Ethics attached hereto.

Exhibit 99.CODE ETH

- (a) (2) Certifications pursuant to section 302 of the Sarbanes-Oxley Act of 2002 attached hereto.

Exhibit 99.CERT

- (b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 attached hereto.

Exhibit 99.906CER

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this Report to be signed on its behalf by the undersigned, there unto duly authorized.

Western Asset Premier Bond Fund

By: /s/ Kenneth D. Fuller
Kenneth D. Fuller
Chief Executive Officer

Date: February 25, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Kenneth D. Fuller
Kenneth D. Fuller
Chief Executive Officer

Date: February 25, 2015

By: /s/ Richard F. Sennett
Richard F. Sennett
Principal Financial Officer

Date: February 25, 2015