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WESTERN ASSET PREMIER BOND FUND

Form N-CSR

March 12, 2004

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

Name of Fund: Western Asset Premier Bond Fund

Fund Address: 100 Light Street
Baltimore, MD 21202

Name and address of agent for service:

James W. Hirschmann, President, Western Asset Premier Bond Fund
100 Light Street
Baltimore, MD 21202.

Registrant's telephone number, including area code: (410) 539-0000

Date of fiscal year end: December 31, 2003

Date of reporting period: December 31, 2003

Item 1 - Report to Shareholders

Annual Report to Shareholders

MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE

General Market Performance

The year 2003 was truly remarkable in many respects. The U.S. military overturned Iraq's government in record-setting fashion; the U.S. economy staged a surprising and robust rebound; the equity market surged, reasserting its dominance over the bond market after three years of underperformance; credit spreads experienced an unparalleled contraction after 5 years of widening; and despite all the good news, the Federal Reserve lowered and held short-term interest rates to a mere 1% even as Treasury yields drifted higher. On a disturbing note, however, the dollar plunged, gold and commodity prices soared, breakeven spreads on Treasury Inflation-Protected Securities (TIPS) reached new highs, and the Fed insisted repeatedly that these harbingers of rising inflation were trumped by the economy's so-called excess capacity, thus, in our view, officially sanctioning higher inflation for the first time in over 20 years. Non-government bonds thrived in this environment, as a stronger economy boosted confidence in the overall outlook for earnings, and easy money gave pricing power back to an increasing number of industries. Plus, the low level of yields on Treasuries dramatically enhanced the appeal of the higher yields available on corporate and high-yield debt. Mortgage-backed investors struggled to cope with by far the most rapid pace of prepayments in history, but fortunately the system survived an unprecedented bout of volatility in late summer. Easy money and improving economic conditions also helped high-yield and emerging-market debt markets to flourish.

Fund Performance

With a strong emphasis on the BBB sector of the corporate bond market and a

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secondary emphasis on emerging market and high-yield debt securities, the Fund was favorably exposed to a friendly climate throughout the year. The Fund was able to pay monthly dividends at an annualized rate of 8.5%, and its total return (price gains/losses plus interest income, net of expenses) was 21.6% for the year. For reference, the Lehman Brothers BAA Credit Index had a total return of 11.9% for the year, and the Lehman High-Yield Index had a total return of 20.0%. The fund's share price rose from \$14.45 to \$15.85 over the course of the year.

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Annual Report to Shareholders

SCHEDULE OF INVESTMENTS

December 31, 2003

(Amounts in Thousands)

Western Asset Premier Bond Fund

| | % OF NET ASSETS | RATE | MATURITY DATE | PAR | VALUE |
|-------------------------------------|--------------------|---------|------------------|--------|----------|
| Long-Term Securities | 135.7% | | | | |
| Corporate Bonds and Notes | 82.9% | | | | |
| Advertising | 0.3% | | | | |
| Vertis Inc. | | 10.875% | 06/15/09 | \$ 500 | \$ 531 |
| | | | | | ----- |
| Aerospace/Defense | 3.0% | | | | |
| Armor Holdings, Inc. | | 8.250% | 08/15/13 | 220 | 235/A/ |
| Systems 2001 Asset Trust | | 6.664% | 09/15/13 | 312 | 344/A/ |
| Esterline Technologies Corporation | | 7.750% | 06/15/13 | 250 | 269/A/ |
| Northrop Grumman Corporation | | 7.750% | 02/15/31 | 1,000 | 1,216 |
| Raytheon Company | | 6.750% | 08/15/07 | 1,000 | 1,108/B/ |
| Raytheon Company | | 7.200% | 08/15/27 | 1,000 | 1,093 |
| TD Funding Corp. | | 8.375% | 07/15/11 | 200 | 213 |
| The Boeing Company | | 6.125% | 02/15/33 | 600 | 602 |
| | | | | | ----- |
| | | | | | 5,080 |
| | | | | | ----- |
| Apparel | 0.6% | | | | |
| Oxford Industries, Inc. | | 8.875% | 06/01/11 | 500 | 547/A/ |
| Russell Corporation | | 9.250% | 05/01/10 | 500 | 518 |
| | | | | | ----- |
| | | | | | 1,065 |
| | | | | | ----- |
| Auto Parts and Equipment | 0.5% | | | | |
| Keystone Automotive Operations Inc. | | 9.750% | 11/01/13 | 240 | 258/A/ |
| TRW Automotive | | 11.000% | 02/15/13 | 155 | 182 |
| TRW Automotive | | 9.375% | 02/15/13 | 118 | 135 |
| Tenneco Automotive Inc. | | 10.250% | 07/15/13 | 230 | 262 |
| | | | | | ----- |
| | | | | | 837 |
| | | | | | ----- |
| Automotive | 3.8% | | | | |
| Asbury Automotive Group Inc. | | 9.000% | 06/15/12 | 375 | 397 |

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| | | | | |
|---------------------------------------|--------|----------|-------|----------|
| Asbury Automotive Group Inc. | 8.000% | 03/15/14 | 30 | 30/A/ |
| DaimlerChrysler NA Holdings Corp. | 7.300% | 01/15/12 | 1,000 | 1,113 |
| DaimlerChrysler NA Holdings Corp. | 8.500% | 01/18/31 | 1,000 | 1,195 |
| Ford Motor Company | 7.450% | 07/16/31 | 2,700 | 2,728 |
| General Motors Corporation | 8.375% | 07/15/33 | 800 | 929 |
| | | | | ----- |
| | | | | 6,392 |
| | | | | ----- |
| Banking and Finance | 4.2% | | | |
| Boeing Capital Corporation | 6.500% | 02/15/12 | 1,000 | 1,093 |
| Ford Motor Credit Company | 7.250% | 10/25/11 | 1,700 | 1,844 |
| Fuji JGB Inv LLC | 9.870% | 06/30/08 | 790 | 893/A,C/ |
| General Motors Acceptance Corporation | 7.000% | 02/01/12 | 1,500 | 1,613 |
| Household Finance Corporation | 4.750% | 07/15/13 | 1,670 | 1,624 |
| | | | | ----- |
| | | | | 7,067 |
| | | | | ----- |

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| | % OF NET ASSETS | RATE | MATURITY DATE | PAR | VALUE |
|--|--------------------|---------|------------------|---------|----------|
| ----- | | | | | |
| Corporate Bonds and Notes--Continued | | | | | |
| Banks | 1.1% | | | | |
| Bank One Corporation | | 5.250% | 01/30/13 | \$1,300 | \$ 1,334 |
| Washington Mutual Bank FA | | 5.500% | 01/15/13 | 440 | 454 |
| | | | | | ----- |
| | | | | | 1,788 |
| | | | | | ----- |
| Building Materials | 0.6% | | | | |
| Nortek Holdings, Inc. | | 10.000% | 05/15/11 | 370 | 267/A |
| Nortek Holdings, Inc. | | 9.875% | 06/15/11 | 750 | 827 |
| | | | | | ----- |
| | | | | | 1,094 |
| | | | | | ----- |
| Cable | 1.6% | | | | |
| Charter Communication Holdings II | | 10.250% | 09/15/10 | 410 | 431/A |
| Charter Communication Holdings II | | 9.625% | 11/15/09 | 360 | 317 |
| Comcast Cable Communications, Inc. | | 6.750% | 01/30/11 | 500 | 556 |
| Comcast Corporation | | 7.050% | 03/15/33 | 1,000 | 1,088 |
| LodgeNet Entertainment Corporation | | 9.500% | 06/15/13 | 221 | 242 |
| | | | | | ----- |
| | | | | | 2,634 |
| | | | | | ----- |
| Chemicals | 2.7% | | | | |
| Equistar Chemicals LP/Equistar Funding Corp. | | 10.625% | 05/01/11 | 153 | 169 |
| Equistar Chemicals LP/Equistar Funding Corp. | | 10.625% | 05/01/11 | 110 | 122/A |
| FMC Corporation | | 10.250% | 11/01/09 | 203 | 237 |
| Huntsman International LLC | | 9.875% | 03/01/09 | 250 | 274 |
| Huntsman International LLC | | 10.125% | 07/01/09 | 250 | 257 |
| IMC Global Inc. | | 11.250% | 06/01/11 | 300 | 330 |
| Lyondell Chemical Company | | 9.625% | 05/01/07 | 108 | 114 |
| Nalco Company | | 8.875% | 11/15/13 | 160 | 170/A |

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| | | | | | |
|---|------|---------|----------|-------|-------|
| The Dow Chemical Company | | 6.000% | 10/01/12 | 2,500 | 2,632 |
| Westlake Chemical Corporation | | 8.750% | 07/15/11 | 250 | 274/A |
| | | | | | |
| | | | | | 4,579 |
| | | | | | |
| Computers Services and Systems | 0.6% | | | | |
| Electronic Data Systems Corporation | | 7.450% | 10/15/29 | 500 | 500 |
| International Business Machines Corporation | | 4.750% | 11/29/12 | 240 | 240 |
| Viasystems, Inc. | | 10.500% | 01/15/11 | 260 | 278/A |
| | | | | | |
| | | | | | 1,018 |
| | | | | | |
| Construction Machinery | 0.2% | | | | |
| H&E Equipment Services LLC | | 11.125% | 06/15/12 | 360 | 362 |
| | | | | | |
| Diversified Financial Services | 2.8% | | | | |
| CIT Group Inc. | | 7.750% | 04/02/12 | 1,600 | 1,891 |
| Citigroup Inc. | | 6.625% | 06/15/32 | 1,000 | 1,083 |

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Annual Report to Shareholders

SCHEDULE OF INVESTMENTS--Continued

Western Asset Premier Bond Fund--Continued

| | | % OF NET ASSETS | RATE | MATURITY DATE | PAR | VALUE |
|---|------|--------------------|---------|------------------|--------|----------|
| | | | | | | |
| Corporate Bonds and Notes--Continued | | | | | | |
| Diversified Financial Services--Continued | | | | | | |
| General Electric Capital Corporation | | | 4.250% | 01/15/08 | \$ 740 | \$ 765 |
| General Electric Capital Corporation | | | 6.000% | 06/15/12 | 700 | 759 |
| General Electric Capital Corporation | | | 5.450% | 01/15/13 | 250 | 260 |
| | | | | | | |
| | | | | | | 4,758 |
| | | | | | | |
| Diversified Services | 1.4% | | | | | |
| Loews Corporation | | | 3.125% | 09/15/07 | 2,500 | 2,416/D/ |
| | | | | | | |
| Drug & Grocery Store Chains | 0.3% | | | | | |
| Safeway Inc. | | | 5.800% | 08/15/12 | 500 | 517 |
| | | | | | | |
| Electric | 3.7% | | | | | |
| Exelon Generation Company LLC | | | 6.950% | 06/15/11 | 2,000 | 2,246 |
| Niagra Mohawk Power Corporation | | | 7.750% | 10/01/08 | 1,500 | 1,741 |
| Oncor Electric Delivery Company | | | 7.000% | 09/01/22 | 250 | 275 |
| Orion Power Holdings, Inc. | | | 12.000% | 05/01/10 | 500 | 607 |
| The AES Corporation | | | 8.500% | 11/01/07 | 210 | 213 |
| The AES Corporation | | | 9.500% | 06/01/09 | 97 | 108 |
| The AES Corporation | | | 9.000% | 05/15/15 | 500 | 565/A/ |
| The Cleveland Electric Illuminating Company | | | 5.650% | 12/15/13 | 500 | 492/A/ |

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| | | | | | |
|---------------------------------------|------|--------|----------|-------|-------------------------|
| | | | | | ----- 6,247 ----- |
| Energy | 4.3% | | | | |
| American Electric Power Company, Inc. | | 6.125% | 05/15/06 | 750 | 808 |
| Calpine Corporation | | 8.500% | 02/15/11 | 892 | 706 |
| Dominion Resources, Inc. | | 5.700% | 09/17/12 | 770 | 811 |
| Duke Energy Corporation | | 6.250% | 01/15/12 | 250 | 270 |
| FirstEnergy Corp. | | 5.500% | 11/15/06 | 750 | 777 |
| FirstEnergy Corp. | | 6.450% | 11/15/11 | 1,110 | 1,151 |
| FirstEnergy Corp. | | 7.375% | 11/15/31 | 1,390 | 1,422 |
| MidAmerican Energy Holdings Company | | 5.875% | 10/01/12 | 250 | 262 |
| Progress Energy, Inc. | | 7.100% | 03/01/11 | 250 | 282 |
| Progress Energy, Inc. | | 6.850% | 04/15/12 | 750 | 836 |
| | | | | | ----- 7,325 ----- |
| Entertainment | 0.6% | | | | |
| Regal Cinemas, Inc. | | 9.375% | 02/01/12 | 500 | 565 |
| Six Flags, Inc. | | 9.750% | 06/15/07 | 500 | 524 |
| | | | | | ----- 1,089 ----- |

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| | % OF | | MATURITY | | |
|---|------------|---------|----------|--------|-------------------------|
| | NET ASSETS | RATE | DATE | PAR | VALUE |
| ----- | | | | | |
| Corporate Bonds and Notes--Continued | | | | | |
| Environmental Services | 3.2% | | | | |
| Allied Waste North America Incorporated | | 10.000% | 08/01/09 | \$ 788 | \$ 851 |
| IMCO Recycling, Inc. | | 10.375% | 10/15/10 | 320 | 329/A/ |
| Republic Services, Inc. | | 6.750% | 08/15/11 | 750 | 838 |
| Waste Management, Inc. | | 7.375% | 08/01/10 | 1,000 | 1,156 |
| Waste Management, Inc. | | 7.375% | 05/15/29 | 2,000 | 2,251 |
| Waste Management, Inc. | | 7.750% | 05/15/32 | 40 | 47 |
| | | | | | ----- 5,472 ----- |
| Food, Beverage and Tobacco | 3.3% | | | | |
| Altria Group, Inc. | | 7.750% | 01/15/27 | 1,000 | 1,079/B/ |
| DIMON Incorporated | | 9.625% | 10/15/11 | 500 | 558 |
| Nabisco Incorporated | | 7.550% | 06/15/15 | 1,500 | 1,795 |
| R.J. Reynolds Tobacco Holdings, Inc. | | 7.750% | 05/15/06 | 2,000 | 2,100 |
| | | | | | ----- 5,532 ----- |
| Gaming | 1.3% | | | | |
| Ameristar Casinos, Inc. | | 10.750% | 02/15/09 | 500 | 575 |
| Coast Hotels and Casinos, Inc. | | 9.500% | 04/01/09 | 230 | 243 |
| Inn of the Mountain Gods | | 12.000% | 11/15/10 | 50 | 53/A/ |
| Isle of Capri Casinos, Inc. | | 9.000% | 03/15/12 | 250 | 278 |
| Pinnacle Entertainment, Inc. | | 9.250% | 02/15/07 | 500 | 518 |
| Wynn Las Vegas, LLC | | 12.000% | 11/01/10 | 500 | 589 |

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| | | | | |
|--|------|---------|----------|-------------|
| | | | | ----- |
| | | | | 2,256 |
| | | | | ----- |
| Gas and Pipeline Utilities | 4.6% | | | |
| Duke Energy Field Services Corporation LLC | | 7.875% | 08/16/10 | 750 879 |
| Dynegy Holdings Inc. | | 8.750% | 02/15/12 | 1,500 1,513 |
| Kinder Morgan, Inc. | | 6.650% | 03/01/05 | 1,000 1,056 |
| Kinder Morgan Energy Partners, L.P. | | 7.125% | 03/15/12 | 500 573 |
| Panhandle Eastern Pipe Line Company | | 4.800% | 08/15/08 | 400 412/A/ |
| Texas Eastern Transmission | | 5.250% | 07/15/07 | 750 798 |
| Western Gas Resources, Inc. | | 10.000% | 06/15/09 | 270 290 |
| The Williams Companies, Inc. | | 8.625% | 06/01/10 | 402 451 |
| The Williams Companies, Inc. | | 7.500% | 01/15/31 | 500 506 |
| The Williams Companies, Inc. | | 8.750% | 03/15/32 | 1,200 1,356 |
| | | | | ----- |
| | | | | 7,834 |
| | | | | ----- |
| Healthcare | 0.5% | | | |
| Fresenius Medical Care Capital Trust II | | 7.875% | 02/01/08 | 250 267 |
| Tenet Healthcare Corporation | | 7.375% | 02/01/13 | 550 553 |
| | | | | ----- |
| | | | | 820 |
| | | | | ----- |

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Annual Report to Shareholders

SCHEDULE OF INVESTMENTS--Continued

Western Asset Premier Bond Fund--Continued

| | % OF | | MATURITY | | |
|--------------------------------------|------------|---------|----------|-----------|-------|
| | NET ASSETS | RATE | DATE | PAR | VALUE |
| | | | | | ----- |
| Corporate Bonds and Notes--Continued | | | | | |
| Home Building | 0.6% | | | | |
| Atrium Companies, Inc. | | 10.500% | 05/01/09 | \$ 500 \$ | 535 |
| Schuler Homes, Inc. | | 9.375% | 07/15/09 | 500 | 563 |
| | | | | | ----- |
| | | | | | 1,098 |
| | | | | | ----- |
| Insurance | 0.3% | | | | |
| Willis Corroon Corporation | | 9.000% | 02/01/09 | 500 | 525 |
| | | | | | ----- |
| Investment Banking/Brokerage | 3.7% | | | | |
| Credit Suisse First Boston, USA | | 6.500% | 01/15/12 | 1,125 | 1,252 |
| J.P. Morgan Chase & Co. | | 6.625% | 03/15/12 | 1,750 | 1,955 |
| Morgan Stanley Dean Witter & Co. | | 6.600% | 04/01/12 | 1,500 | 1,675 |
| The Goldman Sachs Group, Inc. | | 6.600% | 01/15/12 | 1,200 | 1,341 |
| | | | | | ----- |
| | | | | | 6,223 |
| | | | | | ----- |
| Lodging/Hotels | 0.6% | | | | |
| Extended Stay America, Inc. | | 9.875% | 06/15/11 | 500 | 560 |

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| | | | | | |
|------------------------------|------|---------|----------|-------|--------|
| Felcor Lodging LP | | 10.000% | 09/15/08 | 108 | 117 |
| HMH Properties Inc. | | 7.875% | 08/01/08 | 250 | 260 |
| | | | | | ----- |
| | | | | | 937 |
| | | | | | ----- |
| Machinery | 1.2% | | | | |
| AGCO Corporation | | 9.500% | 05/01/08 | 281 | 308 |
| Case New Holland, Inc. | | 9.250% | 08/01/11 | 380 | 425/A/ |
| Joy Global Inc. | | 8.750% | 03/15/12 | 330 | 368 |
| NMHG Holdings Co. | | 10.000% | 05/15/09 | 295 | 326 |
| Terex Corporation | | 10.375% | 04/01/11 | 500 | 560 |
| | | | | | ----- |
| | | | | | 1,987 |
| | | | | | ----- |
| Manufacturing (Diversified) | 1.4% | | | | |
| Eastman Kodak Co. | | 7.250% | 11/15/13 | 600 | 630 |
| Interface, Inc. | | 10.375% | 02/01/10 | 250 | 264 |
| Jacuzzi Brands, Inc. | | 9.625% | 07/01/10 | 395 | 434/A/ |
| Koppers Inc. | | 9.875% | 10/15/13 | 380 | 419/A/ |
| Norcraft Companies, L.P. | | 9.000% | 11/01/11 | 320 | 346/A/ |
| Rayovac Corporation | | 8.500% | 10/01/13 | 220 | 233 |
| | | | | | ----- |
| | | | | | 2,326 |
| | | | | | ----- |
| Materials and Basic Industry | 0.1% | | | | |
| Hexcel Corporation | | 9.875% | 10/01/08 | 169 | 191 |
| | | | | | ----- |
| Media | 3.1% | | | | |
| AOL Time Warner Inc. | | 6.150% | 05/01/07 | 250 | 272 |
| AOL Time Warner Inc. | | 6.875% | 05/01/12 | 1,400 | 1,575 |

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| % OF | MATURITY | | | |
|------------|----------|------|-----|-------|
| NET ASSETS | RATE | DATE | PAR | VALUE |

Corporate Bonds and Notes--Continued

| | | | | |
|------------------------------------|------|---------|----------|----------------|
| Media--Continued | | | | |
| AOL Time Warner Inc. | | 7.700% | 05/01/32 | \$ 750 \$ 875 |
| Liberty Media Corporation | | 3.750% | 02/15/30 | 1,860 1,216/D/ |
| News America Holdings Incorporated | | 6.625% | 01/09/08 | 300 334 |
| News America Holdings Incorporated | | 8.875% | 04/26/23 | 400 513 |
| Paxson Communications Corporation | | 10.750% | 07/15/08 | 500 546 |
| | | | | ----- |
| | | | | 5,331 |
| | | | | ----- |
| Medical Care Facilities | 1.1% | | | |
| AmeriPath, Inc. | | 10.500% | 04/01/13 | 500 532 |
| Arden Health Services | | 10.000% | 08/15/13 | 280 305/A/ |
| Extendicare Health Services, Inc. | | 9.500% | 07/01/10 | 500 555 |
| Genesis Healthcare Corp. | | 8.000% | 10/15/13 | 130 136/A/ |
| Vanguard Health Systems, Inc. | | 9.750% | 08/01/11 | 250 271 |

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| | | | | | |
|----------------------------------|------|---------|----------|-------|-------------------------|
| | | | | | ----- 1,799 ----- |
| Metals and Mining | 0.5% | | | | |
| Alcoa Inc. | | 5.375% | 01/15/13 | 750 | 784 ----- |
| Oil and Gas | 5.2% | | | | |
| Amerada Hess Corporation | | 7.300% | 08/15/31 | 450 | 465 |
| Anadarko Finance Company | | 6.750% | 05/01/11 | 750 | 850 |
| Anadarko Finance Company | | 7.500% | 05/01/31 | 1,000 | 1,171 |
| ConocoPhillips | | 4.750% | 10/15/12 | 1,000 | 1,004 |
| Devon Energy Corporation | | 7.950% | 04/15/32 | 1,000 | 1,206 |
| El Paso CPG Co. | | 6.375% | 02/01/09 | 333 | 297 |
| El Paso CPG Co. | | 7.750% | 06/15/10 | 1,496 | 1,412 |
| El Paso Corporation | | 7.625% | 07/15/11 | 500 | 463 |
| Hanover Compressor Company | | 8.625% | 12/15/10 | 170 | 177 |
| Occidental Petroleum Corporation | | 6.750% | 01/15/12 | 500 | 564 |
| Parker Drilling Company | | 10.125% | 11/15/09 | 250 | 265 |
| Valero Energy Corporation | | 7.500% | 04/15/32 | 400 | 446 |
| Vintage Petroleum, Inc. | | 7.875% | 05/15/11 | 500 | 528 |
| | | | | | ----- 8,848 ----- |
| Paper and Forest Products | 2.9% | | | | |
| Georgia-Pacific Corp. | | 8.125% | 05/15/11 | 363 | 399 |
| Georgia-Pacific Corp. | | 9.500% | 12/01/11 | 250 | 290 |
| Georgia-Pacific Corp. | | 8.875% | 05/15/31 | 202 | 222 |
| MeadWestvaco Corporation | | 6.850% | 04/01/12 | 500 | 550 |
| Potlatch Corporation | | 10.000% | 07/15/11 | 725 | 808 |

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Annual Report to Shareholders

SCHEDULE OF INVESTMENTS--Continued

Western Asset Premier Bond Fund--Continued

| | | % OF | MATURITY | | |
|--------------------------------------|------|------------|----------|---------|-------------------------|
| | | NET ASSETS | DATE | PAR | VALUE |
| | | | | | |
| Corporate Bonds and Notes--Continued | | | | | |
| Paper and Forest Products--Continued | | | | | |
| Weyerhaeuser Company | | 6.750% | 03/15/12 | \$1,500 | \$ 1,636 |
| Weyerhaeuser Company | | 7.375% | 03/15/32 | 1,000 | 1,087 |
| | | | | | ----- 4,992 ----- |
| Publishing | 0.3% | | | | |
| Dex Media East LLC | | 9.875% | 11/15/09 | 250 | 286 |
| Dex Media East LLC | | 12.125% | 11/15/12 | 187 | 230 |
| | | | | | ----- 516 ----- |
| Rental Auto/Equipment | 0.1% | | | | |
| NationsRent, Inc. | | 9.500% | 10/15/10 | 210 | 226/A/ |

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| Retail | 0.5% | | | | |
|--------------------------------------|------|---------|----------|-------|--------|
| Hollywood Entertainment Corporation | | 9.625% | 03/15/11 | 750 | 806 |
| Retail (Food Chains) | 0.2% | | | | |
| Domino's Inc. | | 8.250% | 07/01/11 | 381 | 408/A/ |
| Special Purposes | 1.0% | | | | |
| Air 2 U.S. Series A | | 8.027% | 10/01/19 | 331 | 281/A/ |
| Couche-Tard U.S. Finance | | 7.500% | 12/15/13 | 210 | 220/A/ |
| Kraton Polymers LLC | | 8.125% | 01/15/14 | 150 | 156/A/ |
| River Rock Entertainment | | 9.750% | 11/01/11 | 230 | 247/A/ |
| Sensus Metering Systems | | 8.625% | 12/15/13 | 240 | 246/A/ |
| UCAR Finance Inc. | | 10.250% | 02/15/12 | 500 | 575 |
| | | | | | 1,725 |
| Storage Facilities | 0.2% | | | | |
| Mobile Mini, Inc. | | 9.500% | 07/01/13 | 239 | 263/A/ |
| Telecommunications | 6.4% | | | | |
| AT&T Corp. | | 8.050% | 11/15/11 | 2,000 | 2,302 |
| BellSouth Corporation | | 6.000% | 10/15/11 | 1,000 | 1,084 |
| Cincinnati Bell Inc. | | 8.375% | 01/15/14 | 130 | 140/A/ |
| Citizens Communications Company | | 8.500% | 05/15/06 | 250 | 273 |
| EchoStar DBS Corporation | | 10.375% | 10/01/07 | 210 | 230 |
| EchoStar DBS Corporation | | 9.125% | 01/15/09 | 110 | 123 |
| Insight Communications Company, Inc. | | 12.125% | 02/15/11 | 499 | 427/C/ |
| PanAmSat Corporation | | 8.500% | 02/01/12 | 380 | 422 |
| Qwest Capital Funding, Inc. | | 7.750% | 02/15/31 | 1,000 | 920 |
| Qwest Corporation | | 6.875% | 09/15/33 | 500 | 475 |

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| | % OF NET ASSETS | RATE | MATURITY DATE | PAR | VALUE |
|--|--------------------|------|------------------|-----|-------|
|--|--------------------|------|------------------|-----|-------|

Corporate Bonds and Notes--Continued

| | | | | | |
|--|------|---------|----------|---------|-----------|
| Telecommunications--Continued | | | | | |
| SBC Communication Inc. | | 6.250% | 03/15/11 | \$1,000 | \$ 1,095/ |
| Sprint Capital Corporation | | 6.000% | 01/15/07 | 1,500 | 1,602 |
| Sprint Capital Corporation | | 8.375% | 03/15/12 | 1,000 | 1,168 |
| TCI Communications, Inc. | | 9.650% | 03/31/27 | 500 | 602 |
| | | | | | 10,863 |
| Telecommunications (Cellular/Wireless) | 1.8% | | | | |
| ACC Escrow Corp. | | 10.000% | 08/01/11 | 280 | 312 |
| AT&T Wireless Services, Inc. | | 7.500% | 05/01/07 | 500 | 561 |
| AT&T Wireless Services, Inc. | | 8.125% | 05/01/12 | 500 | 588 |
| Cingular Wireless LLC | | 6.500% | 12/15/11 | 250 | 273 |

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| | | | | | |
|---|------|--------|----------|-------|--------------------------|
| Motorola, Inc. | | 7.625% | 11/15/10 | 400 | 460 |
| Telecommunications (Cellular/Wireless)--Continued | | | | | |
| Nextel Communications, Inc. | | 9.375% | 11/15/09 | 51 | 56 |
| Nextel Communications, Inc. | | 5.250% | 01/15/10 | 290 | 294/ |
| SBA Communications Corp. | | 9.750% | 12/15/11 | 420 | 296/ |
| Verizon Wireless Capital LLC | | 5.375% | 12/15/06 | 250 | 267 |
| | | | | | ----- 3,107 ----- |
| Transportation | 6.5% | | | | |
| Continental Airlines, Inc. | | 8.048% | 11/01/20 | 840 | 861 |
| Continental Airlines, Inc. | | 7.373% | 12/15/15 | 123 | 107 |
| Delta Airlines, Inc. | | 6.718% | 01/02/23 | 3,537 | 3,785 |
| Kansas City Southern Railway | | 9.500% | 10/01/08 | 275 | 305 |
| Quality Distribution LLC | | 9.000% | 11/15/10 | 110 | 115/ |
| Union Pacific Corporation | | 6.125% | 01/15/12 | 2,000 | 2,167/ |
| United Air Lines, Inc. | | 7.783% | 01/01/14 | 643 | 533 |
| US Airways, Inc. | | 6.760% | 04/15/08 | 1,652 | 1,443 |
| US Airways, Inc. | | 8.360% | 01/20/19 | 1,743 | 1,759 |
| | | | | | ----- 11,075 ----- |
| Total Corporate Bonds and Notes (Identified Cost--\$130,359) | | | | | 140,743 |
| ----- | | | | | |
| Asset-Backed Securities | 9.9% | | | | |
| Fixed Rate Securities 9.6% | | | | | |
| ACE 2002-M Trust | | 0.000% | 10/13/17 | 312 | 6/ |
| ARG Funding Corp. 1999-IA | | 6.020% | 05/20/05 | 833 | 839/ |
| Banagricola DPR Funding | | 2.213% | 03/15/10 | 2,500 | 2,491/ |
| Captiva CBO 1997-1 Ltd. | | 6.860% | 11/30/09 | 682 | 682/ |
| Conseco Finance Securitizations Corp. 2000-4 | | 7.730% | 04/01/31 | 2,000 | 2,039 |

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Annual Report to Shareholders

SCHEDULE OF INVESTMENTS--Continued

Western Asset Premier Bond Fund--Continued

| | % OF NET ASSETS | RATE | MATURITY DATE | PAR | VALUE |
|--|--------------------|------|------------------|---------|----------|
| ----- | | | | | |
| Asset-Backed Securities--Continued | | | | | |
| Fixed Rate Securities--Continued | | | | | |
| Conseco Finance Securitizations Corp. 2002-1 | 6.681% | | 12/01/32 | \$2,086 | \$ 2,123 |
| Conseco Recreational Enthusiast Consumer Trust 2000-A | 8.480% | | 11/15/20 | 1,500 | 1,568 |
| Contimortgage Home Equity Loan Trust 1997-4 | 7.330% | | 10/15/28 | 797 | 399 |
| Green Tree Financial Corporation 1992-2 | 9.150% | | 01/15/18 | 1,277 | 1,223 |
| Green Tree Financial Corporation 1999-4 | 6.970% | | 05/01/31 | 1,402 | 1,454 |
| Pegasus Aviation Lease Securitization 2000-1 | 8.370% | | 03/25/30 | 1,300 | 777/ |
| Saxson Asset Securities Trust 2000-2 | 8.370% | | 07/25/30 | 2,000 | 2,065 |

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| | | | | |
|--|--------|----------|-------|--------|
| Vanderbilt Mortgage Finance 1997-B | 8.155% | 10/07/26 | 750 | 718 |
| | | | | ----- |
| | | | | 16,384 |
| | | | | ----- |
| Floating Rate Securities | 0.1% | | | |
| Korea Asset Funding Ltd. 2000-1A | 3.20% | 02/10/09 | 90 | 89/ |
| | | | | ----- |
| Stripped Securities | 0.2% | | | |
| Bayview Financial Acquisition Trust 2002-FA | 5.50% | 06/25/05 | 6,000 | 376/ |
| | | | | ----- |
| Total Asset-Backed Securities | | | | |
| (Identified Cost--\$17,129) | | | | 16,849 |
| ----- | | | | |
| Mortgage-Backed Securities | 4.0% | | | |
| Fixed Rate Securities | 3.9% | | | |
| Asset Securitization Corporation 1996-D2 | 6.920% | 02/14/29 | 556 | 591 |
| Commercial Mortgage Acceptance Corporation | | | | |
| 1997-ML1 | 6.570% | 12/15/30 | 1,250 | 1,366 |
| Commercial Mortgage Acceptance Corporation | | | | |
| 1997-ML1 | 6.735% | 12/15/30 | 1,720 | 1,863 |
| Enterprise Mortgage Acceptance Company 1998-1 | 6.110% | 01/15/25 | 195 | 194/ |
| Enterprise Mortgage Acceptance Company 1999-1 | 6.420% | 10/15/25 | 455 | 196/ |
| GMAC Commercial Mortgage Security Inc. 1998-C1 | 6.700% | 05/15/30 | 631 | 706 |
| GMAC Commercial Mortgage Security Inc. 1998-C1 | 6.974% | 05/15/30 | 1,000 | 1,083 |
| Nomura Asset Securities Corporation 1996-MD5 | 7.120% | 04/13/39 | 520 | 566 |
| | | | | ----- |
| | | | | 6,565 |
| | | | | ----- |
| Stripped Securities | 0.1% | | | |
| LB-UBS Commercial Mortgage Trust 2001-C3 | 1.214% | 06/15/36 | 3,234 | 180/ |
| | | | | ----- |
| Total Mortgage-Backed Securities | | | | |
| (Identified Cost--\$6,616) | | | | 6,745 |
| ----- | | | | |

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| | % OF | | MATURITY | | |
|--|------------|--------|----------|----------|--------------|
| | NET ASSETS | RATE | DATE | PAR | VALUE |
| ----- | | | | | |
| U.S. Government Securities | 6.2% | | | | |
| United States Treasury 10 Year Inflation | | | | | |
| Protection Security | | 1.875% | 07/15/13 | \$10,000 | \$ 10,001/G/ |
| United States 10 Year Treasury Note | | 4.250% | 08/15/13 | 550 | 551 |
| | | | | | ----- |
| Total U.S. Government Securities | | | | | |
| (Identified Cost--\$10,568) | | | | | 10,552 |
| ----- | | | | | |
| Yankee Bonds/H/ | 32.4% | | | | |
| Chemicals | 0.3% | | | | |

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| | | | | | |
|---------------------------------------|-------|---------|----------|-------|-------------------|
| Rhodia SA | | 8.875% | 06/01/11 | 494 | 454/A/ ----- |
| Electric | 1.1% | | | | |
| Hydro-Quebec | | 6.300% | 05/11/11 | 1,700 | 1,917/B/ ----- |
| Energy | 1.8% | | | | |
| Calpine Canada Power Ltd. | | 8.500% | 05/01/08 | 500 | 399 |
| North America Energy Partners | | 8.750% | 12/01/11 | 270 | 283/A/ |
| Petroliam Nasional Berhad | | 7.750% | 08/15/15 | 2,000 | 2,405/A/ ----- |
| | | | | | 3,087 ----- |
| Entertainment | 0.1% | | | | |
| Alliance Atlantis Communications Inc. | | 13.000% | 12/15/09 | 107 | 122 ----- |
| Food, Beverage and Tobacco | 0.9% | | | | |
| Bavaria S.A. | | 8.875% | 11/01/10 | 1,550 | 1,589/A/ ----- |
| Foreign Government | 17.8% | | | | |
| Dominican Republic | | 9.500% | 09/27/06 | 370 | 311/A/ |
| Federative Republic of Brazil | | 14.500% | 10/15/09 | 1,430 | 1,870 |
| Federative Republic of Brazil | | 12.000% | 04/15/10 | 800 | 960 |
| Federative Republic of Brazil | | 2.063% | 04/15/12 | 600 | 539/I/ |
| Federative Republic of Brazil | | 8.000% | 04/15/14 | 1,884 | 1,846 |
| Federative Republic of Brazil | | 8.875% | 04/15/24 | 100 | 98 |
| Federative Republic of Brazil | | 11.000% | 08/17/40 | 1,140 | 1,254 |
| Morocco A Loan Participation Note | | 2.031% | 01/02/09 | 314 | 308/I/ |
| Republic of Bulgaria | | 8.250% | 01/15/15 | 2,623 | 3,075/A/ |
| Republic of Colombia | | 10.500% | 07/09/10 | 890 | 998 |
| Republic of Colombia | | 11.750% | 02/25/20 | 2,090 | 2,518 |
| Republic of Ecuador | | 12.000% | 11/15/12 | 265 | 259/A/ |
| Republic of Ecuador | | 7.000% | 08/15/30 | 360 | 279/A,C/ |
| Republic of Panama | | 9.625% | 02/08/11 | 1,420 | 1,640 |
| Republic of Panama | | 10.750% | 05/15/20 | 1,320 | 1,584 |

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Annual Report to Shareholders

SCHEDULE OF INVESTMENTS--Continued

Western Asset Premier Bond Fund--Continued

| | % OF | | MATURITY | | |
|-------------------------------|------------|---------|----------|-----------|----------|
| | NET ASSETS | RATE | DATE | PAR | VALUE |
| ----- | | | | | |
| Yankee Bonds/H/--Continued | | | | | |
| Foreign Government--Continued | | | | | |
| Republic of Peru | | 9.125% | 02/21/12 | \$ 200 \$ | 223 |
| Republic of Peru | | 5.000% | 03/07/17 | 3,102 | 2,868/C/ |
| Republic of Peru | | 8.750% | 11/21/33 | 520 | 520 |
| Republic of Philippines | | 9.875% | 01/15/19 | 1,150 | 1,216 |
| Republic of Turkey | | 12.375% | 06/15/09 | 200 | 256 |

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| | | | | |
|--------------------------------------|---------|----------|-------|-----------|
| Republic of Turkey | 11.750% | 06/15/10 | 190 | 240 |
| Russian Federation | 8.250% | 03/31/10 | 330 | 369 |
| Russian Federation | 5.000% | 03/31/30 | 3,720 | 3,581 |
| Russian Ministry of Finance | 3.000% | 05/14/06 | 10 | 10 |
| United Mexican States | 11.500% | 05/15/26 | 2,355 | 3,409 |
| | | | | ----- |
| | | | | 30,231 |
| | | | | ----- |
| Insurance | 0.8% | | | |
| Residential Reinsurance LTD | 6.073% | 06/01/05 | 300 | 307/A, I/ |
| XL Capital Finance (Europe) plc | 6.500% | 01/15/12 | 1,000 | 1,095 |
| | | | | ----- |
| | | | | 1,402 |
| | | | | ----- |
| Manufacturing (Diversified) | 2.2% | | | |
| Tyco International Group SA | 6.375% | 10/15/11 | 1,000 | 1,069 |
| Tyco International Group SA | 6.875% | 01/15/29 | 2,615 | 2,680 |
| | | | | ----- |
| | | | | 3,749 |
| | | | | ----- |
| Media | 0.2% | | | |
| Vivendi Universal SA | 9.250% | 04/15/10 | 303 | 359/A/ |
| | | | | ----- |
| Oil and Gas | 1.3% | | | |
| Anderson Exploration Ltd. | 6.750% | 03/15/11 | 2,000 | 2,218 |
| | | | | ----- |
| Paper and Forest Products | 0.2% | | | |
| Abitibi-Consolidated Inc. | 8.850% | 08/01/30 | 300 | 324 |
| | | | | ----- |
| Services | 0.3% | | | |
| Compagnie Generale de Geophysique SA | 10.625% | 11/15/07 | 500 | 530 |
| | | | | ----- |
| Special Purposes | 4.0% | | | |
| Arcel Finance Limited | 5.984% | 02/01/09 | 1,200 | 1,287/A/ |
| Burlington Resources Finance | 7.400% | 12/01/31 | 450 | 533 |
| Deutsche Telekom Int'l. Finance | 5.250% | 07/22/13 | 600 | 606 |
| Eircom Funding | 8.250% | 08/15/13 | 80 | 89 |
| MDP Acquisitions PLC | 9.625% | 10/01/12 | 500 | 560 |

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| | % OF | | MATURITY | | |
|--|------------|------|----------|-----|-------|
| | NET ASSETS | RATE | DATE | PAR | VALUE |

Yankee Bonds/H/--Continued

| | | | | | |
|-----------------------------|--------|----------|----------|----------|--|
| Special Purposes--Continued | | | | | |
| PDVSA Finance Ltd. | 8.500% | 11/16/12 | \$ 1,310 | \$ 1,271 | |
| Petrozuata Finance, Inc. | 8.220% | 04/01/17 | 2,000 | 1,840/A/ | |
| UFJ Finance Aruba AEC | 6.750% | 07/15/13 | 500 | 533 | |
| | | | | ----- | |

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| | | | | |
|--|------|-----------------|----------|---------|
| | | | | 6,719 |
| | | | | ----- |
| Telecommunications | 0.5% | | | |
| France Telecom SA | | 9.750% 03/01/31 | 600 | 797 |
| | | | | ----- |
| Telecommunications (Cellular/Wireless) | 0.2% | | | |
| Vodafone Group PLC | | 7.750% 02/15/10 | 250 | 296 |
| | | | | ----- |
| Transportation | 0.7% | | | |
| Canadian Pacific Railway | | 6.250% 10/15/11 | 1,000 | 1,099 |
| OMI Corporation | | 7.625% 12/01/13 | 110 | 111/A/ |
| | | | | ----- |
| | | | | 1,210 |
| | | | | ----- |
| Total Yankee Bonds | | | | |
| (Identified Cost--\$48,255) | | | | 55,004 |
| ----- | | | | |
| Preferred Stocks | 0.3% | | | |
| CSC Holdings Inc. | | | 4shs | 450 |
| | | | | ----- |
| Total Preferred Stocks | | | | |
| (Identified Cost--\$329) | | | | 450 |
| ----- | | | | |
| Warrants | N.M. | | | |
| American Tower | | | 0.251wts | 31 |
| | | | | ----- |
| Total Warrants | | | | |
| (Identified Cost--\$16) | | | | 31 |
| | | | | ----- |
| Total Long-Term Securities | | | | |
| (Identified Cost--\$213,272) | | | | 230,374 |
| | | | | ----- |

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Annual Report to Shareholders

SCHEDULE OF INVESTMENTS--Continued

Western Asset Premier Bond Fund--Continued

| | |
|--|--------------------|
| | % OF NET ASSETS |
| | ----- |
| Short-Term Securities | 5.4% |
| Repurchase Agreement | |
| Credit Suisse First Boston | |
| 0.97%, dated 12/31/03, to be repurchased at \$9,151 on 01/02/04 (Collateral: \$9,275 Federal Home Loan Bank bonds, due 12/15/05, value \$9,333) | \$ |
| Total Short-Term Securities | |
| (Identified Cost--\$9,150) | |
| ----- | |
| Total Investments | |

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| | |
|--|---------|
| (Identified Cost--\$222,422) | 141.1% |
| Other Assets Less Liabilities | 1.3% |
| Liquidation Value of Preferred Shares | (42.4%) |
| Net Assets Applicable to Common Shareholders | 100.0% |

| | EXPIRATION CO |
|------------------------------|---------------|
| Futures Contracts Written/I/ | |
| U.S. Treasury Bond Futures | March 2004 |
| U.S. Treasury Bond Futures | March 2004 |
| U.S. Treasury Bond Futures | March 2004 |

-
- /A/Rule 144a Security - A security purchased pursuant to Rule 144a under the Securities Act of 1933 which may not be resold subject to that rule except to qualified institutional buyers. These securities represent 17.1% of net assets applicable to common shareholders.
 - /B/Collateral to cover futures and option contracts.
 - /C/Stepped-coupon security - A security with a predetermined schedule of interest or dividend rate changes at which time it begins to accrue interest or pay dividends.
 - /D/Convertible Bond - Bond may be converted into the issuer's common stock.
 - /E/Zero-coupon Bond - A bond with no periodic interest payments which is sold at such a discount as to produce a current yield to maturity.
 - /F/Stripped Security - Security with interest-only payment streams. For interest-only securities, the amount shown as principal is the notional balance used to calculate the amount of the interest due.
 - /G/Treasury Inflation Protected Security - Treasury security whose principal value is adjusted daily in accordance with changes to the Consumer Price Index (CPI). Interest is calculated on the basis of the current adjusted principal value.
 - /H/Yankee Bond - A dollar-denominated bond issued in the U.S. by foreign entities.
 - /I/Floating Rate Security - The rate of interest on this type of security is tied to the London Interbank Offer Rate (LIBOR). The coupon rate is as of December 31, 2003.
 - /J/Futures are described in more detail in the Notes to Financial Statements. N.M.--Notmeaningful.

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES
 December 31, 2003
 (Amounts in Thousands)

Western Asset Premier Bond Fund

Assets:

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| | |
|--|-----------|
| Investments, at value (cost \$222,422) | \$239,524 |
| Cash | 1 |
| Interest and dividends receivable | 4,146 |
| | ----- |
| Total assets | 243,671 |
| | ----- |
| Liabilities: | |
| Dividends to shareholders | 1,599 |
| Investment management and administrative fees payable | 116 |
| Payable for securities purchased | 40 |
| Variation margin payable for futures contracts | 33 |
| Accrued expenses and other liabilities | 111 |
| | ----- |
| Total liabilities | 1,899 |
| | ----- |
| Preferred Shares: | |
| \$25 liquidation value per share applicable to 3 shares authorized and outstanding, including dividends payable (Note 6) | 72,000 |
| | ----- |
| Net Assets Applicable to Common Shareholders | \$169,772 |
| | ===== |
| Composition of Net Assets Applicable to Common Shareholders: | |
| Common shares, no par value, unlimited number of shares authorized, 11,320 shares issued and outstanding (Note 5) | 160,359 |
| Under/(over) distributed net investment income | (346) |
| Accumulated net realized gain/(loss) on investments, options and futures | (7,486) |
| Net unrealized appreciation/(depreciation) on investments, options and futures | 17,245 |
| | ----- |
| Net Assets Applicable to Common Shareholders | \$169,772 |
| | ===== |
| Net asset value per common share: | |
| (\$169,772 / 11,320 common shares issued and outstanding) | \$ 15.00 |
| | ===== |

See notes to financial statements.

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Annual Report to Shareholders

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2003
(Amounts in Thousands)

Western Asset Premier Bond Fund

| | |
|----------------------------------|----------|
| Investment Income: | |
| Interest | \$16,801 |
| | ----- |
| Expenses: | |
| Advisory and administration fees | 1,289 |
| Audit and legal fees | 210 |

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| | |
|--|----------|
| Preferred shares auction agent fees | 182 |
| Trustees' fees | 95 |
| Custodian fees | 69 |
| Reports to shareholders | 62 |
| Registration fees | 25 |
| Transfer agent and shareholder servicing fee | 25 |
| Preferred shares rating agency fees | 13 |
| Other expenses | 30 |
| | ----- |
| Total operating expenses | 2,000 |
| Excise tax expense | 7 |
| | ----- |
| Total expenses | 2,007 |
| | ----- |
| Net Investment Income | 14,794 |
| | ----- |
| Net Realized and Unrealized Gain/(Loss) on Investments, Options and Futures: | |
| Realized gain/(loss) on: | |
| Investments | 776 |
| Options | 1,340 |
| Futures | (5,225) |
| | ----- |
| | (3,109) |
| | ----- |
| Unrealized appreciation/(depreciation) on investments, options and futures | 20,102 |
| | ----- |
| Net realized and unrealized gain/(loss) on investments, options and futures | 16,993 |
| | ----- |
| Change in net assets resulting from operations | 31,787 |
| | ----- |
| Dividends to Preferred Shareholders from Net Investment Income | (906) |
| | ----- |
| Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations | \$30,881 |
| | ===== |

See notes to financial statements.

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STATEMENTS OF CHANGES IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS
(Amounts in Thousands)

Western Asset Premier Bond Fund

FOR THE YEAR
ENDED
DECEMBER 31, 2003 D

| | |
|--|-----------|
| Change in Net Assets Applicable to Common Shareholders: | |
| Net investment income | \$ 14,794 |
| Net realized gain/(loss) on investments, options and futures | (3,109) |

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| | |
|--|-----------|
| Unrealized appreciation/(depreciation) on investments, options and futures | 20,102 |
| | ----- |
| Change in net assets resulting from operations | 31,787 |
| | ----- |
| Dividends to Preferred Shareholders from net investment income | (906) |
| | ----- |
| Change in Net Assets Applicable to Common Shareholders Resulting from Operations | 30,881 |
| | ----- |
| Distributions to Common Shareholders: | |
| From net investment income | (14,716) |
| | ----- |
| Capital Transactions: | |
| Proceeds from initial common shares offering | -- |
| Offering costs from common shares issuance | -- |
| Offering costs from preferred shares issuance | (166) |
| Reinvestment of dividends resulting in the issuance of common shares | 3,159 |
| | ----- |
| | 2,993 |
| | ----- |
| Net change in net assets applicable to common shareholders | 19,158 |
| | ----- |
| Net Assets: | |
| Beginning of period | 150,614 |
| | ----- |
| End of period | \$169,772 |
| | ===== |
| Under/(over) distributed net investment income | \$ (346) |
| | ----- |

*March 28, 2002 (commencement of operations).

See notes to financial statements.

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Annual Report to Shareholders

FINANCIAL HIGHLIGHTS

Contained below is per share operating performance data for a common share outstanding throughout each period shown, total investment return, ratios to average net assets and other supplemental data. This information has been derived from information in the financial statements.

FOR THE YEAR
ENDED
DECEMBER 31, 2003

Investment Operations:

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| | |
|---|-------------------|
| Net asset value per common share, beginning of period | \$ 13.57 ----- |
| Net investment income/(2)/ | 1.32 |
| Net realized and unrealized gain/(loss) on investments, options and futures | 1.51 |
| Dividends to Preferred Shareholders | (0.08) ----- |
| Total from investment operations applicable to Common Shareholders | 2.75 ----- |
| Dividends to Common Shareholders | |
| From net investment income | (1.31) ----- |
| Offering costs charged to paid in capital | (0.01) ----- |
| Net asset value per common share, end of period/(3)/ | \$ 15.00 ===== |
| Market value, end of period/(3)/ | \$ 15.85 ===== |
| Total Investment Return Based on:/(4)/ | |
| Market Value | 21.56% |
| Net Asset Value | 20.81% |
| Ratio to Average Net Assets Applicable to Common Shareholders/Supplementary Data: | |
| Net assets applicable to common shareholders, end of period (in thousands) | \$169,772 |
| Expenses | 1.24% |
| Expenses, excluding interest expense | 1.24% |
| Net investment income/(5)/ | 8.55% |
| Portfolio turnover rate | 38% |
| Asset Coverage on preferred shares per \$1,000, end of period | \$ 3,384 |

/(1)/Net sales load of \$0.68 on initial shares issued.

/(2)/Based on average shares outstanding.

/(3)/Net asset value and market value are published in The Wall Street Journal each Monday.

/(4)/Total investment return is calculated assuming a purchase of common shares on the opening of the first day and a sale on the closing of the last day of each year reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return is not annualized for periods of less than one year. Brokerage commissions are not reflected.

/(5)/Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of common shareholders. Ratios of net investment income before preferred share dividends to average net assets of common shareholders are 9.11% and 9.66%, respectively.

/(6)/Annualized.

*March 28, 2002 (commencement of operations).

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS (Amounts in Thousands)

1. Significant Accounting Policies:

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Western Asset Premier Bond Fund (the "Fund") is registered under the Investment Company Act of 1940 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 Fund currently seeks to achieve its investment objective by investing substantially all of its assets in bonds, including corporate bonds, U.S. government and agency securities and mortgage-related securities. The ability of the issuers of the securities held by the Fund to meet their obligations might be affected by economic developments in a specific state, industry or region.

Preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Security Valuation

Securities owned by the Fund for which market quotations are readily available are valued at current market value. Securities for which market quotations are not readily available are fair valued by the Board of Trustees or the Fund's Valuation Committee pursuant to procedures adopted by the Board. In determining fair value, the Board of Trustees or the Fund's Valuation Committee consider all relevant qualitative and quantitative information available. The factors are subject to change over time and are reviewed periodically. The values assigned to fair value investments are based on available information and do not necessarily represent amounts that might ultimately be realized, since such amounts depend on future developments inherent in long-term investments. Further, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Where a security is traded on more than one market, which may include foreign markets, the securities are generally valued on the market considered by the Fund's adviser to be the primary market. The Fund will value its foreign securities in U.S. dollars on the basis of the then-prevailing exchange rates.

Security Transactions

Security transactions are recorded on the trade date. Realized gains and losses from security transactions are reported on an identified cost basis for both financial reporting and federal income tax purposes.

Purchases and sales of investment securities (excluding short-term investments, U.S. government securities and U.S. government agencies) aggregated \$74,220 and \$92,594, respectively, for the year ended December 31, 2003. There were purchases of \$12,592 and sales of \$2,077 of U.S. government and government agency obligations for the year ended December 31, 2003.

Foreign Currency Transactions

Assets and liabilities initially expressed in terms of non-U.S. currencies are translated into U.S. dollars at current rates of exchange. Purchases and sales of securities and income and expenses are translated into U.S. dollars at the prevailing market rates on the dates of such transactions. The effects of changes in non-U.S. currency exchange rates on investment securities and other assets and liabilities are included with the net realized and unrealized gain or loss on investment securities.

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Repurchase Agreements

The Fund may engage in repurchase agreements. Under the terms of a typical repurchase agreement, a fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and a fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during a fund's holding period. This arrangement results in a fixed rate of return that is not subject to market fluctuations during the fund's holding period. The value of the collateral is at all times equal to at least the total amount of the repurchase obligation, including interest. In the event of a counterparty default, a fund has the right to use the collateral to satisfy the terms of the repurchase agreement. However, there could be a potential loss to the fund in

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Annual Report to Shareholders

NOTES TO FINANCIAL STATEMENTS--Continued (Amounts in Thousands)

the event the fund is delayed or prevented from exercising its right to dispose of the collateral securities, including the risk of a possible decline in the value of the collateral securities during the period in which the fund seeks to assert its rights. The Fund's investment adviser reviews the value of the collateral and the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate potential risks.

Reverse Repurchase Agreements

The Fund may engage in reverse repurchase agreements. Under the terms of a typical reverse repurchase agreement, a fund sells an underlying debt obligation subject to an obligation to repurchase the security from the buyer at an agreed-upon price and time, thereby determining the yield to the buyer during the buyer's holding period. A reverse repurchase agreement involves the risk, among others, that the market value of the securities the Fund has sold and is obligated to repurchase exceed the cash collateral retained by the Fund. In the event the buyer of the securities under a repurchase agreement files for bankruptcy or becomes insolvent, the Fund's use of the proceeds of the agreement may be restricted pending a determination by the party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. At the time the Fund enters into a reverse repurchase agreement, it will segregate, on its books, liquid assets having a value at least equal to the repurchase price or take other actions permitted by law to cover its obligations. The Fund had no reverse repurchase agreements outstanding at December 31, 2003.

Options, Futures and Swap Agreements

The current market value of a traded option is the last sale price or, in the absence of a sale, the mean between the closing bid and asked price. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. Futures contracts are marked-to-market on a daily basis. As a contract's value fluctuates, payments known as variation margin are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. The daily changes in contract value are recorded as unrealized gains or losses, and the Fund recognizes a gain or loss when the contract is closed. Swap agreements are priced daily based upon quotations from brokers and the change, if any, is recorded as unrealized appreciation or depreciation.

Investment Income and Distributions to Common Shareholders

Dividend income and distributions are recorded on the ex-dividend date. Dividends from net investment income are declared and paid monthly to common

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shareholders. Net capital gain distributions are declared and paid after the end of the tax year in which the gain is realized. Distributions are determined in accordance with federal income tax regulations, which may differ from those determined in accordance with accounting principles generally accepted in the United States of America; accordingly, periodic reclassifications are made within the Funds' capital accounts to reflect income and gains available for distribution under federal income tax regulations. Interest income and expenses are recorded on the accrual basis. Bond discounts and premiums are amortized and included in interest income for financial reporting purposes and federal income tax purposes.

Short Sales

The Fund may sell a security it does not own in anticipation of a decline in the market price of that security. The Fund must then borrow the security sold short and deliver it to the dealer that brokered the short sale. A gain, limited to the price at which the security was sold short, or a loss, potentially unlimited in size, will be recognized upon the termination of the short sale. With respect to each short sale, the Fund must segregate collateral consisting of liquid assets with a value at least equal to the current market value of the shorted securities, marked-to-market daily or take other actions permitted by law to cover its obligations. Dividend expenses and fees paid to brokers to borrow securities in connection with short sales are considered part of the cost of short sale transactions. The Fund had no open short sales at December 31, 2003.

Reclassification of Capital Accounts

For financial reporting purposes, capital accounts and distributions to shareholders are adjusted to reflect the tax character of permanent book/tax differences. For the period ended December 31, 2003, the Fund increased accumulated net realized losses on investments, options and futures by \$404, increased Under/(over) distributed net investment income by \$410 and decreased common shares by \$6.

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2. Federal Income Taxes:

No provision for federal income or excise taxes is required since the Fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income and capital gains to its shareholders. Because federal income tax regulations differ from accounting principles generally accepted in the United States, income and capital gains distributions determined in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Accordingly, the character of the distributions and composition of net assets for tax purposes differ from those reflected in the accompanying financial statements.

3. Financial Instruments:

Forward Foreign Currency Exchange Contracts

As part of the investment program, the Fund may utilize forward currency exchange contracts. Forward foreign exchange contracts are marked-to-market daily using forward foreign currency exchange rates supplied by an independent pricing service. The change in the contract's market value is recorded by the Fund as an unrealized gain or loss. When a contract is closed or delivery is taken, the Fund records a realized gain or loss equal to the difference between the value of the contact at the time it was opened and the value at the time it was closed.

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The use of forward foreign currency exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's securities, but it does establish a rate of exchange that can be achieved in the future. These forward foreign currency exchange contracts involve market risk in excess of amounts reflected in the financial statements. Although forward foreign currency exchange contracts used for hedging purposes limit the risk of loss due to the decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. The Fund had no outstanding forward foreign exchange contracts as of December 31, 2003.

Option and Futures

As part of the investment program, the Fund may utilize options and futures. Options may be written (sold) or purchased by the Fund. When a fund purchases a put or call option, the premium paid is recorded as an investment and its value is marked-to-market daily. When a fund writes a put or call option, an amount equal to the premium received by the fund is recorded as a liability and its value is marked-to-market daily.

When options, whether written or purchased, expire, are exercised or are closed (by entering into a closing purchase or sale transaction), the Fund realizes a gain or loss as described in the chart below:

| Purchased option: | Impact on the Fund: |
|---|--|
| The option expires | Realize a loss in the amount of the cost of the option. |
| The option is closed through a closing sale transaction | Realize a gain or loss depending on whether the proceeds from the transaction are greater or less than the cost of the option. |
| The Fund exercises a call option | The cost of the security purchased through the exercise of the option by the premium originally paid to purchase the option. |
| The Fund exercises a put option | Realize a gain or loss from the sale of the underlying security. The gain will be reduced by the premium originally paid to purchase the option. |

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Annual Report to Shareholders

NOTES TO FINANCIAL STATEMENTS--Continued
(Amounts in Thousands)

| Written option: | Impact on the Fund: |
|---|--|
| The option expires | Realize a gain equal to the amount of the premium received. |
| The option is closed through a closing purchase transaction | Realize a gain or loss without regard to any unrealized gain or loss on the underlying security and eliminate the option liability. The Fund will realize a loss in this transaction if the cost of the closing purchase exceeds the premium received when the option was written. |
| A written call option is exercised by the option purchaser | Realize a gain or loss from the sale of the underlying security. The proceeds of that sale |

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will be increased by the premium originally received when the option was written.

A written put option is exercised by the option purchaser The amount of the premium originally received will reduce the cost of the security that the Fund purchased when the option was exercised.

The risk associated with purchasing options is limited to the premium originally paid. Options written by a Fund involve, to varying degrees, risk of loss in excess of the option value reflected in the schedule of investments. The risk in writing a covered call option is that a Fund may forgo the opportunity of profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised. In addition, there is a risk a Fund may not be able to enter into a closing transaction because of an illiquid secondary market, or, for over-the-counter options, because of the counterparty's inability or unwillingness to perform.

Activity in written call and put options for the year ended December 31, 2003 was as follows:

| | Calls | | Puts | |
|--|---------------------|----------|---------------------|----------|
| | Actual Contracts | Premiums | Actual Contracts | Premiums |
| Options outstanding at December 31, 2002 | 700 | \$ 826 | 785 | \$ 694 |
| Options written | 2,290 | 1,919 | 3,846 | 2,862 |
| Options closed | (1,890) | (1,637) | (2,430) | (1,529) |
| Options expired | (400) | (282) | (2,201) | (2,027) |
| Options exercised | (700) | (826) | -- | -- |
| ----- | | | | |
| Options outstanding at December 31, 2003 | -- | \$ -- | -- | \$ -- |
| ===== | | | | |

Upon entering into a futures contract, the Fund is required to deposit with the broker cash or cash equivalents equal to a certain percentage of the contract amount. This is known as the "initial margin". Subsequent payments ("variation margin") are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. The daily changes in contract value are recorded as unrealized gains or losses and the Fund recognizes a realized gain or loss when the contract is closed. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded.

The Fund enters into futures contracts in connection with its interest rate management strategy, or for other purposes. Futures contracts involve, to varying degrees, risk of loss in excess of the amounts reflected in the financial statements. The change in the value of the futures contract primarily corresponds with the value of their underlying instruments, which may not correlate with changes in interest rates (if applicable). In addition, there is a risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

The open short futures positions and related appreciation or depreciation at

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December 31, 2003, are listed at the end of the Fund's schedule of investments.

Swap Agreements

The use of swaps involves risks that are different from those associated with ordinary portfolio securities transactions. Swap agreements may be considered to be illiquid. Although the Fund will not enter into any swap agreements unless the adviser

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believes that the other party to the transaction is creditworthy, the Fund does bear the risk of loss of the amount expected to be received under a swap agreement in the event of default or bankruptcy of the agreement counterparty. The Fund may invest in different types of swap agreements. The Fund had no open swap agreements at December 31, 2003.

4. Distributions to Shareholders:

The tax character of distributions paid during the fiscal years ended December 31, 2003 and December 31, 2002 was as follows:

| | December 31, 2003 | December 31, 2002 |
|-----------------------------|----------------------|----------------------|
| | ----- | ----- |
| Distribution paid from: | | |
| Ordinary Income | \$15,622 | \$10,954 |
| Net Long-Term Capital Gains | -- | -- |
| | ----- | ----- |
| Total Taxable Distribution | \$15,622 | \$10,954 |

As of December 31, 2003, the components of accumulated earnings on a tax basis were as follows:

| | | |
|--|----|------------|
| Undistributed ordinary income--net | \$ | 81 |
| Undistributed long-term capital gains--net | | -- |
| | | ----- |
| Total undistributed earnings--net | \$ | 81 |
| Capital loss carryforward | | \$(7,204)* |
| Unrealized gains/(losses)--net | | 16,536** |
| | | ----- |
| Total accumulated earnings/(losses)--net | \$ | 9,413 |
| | | ===== |

*At December 31, 2003, the Fund had a net capital loss carryforward of \$7,204, of which \$5,139 expires in the year 2010 and \$2,065 expires in the year 2011. This amount will be available to offset like amounts of any future taxable gains.

**The difference between book-basis and tax-basis unrealized gains/(losses) is primarily attributable to the tax deferral of losses on wash sales, the difference between book and tax amortization methods of premium and discount and the mark to market rules for options and futures contracts and other book/tax temporary differences.

At December 31, 2003, the cost of securities for federal income tax purposes

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was \$222,950. Accordingly, gross unrealized appreciation of investment was \$17,843 and gross unrealized depreciation of investments was \$1,269, resulting in net unrealized appreciation of \$16,574.

5. Common Shares:

Of the common shares of stock outstanding at December 31, 2003, Western Asset Management Company owned 8,191 shares (share amounts are not in thousands).

6. Preferred Shares (amounts are not in thousands):

There are 2,880 shares of Auction Market Preferred Shares ("Preferred Shares") authorized. The Preferred Shares have rights as set forth in the Fund's Agreement and Declaration of Trust, as amended to date, and its Bylaws, as amended to date (the "Bylaws"), or as otherwise determined by the Trustees. The 2,880 Preferred Shares outstanding consist of two series, 1,440 shares of Series M and 1,440 shares of Series W. The Preferred Shares have a liquidation value of \$25,000 per share, plus any accumulated but unpaid dividends whether or not earned or declared.

Dividends on the Series M and Series W Preferred Shares are cumulative and are paid at a rate typically reset every seven and twenty-eight days, respectively, based on the results of an auction. Dividend rates ranged from 1.04% to 1.65% from December 31, 2002 to December 31, 2003. Under the Investment Company Act of 1940, the Fund may not declare dividends or make other distributions on common shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding Preferred Shares would be less than 200%.

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Annual Report to Shareholders

NOTES TO FINANCIAL STATEMENTS--Continued
(Amounts in Thousands)

The Preferred Shares are 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 Preferred Shares are also subject to mandatory redemption at \$25,000 per share plus any accumulated but unpaid dividends, whether or not earned or declared, if certain requirements relating to the composition of the assets and liabilities of the Fund as set forth in the Bylaws are not satisfied.

Preferred shareholders, who are entitled to one vote per Preferred Share, generally vote as a single class with the common shareholders, but will vote separately as a class (and, in certain circumstances, vote separately by series) with respect to certain matters set forth in the Bylaws. The preferred shareholders are entitled to elect two Trustees of the Fund.

7. Securities Loaned:

The Fund may lend its securities to approved brokers to earn additional income and will receive cash and U.S. government securities as collateral against the loans. Cash collateral received is invested in a money market pooled account by the Fund's lending agent. Collateral is maintained over the life of the loan in an amount not less than 100% of the value of the loaned securities. As of December 31, 2003, there were no securities on loan.

8. Transactions with Affiliates and Certain Other Parties:

The Fund has an Investment 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

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amount equal to 0.55% of the average weekly value of the Fund's total managed assets. 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.

Under the terms of the Administration Agreement among the Fund, Western Asset and Princeton Administrators, L.P. (the "Administrator"), Western Asset pays the Administrator, 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 (not in thousands).

Western Asset and WAML are wholly owned subsidiaries of Legg Mason, Inc.

9. Trustee Compensation (dollar amounts are not in thousands):

Each Trustee currently receives a fee of \$5,000 annually for serving as a Trustee of the Fund, and a fee of \$2,000 and related expenses for each meeting the Board of Trustees attended. The Chairman of the Board receives an additional \$2,500 per year for serving in that capacity. Audit Committee members receive \$1,000 for each meeting, and the Audit Committee Chairman receives an additional \$1,000 annually. Other committee members receive \$500 per meeting.

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Trustees 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 and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the Western Asset Premier Bond Fund (hereafter referred to as the "Fund") at December 31, 2003, and the results of its operations, the changes in its net assets, and the financial highlights for each of the fiscal 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 auditing standards generally accepted in the United States of America, which 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, 2003 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Baltimore, Maryland
February 6, 2004

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Annual Report to Shareholders

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FEDERAL TAX INFORMATION

(Unaudited)

Of the Fund's ordinary income distributions paid during the year ended December 31, 2003, 0.10% was attributable to Federal obligations. In calculating the foregoing percentage, Fund expenses have been allocated on a pro rata basis.

The law varies in each state as to whether and what percentage of dividend income attributable to Federal obligations is exempt from state income tax. We recommend that you consult your tax advisor to determine if any portion of the dividends you received is exempt from state income tax.

Western Asset Premier Bond Fund

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Dividend Reinvestment Plan

Western Asset Premier Bond Fund ("WEA") and EquiServe Trust Company N.A. ("Agent"), as the Transfer Agent and Registrar of WEA, offer a convenient way to add shares of WEA to your account. WEA offers to all common shareholders a Dividend Reinvestment Plan ("Plan"). Under the Plan, cash distributions (e.g., dividends and capital gains) on the common shares are automatically invested in shares of WEA unless the shareholder elects otherwise.

As a participant in the Dividend Reinvestment Plan, you will automatically receive your dividend or net capital gains distribution in newly issued shares of WEA, if the market price of the shares on the date of the distribution is at or above the net asset value ("NAV") of the shares, 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 WEA through a broker on the open market. All common shares acquired on your behalf through the Plan will be automatically credited to an account maintained on the books of the Agent.

Additional Information Regarding the Plan

WEA will pay all costs applicable to the Plan, with the exceptions noted below. Brokerage commissions for open market purchases by the Agent under the Plan 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.

You may terminate participation in the Plan at any time by giving written notice to the Agent. Such termination shall 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 may request 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.

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

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Form 1099-DIV will be sent to participants each year.

Inquiries regarding the Plan, as well as notices of termination, should be directed to EquiServe Trust Company, N.A., P.O. Box 43011, Providence, Rhode Island 02940-3011--Investor Relations telephone number (866) 290-4386.

Proxy Voting Policies and Procedures

You may request a free description of the policies and procedures that the Company uses to determine how proxies relating to the Company's portfolio securities are voted by calling 1-626-844-9528 or by writing to the Company, or obtain a copy of these policies and procedures (and other information relating to the Company) from the Securities and Exchange Commission's web site (<http://www.sec.gov>).

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Annual Report to Shareholders

TRUSTEES AND OFFICERS

The Trustees and officers of the Fund, their ages, and a description of their principal occupations during the past five years are listed below. Except as shown, each Trustee's and officer's principal occupation and business experience for the last five years have been with the employer(s) indicated, although in some cases the Trustee or officer may have held different positions with such employer(s). A Statement of Additional Information for the Company includes additional information about the Company's Trustees. You may request a free copy of the Statement of Additional Information by calling 1-626-844-9528. Unless otherwise indicated, the business address of the persons listed below is c/o Western Asset Management Company, 385 East Colorado Blvd., Pasadena, CA 91105.

| Name and Age | Position(s) with the Fund | Term of Office and Length of Time Served | Principal Occupation(s) During the Past Five Years |
|---|------------------------------|---|---|
| <hr style="border-top: 1px dashed black;"/> | | | |
| Independent Trustees | | | |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Ronald J. Arnault Age 60 | Trustee | Term expires in 2006; served since 2002 | Retired (1996) Executive Vice President, Chief Financial Officer and member of the Board of Directors of Atlantic Richfield Company. |
| <hr style="border-top: 1px dashed black;"/> | | | |
| John E. Bryson Age 60 | Trustee | Term expires in 2006; served since 2002 | Chairman and CEO, Edison International (electric power generator, distributor and structured financial provider), since 1990. Chairman of Southern California Edison Company (1990-1999 and 2003-present). Chief Executive Officer of Southern California Edison Company (1990-1999). |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Anita L. DeFrantz Age 51 | Trustee | Term expires in 2004; served since 2002 | President (since 1987) and Director (since 1990) Amateur Athletic Foundation of Los Angeles. President and Director, Kids in Sports, since 1997. Vice President and Director International Rowing Federation 1997-Present. Member International Olympic Committee ("IOC"), 1986-Present. Member IOC Executive Board 1992-2001. Member |

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U.S. Olympic Committee ("USOC") 1976-Present.
Member USOC Executive Board 1997-Present.

| | | | |
|-----------------------------|--|--|--|
| William G. McGagh Age 74 | Trustee and Chairman of the Trustees | Term expires in 2004; served since 2002 | Consultant, McGagh Associates (corporate financial consulting), since 1989. Chairman of the Board of the John Tracy Clinic. Chairman of the Board of the Los Angeles Orthopaedic Hospital. Formerly, Senior Vice President, Chief Financial Officer and Director of Northrup Grumman Corp. (defense, aerospace and cyberspace products). |
|-----------------------------|--|--|--|

| | | | |
|-------------------------------|---------|--|---|
| William E. B. Siart Age 57 | Trustee | Term expires in 2005; served since 2002 | Chairman, Walt Disney Concert Hall, Inc., since 1998. Chairman, Excellent Education Development since 2000, President and Chief Executive Officer (1998-2000). Formerly: First Interstate Bancorp Chairman and Chief Executive Officer. |
|-------------------------------|---------|--|---|

| | | | |
|----------------------------|---------|--|---|
| Louis A. Simpson Age 67 | Trustee | Term expires in 2005; served since 2002 | President and Chief Executive Officer, Capital Operations, since 1993, GEICO Corporation. Formerly: President and Chief Executive Officer Western Asset Management Company ("Western Asset") (1977-1979). |
|----------------------------|---------|--|---|

| | |
|---|---|
| Principal Occupation(s) During the Past Five Years | Other Directorships Held by Trustee |
|---|---|

| | |
|--|------|
| Retired (1996) Executive Vice President, Chief Financial Officer and member of the Board of Directors of Atlantic Richfield Company. | None |
|--|------|

| | |
|---|--|
| Chairman and CEO, Edison International (electric power generator, distributor and structured finance provider), since 1990. Chairman of Southern California Edison Company (1990-1999 and 2003-present). Chief Executive Officer of Southern California Edison Company (1990-1999). | Director of The Boeing Company and The Walt Disney Company |
|---|--|

| | |
|--|------|
| President (since 1987) and Director (since 1990), Amateur Athletic Foundation of Los Angeles. President and Director, Kids in Sports, since 1994. Vice President and Director International Rowing Federation 1997-Present. Member International Olympic Committee ("IOC"), 1986-Present. Member IOC Executive Board 1992-2001. Member U.S. Olympic Committee ("USOC") 1976-Present. Member USOC Executive Board 1997-Present. | None |
|--|------|

| | |
|---|------|
| Consultant, McGagh Associates (corporate financial consulting), since 1989. Chairman of the Board of the John Tracy Clinic. Chairman of the Board of the Los Angeles Orthopaedic Hospital. Formerly, Senior Vice President, Chief Financial Officer and | None |
|---|------|

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Director of Northrup Grumman Corp. (defense, aerospace and cyberspace products).

 Chairman, Walt Disney Concert Hall, Inc., since 1998. Chairman, Excellent Education Development, since 2000, President and Chief Executive Officer (1998-2000). Formerly: First Interstate Bancorp, Chairman and Chief Executive Officer. Director of Sybron Dental Specialties, Inc.

 President and Chief Executive Officer, Capital Operations, since 1993, GEICO Corporation. Formerly: President and Chief Executive Officer, Western Asset Management Company ("Western Asset") (1977-1979). Director of Comcast Corp. and ResMed Inc.

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| Name and Age | Position(s) with the Fund | Term of Office and Length of Time Served | Principal Occupation(s) During the Past Five Years |
|-----------------------------------|------------------------------|---|---|
| ----- Officers ----- | | | |
| James W. Hirschmann III Age 43 | President | Served since 2001/(2)/ | Director, President and Chief Executive Officer, Western Asset, March 1999 to present; Director, Western Asset Management Company Limited, 1999 to present; Member, Board of Directors of Meridian Simulation Corporation; Member, Board of Trustees of Widener College; President, Western Asset Funds, Inc. and Pacific American Income Shares, Inc. Formerly: Director of Marketing, Western Asset, April 1989 to 1998; Vice President and Director of Marketing, Financial Trust Corporation (bank holding company), 1988 to 1989; Vice President of Marketing, Atalanta/Sosnoff Capital (investment management company), 1986 to 1988. |
| Ilene S. Harker Age 49 | Vice President | Served since 2001/(2)/ | Head of Enterprise Risk Management, Western Asset, 2003 to present; Vice President, Pacific American Income Shares, Inc., since April 1999; Vice President, Western Asset Funds, Inc., since November 1990. Formerly: Secretary of Pacific American Income Shares, Inc., 1993 to 1996; Director of Compliance and Controls, Western Asset, 1978 to 2003. |
| S. Kenneth Leech Age 49 | Vice President | Served since 2001/(2)/ | Chief Investment Officer, Western Asset, 1999 to present; Vice President, Western Asset Funds and Pacific American Income Shares, Inc. Formerly: Director of Portfolio Management, Western Asset, 1990 to 1998; Senior Trader, Greenwich Capital, 1988 to 1990; Fixed Income Manager of The Fidelity Boston Corporation (holding company; stock a |

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bond dealers), 1980 to 1987; Portfolio Manager, National Bank of Detroit, 1977 to 1980.

| | | | |
|--|---|--|---|
| <p>----- Marie K. Karpinski Age 55</p> | <p>Treasurer and Principal Financial and Accounting Officer</p> | <p>Served since 2001/(2)/</p> | <p>Vice President, Legg Mason Wood Walker, Incorporated, 1992 to present; Vice President Treasurer of all Legg Mason retail funds (open-end investment companies), 1986 to present; Vice President and Treasurer of Legg Mason Charles Street Trust, Inc. (open-end investment company) and Western Asset Funds, Inc.; Treasurer and Principal Financial and Accounting Officer of Pacific American Income Shares, Inc., 2001 to present, Western Asset Funds, Inc., 1990 to present, Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund, 2003 to present and Western Asset U.S. Treasury Inflation Protected Securities Fund 2, 2004 to present. Formerly: Assistant Treasurer of Pacific American Income Shares, Inc., 1988 to 2001; Assistant President, Legg Mason Wood Walker, Incorporated, 1989 to 1992.</p> |
|--|---|--|---|

| Principal Occupation(s) During the Past Five Years | Other Directorships Held by Trustee |
|---|---|
|---|---|

| | |
|---|------------|
| <p>----- Director, President and Chief Executive Officer, Western Asset, March 1999 to present; Director of Western Asset Management Company Limited, 1999 to present; Member, Board of Directors of Medical Simulation Corporation; Member, Board of Trustees of Widener College; President, Western Asset Funds, Inc. and Pacific American Income Shares, Inc. Formerly: Director of Marketing, Western Asset, April 1989 to 1998; Vice President and Director of Marketing, Financial Trust Corporation (bank holding company), 1988 to 1989; Vice President of Marketing, Atlanta/Sosnoff Capital (investment management company), 1986 to 1988.</p> | <p>N/A</p> |
|---|------------|

| | |
|--|------------|
| <p>----- Head of Enterprise Risk Management, Western Asset, 2003 to present; Vice President, Pacific American Income Shares, Inc., since April 1996; Vice President, Western Asset Funds, Inc., since November 1990. Formerly: Secretary of Pacific American Income Shares, Inc., 1993 to 1996; Director of Compliance and Controls, Western Asset, 1978 to 2003.</p> | <p>N/A</p> |
|--|------------|

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|---|------------|
| <p>----- Chief Investment Officer, Western Asset, 1998 to present; Vice President, Western Asset Funds, Inc. and Pacific American Income Shares, Inc. Formerly: Director of Portfolio Management, Western Asset, 1990 to 1998; Senior Trader, Greenwich Capital,</p> | <p>N/A</p> |
|---|------------|

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1988 to 1990; Fixed Income Manager of The First Boston Corporation (holding company; stock and bond dealers), 1980 to 1987; Portfolio Manager of National Bank of Detroit, 1977 to 1980.

 Vice President, Legg Mason Wood Walker, N/A
 Incorporated, 1992 to present; Vice President and Treasurer of all Legg Mason retail funds (open-end investment companies), 1986 to present; Vice President and Treasurer of Legg Mason Charles Street Trust, Inc. (open-end investment company) and Western Asset Funds, Inc.; Treasurer and Principal Financial and Accounting Officer of Pacific American Income Shares, Inc., 2001 to present, Western Asset Funds, Inc., 1990 to present, Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund, 2003 to present and Western Asset U.S. Treasury Inflation Protected Securities Fund 2, 2004 to present. Formerly: Assistant Treasurer of Pacific American Income Shares, Inc., 1988 to 2001; Assistant Vice President, Legg Mason Wood Walker, Incorporated, 1989 to 1992.

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Annual Report to Shareholders

TRUSTEES AND OFFICERS--Continued

| Name and Age | Position(s) with the Fund | Term of Office and Length of Time Served | Principal Occupation(s) During the Past Five Years | |
|----------------------------|---------------------------|--|---|---|
| ----- Officers ----- | | | | |
| Erin K. Morris Age 37 | Assistant Treasurer | Served since 2001/(2)/ | Assistant Vice President of Legg Mason Wood Walker, Incorporated, 2002 to present; Assistant Treasurer (2001 to present) of: Legg Mason Income Trust, Legg Mason Cash Reserve Trust, Legg Mason Tax Exempt Trust, Legg Mason Tax-Free Income Fund, Pacific American Income Shares, Inc., Western Asset Funds, Inc., Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund (2003 to present) and Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund 2 (2004 to present); Manager, Fund Accounting, Legg Mason Wood Walker, Incorporated (2000 to present). Formerly: Assistant Manager, Fund Accounting, Legg Mason Wood Walker, Incorporated (1993 to 2000). | N |
| Lisa G. Mrozek Age 41 | Secretary | Served since 2001/(2)/ | Senior Compliance Officer, Western Asset; President of the Board of Directors of Southern California Dollars for Scholars; Member of the | N |

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Board of Trustees of Scholarship America;
Secretary, Western Asset Funds, Inc. and Pacific
American Income Shares, Inc. (1999 to present).
Formerly: Assistant Vice President, Fund Business
Management, Capital Research and Management
Company (an investment management firm), 1990
to 1999.

- /(1)/Each Trustee also serves as a Director for Pacific American Income Shares, Inc. (closed-end investment company) and Western Asset Funds, Inc. (open-end investment company), which are considered part of the same Fund Complex as the Fund.
- /(2)/Each officer shall hold 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.

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Item 2 - Code of Ethics

Did the registrant adopt a code of ethics, as of the end of the period covered by this report, which applies to the registrant's principal executive officer, principal financial officer, principle accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party? If not, why not? Briefly describe any amendments or waivers that occurred during the period. State if the code of ethics, including amendments and waivers are on a website and provide the website address. State if the registrant will send a copy of the code of ethics to shareholders at no charge upon request.

THE REGISTRANT, WESTERN ASSET PREMIER BOND FUND, HAS ADOPTED A CODE OF ETHICS THAT APPLIES TO THE FUND PRESIDENT AND TREASURER, A COPY OF WHICH IS ATTACHED AS AN EXHIBIT TO THIS FORM N-CSR.

Item 3 - Audit Committee Financial Expert

Did the registrant's board of directors determine that the registrant either: (a) has at least one audit committee financial expert serving on its audit committee; or (b) does not have an audit committee financial expert serving on its audit committee? If yes, disclose the name of the financial expert and whether he/she is "independent." If no, explain why not.

THE DIRECTORS OF WESTERN ASSET PREMIER BOND FUND DETERMINED THAT THE FUND HAS AT LEAST ONE AUDIT COMMITTEE FINANCIAL EXPERT SERVING ON ITS AUDIT COMMITTEE.

MR. RONALD J. ARNAULT IS THE AUDIT COMMITTEE FINANCIAL EXPERT. HE IS "INDEPENDENT."

Item 4 - Principal Accounting Fees and Services

- (a) Audit Fees - Disclose the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

FY 02 - \$23,300

FY 03 - \$26,900

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- (b) Audit-Related Fees - Disclose the aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item. Describe the nature of the services comprising the fees disclosed under this category.

FY 02 - \$18,785 (2 tests required to be audited)
FY 03 - \$ 8,700

REVIEW OF THE RATING AGENCY COMPLIANCE TESTING FOR THE REGISTRANT'S AUCTION MARKET PREFERRED SHARES OUTSTANDING.

- (c) Tax Fees - Disclose the aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning. Describe the nature of the services comprising the fees disclosed under this category.

FY 02 - \$800
FY 03 - \$870

SERVICES INCLUDE PREPARATION OF FEDERAL AND STATE INCOME TAX RETURNS, REVIEW OF EXCISE TAX DISTRIBUTION REQUIREMENTS AND PREPARATION OF EXCISE TAX RETURNS.

- (d) All Other Fees - Disclose the aggregate fees billed in each of the last two fiscal years for products or services provided by the principal accountant, other than the services reporting in paragraphs (a) through (c) of this Item. Describe the nature of the services comprising the fees disclosed under this category.

FY 02 - \$0
FY 03 - \$3,500

INTERIM AUDIT OF FUND SECURITIES' PRICING AND N-CSR CERTIFICATION RELATED ITEMS.

- (e) (1) Disclose the audit committee's pre-approval policies and procedures described in paragraph (c)(7) of Rule 2-01 of Regulation S-X.

WITH REGARD TO THE POSSIBLE NECESSITY FOR PRE-APPROVAL BETWEEN MEETINGS, THE COMMITTEE AGREED TO ARRANGE APPROVAL BY MEANS OF TELEPHONIC MEETING OR IN WRITING, INCLUDING BY AN EXCHANGE OF E-MAILS.

(2) Disclose the percentage of services described in each of paragraphs (a) through (d) of this Item that were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

NONE.

- (f) If greater than 50%, disclose the percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.

NOT APPLICABLE.

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- (g) Disclose the aggregate non-audit fees billed by the registrant's accountant for services rendered, and rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for each of the last two fiscal years of the registrant.

FY 02 - \$542,653

FY 03 - \$883,350

- (h) Disclose whether the registrant's audit committee of the board of directors has considered whether the provision of non-audit services that were rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

THE MEMBERS OF THE AUDIT COMMITTEE OF WESTERN ASSET PREMIER BOND FUND HAVE CONSIDERED WHETHER THE NON-AUDIT SERVICES THAT WERE RENDERED BY THE FUND'S PRINCIPAL ACCOUNTANT TO THE ENTITIES SPECIFIED IN THIS ITEM AND THAT WERE NOT PRE-APPROVED BY THE AUDIT COMMITTEE ARE COMPATIBLE WITH MAINTAINING THE PRINCIPAL ACCOUNTANT'S INDEPENDENCE.

Item 5 - Reserved

Item 6 - Reserved

Item 7 - Disclosure of Proxy Voting Policies and Procedures

For closed-end management investment companies, describe the policies and procedures that it uses to determine how to vote proxies relating to portfolio securities, including the procedures that the company uses when a vote presents a conflict between the interests of its shareholders, and those of the company's investment adviser; principal underwriter; or any affiliated person of the company, its investment adviser, or its principal underwriter.

A COPY OF THE PROXY VOTING POLICIES AND PROCEDURES IS ATTACHED AS AN EXHIBIT TO THIS FORM N-CSR.

Item 8 - Reserved

Item 9 - Controls and Procedures

- (a) Disclose the conclusions of the registrant's principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, regarding the effectiveness of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))) as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Exchange Act (17 CFR 240-13a-15(b) or 240.15d-15(b)).

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WITHIN 90 DAYS OF THE FILING DATE OF THIS FORM N-CSR, THE REGISTRANT'S PRESIDENT AND TREASURER REVIEWED THE REGISTRANT'S DISCLOSURE CONTROLS AND PROCEDURES ("THE PROCEDURES") AND EVALUATED THEIR EFFECTIVENESS. BASED ON THEIR REVIEW, SUCH OFFICERS DETERMINED THAT THE PROCEDURES ENSURE THAT INFORMATION REQUIRED TO BE DISCLOSED BY THE REGISTRANT ON FORM N-CSR IS RECORDED, PROCESSED, SUMMARIZED AND REPORTED WITHIN THE TIME PERIODS REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION'S RULES AND REGULATIONS.

- (b) Disclose any change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

THERE WERE NO CHANGES IN THE REGISTRANT'S INTERNAL CONTROL OVER FINANCIAL REPORTING DURING THE REGISTRANT'S LAST HALF-YEAR THAT HAVE MATERIALLY AFFECTED, OR ARE REASONABLY LIKELY TO MATERIALLY AFFECT, THE INTERNAL CONTROL OVER FINANCIAL REPORTING.

Item 10 - Exhibits

- (a) File the exhibits listed below as part of this Form.
- (a) (1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item requirements through filing of an exhibit.

(ATTACHED)

- (a) (2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)), exactly as set forth below:

(ATTACHED)

- (b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the Act (17 CFR 270.30a-2(b)), Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed "filed" for the purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or other wise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

(ATTACHED)

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, thereunto duly authorized.

Western Asset Premier Bond Fund

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By: /s/ James W. Hirschmann

James W. Hirschmann
President, Western Asset Premier Bond Fund

Date: 2/20/04

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/ James W. Hirschmann

James W. Hirschmann
President, Western Asset Premier Bond Fund

Date: 2/20/04

By: /s/ Marie K. Karpinski

Marie K. Karpinski
Treasurer and Principal Financial Accounting Officer,
Western Asset Premier Bond Fund

Date: 2/20/04