

WESTERN ASSET HIGH INCOME FUND II INC.
Form N-CSR
June 26, 2013

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 811-08709

Western Asset High Income Fund II Inc.
(Exact name of registrant as specified in charter)

620 Eight Avenue, 49th Floor, New York, NY
(Address of principal executive offices)

10018
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902
(Name and address of agent for service)

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

Date of fiscal year end: April 30

Date of reporting period: April 30, 2013

ITEM 1. REPORT TO STOCKHOLDERS.

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

April 30, 2013

Annual Report

**Western Asset High Income Fund II Inc.
(HIX)**

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

II Western Asset High Income Fund II Inc.

Fund objectives

The Fund seeks to maximize current income by investing at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield debt securities. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income.

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Letter from the chairman

Dear Shareholder,

We are pleased to provide the annual report of Western Asset High Income Fund II Inc. for the twelve-month reporting period ended April 30, 2013. Please read on for a detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

I am pleased to introduce myself as the new Chairman, President and Chief Executive Officer of the Fund, succeeding R. Jay Gerken, as he embarks upon his retirement. Jay has most recently served as Chairman, President and Chief Executive Officer of the Fund and other funds in the Legg Mason complex. On behalf of all our shareholders and the Fund's Board of Directors, I would like to thank Jay for his vision and guidance, and wish him all the best.

I am honored to have been appointed to my new role with the Fund. During my 23 year career in the financial industry, I have seen it evolve and expand. Despite these changes, keeping an unwavering focus on our shareholders and their needs remains paramount. This was a consistent focus of Jay's, and I look forward to following his lead in the years to come.

Recent regulations adopted by the Commodity Futures Trading Commission (the CFTC) require operators of registered investment companies, including closed-end funds, to register as commodity pool operators unless the fund limits its investments in commodity interests. Effective December 31, 2012, your Fund's manager has claimed the exclusion from the definition of commodity pool operator. More information about the CFTC rules and their effect on the Fund is included later in this report on page 55.

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

Here you can gain immediate access to market and investment information, including:

- Fund prices and performance,
- Market insights and commentaries from our portfolio managers, and
- A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

Kenneth D. Fuller

Chairman, President and Chief Executive Officer

June 3, 2013

IV Western Asset High Income Fund II Inc.

Investment commentary

Economic review

The U.S. economy expanded over the twelve months ended April 30, 2013, but it did so in an uneven pace. U.S. gross domestic product (GDP) growth, as reported by the U.S. Department of Commerce, was a tepid 1.3% in the second quarter of 2012. Economic growth accelerated to 3.1% in the third quarter, partially due to increased private inventory investment, higher federal government spending and moderating imports. However, economic activity sharply moderated in the fourth quarter, with GDP expanding an anemic 0.4%. This was driven by a reversal of the above factors, as private inventory investment and federal government spending weakened. Economic growth then improved, as the U.S. Department of Commerce's second estimate for first quarter 2013 GDP growth, released after the reporting period ended, was 2.4%. Accelerating growth was due, in part, to strengthening consumer spending, which rose 3.4% during the first quarter, versus a 1.8% increase during the previous quarter.

While there was some improvement in the U.S. job market, unemployment remained elevated throughout the reporting period. When the period began, unemployment, as reported by the U.S. Department of Labor, was 8.1%. Unemployment then generally declined and was 7.8% in September 2012. The unemployment rate then fluctuated between 7.8% and 7.9% over the next four months. Unemployment then fell to 7.7% in February, 7.6% in March and 7.5% in April, the lowest level since December 2008. In addition, the number of longer-term unemployed has declined in recent months. In February 2013, more than 40% of the people without a job had been out of work for more than six months. This fell to 37.4% in April 2013.

Meanwhile, the housing market brightened, as sales generally improved and home prices continued to rebound. According to the National Association of Realtors (NAR), existing-home sales rose 0.6% on a seasonally adjusted basis in April 2013 versus the previous month and were 9.7% higher than in April 2012. In addition, the NAR reported that the median existing-home price for all housing types was \$192,800 in April 2013, up 11.0% from April 2012. This marked the fourteenth consecutive month that home prices rose compared to the same period a year earlier. While the inventory of homes available for sale rose in April to a 5.2 month supply at the current sales pace, it was 13.60% lower than in April 2012.

The manufacturing sector expanded during much of the reporting period, although it experienced several soft patches. Based on the Institute for Supply Management's Purchasing Managers' Index (PMI) ⁱⁱ, after expanding 34 consecutive months, the PMI fell to 49.7 in June 2012, which represented the first contraction in the manufacturing sector since July 2009 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). Manufacturing continued to contract in July and August before ticking up to 51.5 in September and 51.7 in October. The PMI fell back to contraction territory with a reading of 49.5 in November, its lowest level since July 2009. However, manufacturing again expanded over the next five months, with the PMI at 50.7 in April 2013.

The Federal Reserve Board (Fed) ⁱⁱⁱ took a number of actions as it sought to meet its dual mandate of fostering

maximum employment and price stability. As has been the case since December 2008, the Fed kept the federal funds rate in a historically low range between zero and 0.25%. At its June 2012 meeting, the Fed announced that it would continue its program of purchasing longer-term Treasury securities and selling an equal amount of shorter-term Treasury securities (often referred to as "Operation Twist") until the end of 2012. In September, the Fed announced a third round of quantitative easing ("QE3"), which involves purchasing \$40 billion each month of agency mortgage-backed securities ("MBS") on an open-end basis. In addition, the Fed further extended the duration that it expects to keep the federal funds rate on hold, until at least mid-2015. At its meeting in December, the Fed announced that it would continue purchasing \$40 billion per month of agency MBS, as well as initially purchasing \$45 billion a month of longer-term Treasuries. The Fed also said that it would keep the federal funds rate on hold ...as long as the unemployment rate remains above 6.5%, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2% longer-run goal, and longer-term inflation expectations continue to be well anchored. As expected, at its meeting that ended on May 1, 2013, after the reporting period ended, the Fed said it would continue its asset purchase program.

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

Sincerely,

Kenneth D. Fuller

Chairman, President and Chief Executive Officer

June 3, 2013

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

- i Gross domestic product ("GDP") is the market value of all final goods and services produced within a country in a given period of time.
- ii The Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.
- iii The Federal Reserve Board ("Fed") is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

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Fund overview**Q. What is the Fund's investment strategy?**

A. The Fund seeks to maximize current income. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income. Under normal market conditions, the Fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield debt securities. The Fund may invest up to 35% of its total assets in debt securities of issuers located in emerging market countries. It may also invest up to 30% of its assets in zero coupon securities, pay-in-kind bonds and deferred payment securities, and up to 20% of its assets in equity securities. The Fund may utilize a variety of derivative instruments for investment or risk management purposes, such as options, futures contracts, swap agreements including credit default swaps. We employ an actively managed approach that is risk-controlled and assimilates top-down macroeconomic views with industry sector insights and bottom-up credit research to derive the general framework for the Fund's predominantly non-investment grade credit mandate. This framework provides the foundation for how the portfolio is positioned with respect to risk (aggressive, neutral, conservative), as well as identifying sector overweights and underweights.

Risk and weightings are reviewed on a regular basis. Our bottom-up process provides the basis for populating the targeted industry weightings through individual credit selection. Analysts work closely with portfolio managers to determine which credits provide the best risk/reward relationship within their respective sectors. The research team focuses on key fundamental measures such as leverage, cash flow adequacy, liquidity, amortization schedule, underlying asset value and management integrity/track record.

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio management personnel, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. The individuals responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are Stephen A. Walsh, Michael C. Buchanan and Christopher F. Kilpatrick. It is anticipated that Mr. Walsh will step down as a member of the Fund's portfolio management team effective on or about March 31, 2014 and S. Kenneth Leech will join the Fund's portfolio management team at that time. Mr. Leech has been employed by Western Asset as an investment professional for more than 20 years.

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

A. The spread sectors (non-Treasuries) overcame several periods of heightened risk aversion and generally outperformed equal-duration Treasuries over the twelve months ended April 30, 2013. Risk aversion was prevalent during the first month of the period given concerns that the economy may be experiencing a soft patch

Western Asset High Income Fund II Inc. 2013 Annual Report

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Fund overview (cont d)

and contagion fears from the European sovereign debt crisis. However, the spread sectors then generally rallied over much of the next seven months. Supporting the spread sectors were continued economic growth in the U.S. and overall robust investor demand as they looked to generate incremental yield in the low interest rate environment. Spread sector returns fluctuated over the last four months of the period as Treasury yields rose, global growth moderated and there were renewed concerns regarding the situation in Europe.

Both short- and long-term Treasury yields declined during the twelve months ended April 30, 2013. Two-year Treasury yields fell from 0.27% to 0.22% during the period. They were as high as 0.33% on June 29, 2012 and as low as 0.20% on April 29, 2013. Ten-year Treasury yields were 1.95% at the beginning of the period and peaked at 2.07% on March 11, 2013. On July 25, 2012, ten-year Treasuries closed at an all-time low of 1.43%. When the reporting period ended on April 30, 2013, ten-year Treasury yields were 1.70%.

The Barclays U.S. Aggregate Indexⁱⁱ, returned 3.68% for the twelve months ended April 30, 2013. Comparatively, riskier fixed-income securities, including high-yield bonds and emerging market debt, produced strong results. Over the fiscal year, the Barclays U.S. Corporate High Yield 2% Issuer Cap Indexⁱⁱⁱ (the Index) returned 13.95%. Elsewhere, the JPMorgan Emerging Markets Bond Index Global (EMBI Global)^{iv} returned 11.60% for the twelve months ended April 30, 2013.

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

A. A number of adjustments were made to the Fund's portfolio during the reporting period. We increased the Fund's allocations to the Basic Industry¹ and Energy sectors. In contrast, we reduced our exposure to the Consumer Cyclical² sector, as well as pared our allocation to emerging market sovereigns and quasi-sovereigns.

The Fund employed U.S. Treasury futures to manage its yield curve^v positioning and duration. Currency forwards were used to hedge the Fund's currency risk and manage our non-U.S. dollar currency exposures. These hedges contributed to performance and were intended to offset the decline or appreciation in the value of our euro bonds when translated back to U.S. dollars. Options on high-yield index swaps and high-yield index swaps were used to opportunistically manage the Fund's exposure to the high-yield market. These market hedges were intended to protect the portfolio during periods of risk aversion, while maintaining the Fund's exposure to higher bet^{vi} (and higher income) idiosyncratic investments. All told, these instruments detracted from performance during the period, but the strong performance of our cash bonds more than overshadowed the losses.

During the reporting period, we tactically utilized leverage in the Fund. We ended the period with leverage as a percentage of gross assets, of approximately 21.4%. The use of leverage was additive for results given the positive performance of high-yield bonds and emerging market debt.

- 1 Basic Industry consists of the following industries: Chemicals, Metals & Mining and Paper.
- 2 Consumer Cyclical consists of the following industries: Automotive, Entertainment, Gaming, Home Construction, Lodging, Retailers, Restaurants, Textiles and other consumer services.

Performance review

For the twelve months ended April 30, 2013, Western Asset High Income Fund II Inc. returned 20.03% based on its net asset value (NAV)vii and 11.68% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Barclays U.S. Corporate High Yield 2% Issuer Cap Index and the EMBI Global, returned 13.95% and 11.60%, respectively, for the same period. The Lipper High Yield (Leveraged) Closed-End Funds Category Averageviii returned 17.87% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling \$0.97 per share. The performance table shows the Fund's twelve-month total return based on its NAV and market price as of April 30, 2013. **Past performance is no guarantee of future results.**

Performance Snapshot as of April 30, 2013

	12-Month Total Return*
Price Per Share	
\$9.56 (NAV)	20.03%
\$10.20 (Market Price)	11.68%

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

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

Total return assumes the reinvestment of all distributions at NAV.

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

Q. What were the leading contributors to performance?

A. The largest contributor to the Fund's relative performance during the reporting period was our selection of securities, in particular, our overweight exposures to Realogy Holdings Corp., Sprint Nextel Corp., Citigroup Inc. and VimpelCom. Realogy Corp. has a diversified business model that includes real estate franchising, brokerage, relocation and title services. Its business units include Better Homes and Gardens Real Estate, CENTURY 21, Coldwell Banker, Sotheby's International Realty and Title Resource Group. Investor sentiment for Realogy Holdings Corp. improved as there were signs of a sustainable recovery in the housing market. In addition, in October 2012 the company went public and

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raised more than \$1 billion in additional capital, which will help support its debt obligations. Bonds issued by Sprint Nextel Corp. (and Sprint Capital Corp.) rallied given their attractive valuation, as well as an improved outlook for the wireless competitive landscape and the pricing environment. In addition, Japan's investment grade rated Softbank made a bid to acquire B-rated Sprint Nextel during the reporting period, sending Sprint Nextel's bonds higher. Our Citigroup Inc. exposure benefited performance as investor sentiment improved due to continued balance sheet and capital ratio improvement, as well as strengthening fundamentals. VimpelCom is the second largest mobile operator in Russia with an operating presence in numerous other markets. The company saw strong demand for its services

Fund overview (cont d)

and posted consistent fundamental results. Despite the company being acquisitive of late, VimpelCom has indicated they would like to reduce leverage over the next couple years causing the bonds that we held to migrate higher during the period.

Our bias to U.S. high-yield issuers and emerging market corporates versus emerging market sovereign and quasi-sovereign debt was beneficial for the period given the outperformance of the former. The Fund's emphasis on U.S. high-yield bonds was based on our belief that U.S. high-yield and emerging market corporate valuations were more attractive on a risk/reward basis. We also felt that the constituent holdings of the EMBI Global were much more sensitive to changes in interest rates compared to the less sensitive high-yield market.

The portfolio's overweight to lower-rated CCC-rated securities and underweight to higher-rated BB-rated securities were rewarded. During this period as a whole, as measured by the Barclays U.S. Corporate High Yield 2% Issuer Cap Index, lower-quality CCC-rated bonds outperformed higher-quality BB-rated securities, as they returned 16.80% and 12.65%, respectively.

From a sector allocation perspective, the Fund benefited from its overweights to the strong performing Financials and Communications¹ sectors.

Q. What were the leading detractors from performance?

A. Although the Fund outperformed both its benchmarks during the reporting period, its relative performance was negatively impacted by our exposure to several sectors. In particular, an overweight to Transportation², the worst performing sector in the Index, returning 10.76%, was a negative for results. Our overweight to the Energy sector was also detrimental to performance as it lagged the Barclays U.S. Corporate High Yield 2% Issuer Cap Index.

A number of individual holdings, including overweight positions in Petroplus Finance, Cengage Learning and Axtel, were negative for performance. Petroplus Finance was unable to avoid bankruptcy as it reduced its output and closed several refineries. Cengage Learning, a text book publisher, posted weak fundamental results during the period that sent our position in senior secured bonds lower. After the Fund's reporting period the company posted first quarter 2013 fundamental results that the market interpreted as improving and we used the strength to exit the position. Axtel is Mexico's second largest fixed line, integrated telecommunication company, with services in local and long distance telephone, Internet, data and consulting services. Axtel was negatively impacted by the sharp decline in the Mexican peso, which weakened its credit metrics due to its U.S. dollar-denominated debt. It was also impacted by the competitive telecommunication landscape and a volatile market environment which led to a general sell-off in many lower rated bonds. In addition, Axtel's bonds were downgraded by Moody's to Caa² from B3, by S&P to B- from B, and by Fitch to B+ from BB-. In January 2013, a creditor group said it would reject the company's restructuring offer.

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- 1 Communications consists of the following industries: Media - Cable, Media - Non-Cable and Telecommunications.
- 2 Transportation consists of the following industries: Airlines, Railroads and other transportation-related services.

Looking for additional information?

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

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

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

Sincerely,

Western Asset Management Company

May 17, 2013

RISKS: *The Fund's investments are subject to credit risk, inflation risk and interest rate risk. As interest rates rise, bond prices fall generally, reducing the value of the Fund's holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. High-yield bonds involve greater credit and liquidity risks than investment grade bonds. Foreign securities are subject to certain risks not associated with domestic investing, such as currency fluctuations and changes in political and economic conditions which could result in significant fluctuations. These risks are magnified in emerging markets. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss.*

Portfolio holdings and breakdowns are as of April 30, 2013 and are subject to change and may not be representative of the portfolio managers current or future investments. Please refer to pages 10 through 29 for a list and percentage breakdown of the Fund's holdings.

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The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund's top five sector holdings (as a percentage of net assets) as of April 30, 2013 were: Industrials (22.2%), Consumer Discretionary (21.9%), Energy (17.4%), Materials (15.9%) and Financials (13.7%). The Fund's portfolio composition is subject to change at any time.

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

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

Fund overview (cont d)

- i Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- ii The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- iii The Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- iv The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.
- v The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- vi Beta measures the sensitivity of the investment to the movements of the benchmark. A beta higher than 1.0 indicates the investment has been more volatile than the benchmark and a beta of less than 1.0 indicates that the investment has been less volatile than the benchmark.
- vii Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- viii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended April 30, 2013, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 38 funds in the Fund's Lipper category.

Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund's investments as of April 30, 2013 and April 30, 2012 and does not include derivatives, such as futures contracts, written options, swap contracts and forward foreign currency contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.
Represents less than 0.1%.

Spread duration (unaudited)

Economic Exposure April 30, 2013

Total Spread Duration

HIX	3.06 years
Benchmark	4.59 years

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

Benchmark 80% of Barclays U.S. Corporate High Yield 2% Issuer Cap Index and
20% of JPMorgan Emerging Markets Bond Index Global

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EM	Emerging Markets
HIX	Western Asset High Income Fund II Inc.
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities

Effective duration (unaudited)

Interest Rate Exposure April 30, 2013

Total Effective Duration

HIX 3.38 years
 Benchmark 4.62 years

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

Benchmark 80% of Barclays U.S. Corporate High Yield 2% Issuer Cap Index and
 EM 20% of JPMorgan Emerging Markets Bond Index Global
 Emerging Markets

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HIX	Western Asset High Income Fund II Inc.
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities

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Schedule of investments

April 30, 2013

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Corporate Bonds & Notes 109.9%				
Consumer Discretionary 20.3%				
Auto Components 0.5%				
American Axle & Manufacturing Inc., Senior Notes	6.625%	10/15/22	700,000	\$ 751,625(a)
Europcar Groupe SA	11.500%	5/15/17	380,000EUR	575,507(b)
Europcar Groupe SA, Senior Notes	9.375%	4/15/18	2,010,000EUR	2,607,365(b)
Total Auto Components				3,934,497
Automobiles 0.5%				
Chrysler Group LLC/CG Co.-Issuer Inc., Secured Notes	8.250%	6/15/21	2,482,000	2,860,505(a)
Escrow GCB General Motors			6,185,000	0*(c)(d)(e)
Escrow GCB General Motors			7,855,000	0*(c)(d)(e)
Jaguar Holding Co. II/Jaguar Merger Sub Inc., Senior Notes	9.500%	12/1/19	1,020,000	1,185,750(a)(b)
Total Automobiles				4,046,255
Diversified Consumer Services 1.1%				
Laureate Education Inc., Senior Notes	9.250%	9/1/19	1,910,000	2,172,625(a)(b)
McGraw-Hill Global Education Holdings LLC/McGraw-Hill Global Education Finance, Senior Secured Notes	9.750%	4/1/21	2,530,000	2,618,550(b)
Service Corp. International, Senior Notes	7.500%	4/1/27	2,090,000	2,366,925(a)
ServiceMaster Co., Senior Notes	8.000%	2/15/20	1,390,000	1,502,937(a)
ServiceMaster Co., Senior Notes	7.000%	8/15/20	460,000	478,975(b)
Total Diversified Consumer Services				9,140,012
Hotels, Restaurants & Leisure 6.8%				
Bossier Casino Venture Holdco Inc., Senior Secured Bonds	14.000%	2/9/18	2,602,357	2,502,726(b)(c)(d)(f)
Boyd Gaming Corp., Senior Notes	9.125%	12/1/18	1,470,000	1,639,050(a)
Boyd Gaming Corp., Senior Notes	9.000%	7/1/20	2,370,000	2,595,150(a)(b)
Caesars Entertainment Operating Co. Inc., Senior Notes	10.750%	2/1/16	6,106,000	5,495,400(a)
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	10.000%	12/15/15	10,000	9,050(a)
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	11.250%	6/1/17	2,875,000	3,054,688(a)
Caesars Operating Escrow LLC/Caesars Escrow Corp., Senior Secured Notes	9.000%	2/15/20	200,000	198,000(b)
Carrols Restaurant Group Inc., Senior Secured Notes	11.250%	5/15/18	2,720,000	3,104,200(a)
CCM Merger Inc., Senior Notes	9.125%	5/1/19	3,360,000	3,553,200(a)(b)
Downstream Development Quapaw, Senior Secured Notes	10.500%	7/1/19	2,580,000	2,921,850(a)(b)

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Hotels, Restaurants & Leisure continued</i>				
El Pollo Loco Inc., Secured Notes	17.000%	1/1/18	1,921,657	\$ 2,063,379(b)(f)
Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp.	10.250%	6/15/15	975,000	1,828(b)(g)
Hoa Restaurant Group LLC/Hoa Finance Corp., Senior Secured Notes	11.250%	4/1/17	3,140,000	3,026,175(a)(b)
Landry's Holdings II Inc., Senior Notes	10.250%	1/1/18	1,530,000	1,639,013(a)(b)
Landry's Inc., Senior Notes	9.375%	5/1/20	2,540,000	2,809,875(a)(b)
Mastro's Restaurants LLC/RRG Finance Corp., Senior Secured Notes	12.000%	6/1/17	2,449,586	2,728,226(a)(b)
MGM Resorts International, Senior Notes	5.875%	2/27/14	1,610,000	1,674,400(a)
Mohegan Tribal Gaming Authority, Secured Notes	11.500%	11/1/17	1,445,000	1,622,013(a)(b)
Mohegan Tribal Gaming Authority, Senior Secured Notes	10.500%	12/15/16	4,820,000	4,820,000(a)(b)
NCL Corp. Ltd., Senior Notes	9.500%	11/15/18	3,276,000	3,726,450(a)
Pinnacle Entertainment Inc., Senior Notes	8.625%	8/1/17	1,665,000	1,766,981(a)
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., Senior Secured Notes	9.500%	6/15/19	710,000	788,100(a)(b)
Seven Seas Cruises S de RL LLC, Senior Secured Notes	9.125%	5/15/19	3,770,000	4,142,287(a)
<i>Total Hotels, Restaurants & Leisure</i>				55,882,041
<i>Household Durables 0.4%</i>				
William Lyon Homes Inc., Senior Notes	8.500%	11/15/20	2,980,000	3,263,100(b)
<i>Media 7.6%</i>				
Carmike Cinemas Inc., Secured Notes	7.375%	5/15/19	1,040,000	1,157,000(a)
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	7.875%	4/30/18	840,000	895,440
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	8.125%	4/30/20	5,050,000	5,731,750(a)
Cengage Learning Acquisitions Inc., Senior Secured Notes	11.500%	4/15/20	1,400,000	1,106,000(a)(b)
Cerved Technologies SpA, Senior Secured Notes	6.375%	1/15/20	200,000EUR	268,658(b)
Cerved Technologies SpA, Senior Subordinated Notes	8.000%	1/15/21	300,000EUR	401,999(b)
Clear Channel Worldwide Holdings Inc., Senior Notes	6.500%	11/15/22	1,960,000	2,111,900(a)(b)
Clear Channel Worldwide Holdings Inc., Senior Notes	6.500%	11/15/22	900,000	960,750(b)
Clear Channel Worldwide Holdings Inc., Senior Subordinated Notes	7.625%	3/15/20	1,070,000	1,158,275(a)

See Notes to Financial Statements.

12 Western Asset High Income Fund II Inc. 2013 Annual Report

Schedule of investments (cont d)

April 30, 2013

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Media continued				
Clear Channel Worldwide Holdings Inc., Senior Subordinated Notes	7.625%	3/15/20	260,000	\$ 278,850
CSC Holdings Inc., Senior Debentures	7.875%	2/15/18	1,500,000	1,770,000(a)
DISH DBS Corp., Senior Notes	7.875%	9/1/19	1,815,000	2,078,175(a)
DISH DBS Corp., Senior Notes	6.750%	6/1/21	1,050,000	1,139,250(a)
Global Generations Merger Subsidiary Inc., Senior Notes	11.000%	12/15/20	2,100,000	2,378,250(a)(b)
Good Sam Enterprises LLC, Secured Notes	11.500%	12/1/16	3,220,000	3,457,475
Lynx II Corp., Senior Notes	6.375%	4/15/23	5,420,000	5,894,250(b)
Nara Cable Funding Ltd., Senior Secured Notes	8.875%	12/1/18	5,000,000EUR	7,111,533(b)
Ono Finance II PLC, Senior Bonds	10.875%	7/15/19	4,061,000	4,324,965(b)
Univision Communications Inc., Senior Notes	8.500%	5/15/21	1,060,000	1,187,200(a)(b)
Univision Communications Inc., Senior Secured Notes	6.875%	5/15/19	1,780,000	1,953,550(a)(b)
Univision Communications Inc., Senior Secured Notes	7.875%	11/1/20	2,020,000	2,282,600(a)(b)
UPC Holding BV, Junior Secured Subordinated Notes	6.375%	9/15/22	5,060,000EUR	6,780,385(b)
UPC Holding BV, Senior Notes	9.875%	4/15/18	1,265,000	1,416,800(a)(b)
UPCB Finance II Ltd., Senior Notes	6.375%	7/1/20	4,500,000EUR	6,415,195(b)
Total Media				62,260,250
Multiline Retail 0.3%				
Bon-Ton Department Stores Inc., Senior Notes	10.250%	3/15/14	237,000	239,666
Bon-Ton Department Stores Inc., Senior Secured Notes	10.625%	7/15/17	1,900,000	1,921,375
Neiman Marcus Group Inc., Senior Secured Notes	7.125%	6/1/28	660,000	682,275(a)
Total Multiline Retail				2,843,316
Specialty Retail 2.4%				
American Greetings Corp., Senior Notes	7.375%	12/1/21	2,480,000	2,523,400(a)
Edcon Pty Ltd., Senior Secured Notes	9.500%	3/1/18	3,550,000EUR	4,857,506(b)
Edcon Pty Ltd., Senior Secured Notes	9.500%	3/1/18	760,000	788,500(b)
Gymboree Corp., Senior Notes	9.125%	12/1/18	4,540,000	4,534,325(a)
Michaels Stores Inc., Senior Subordinated Bonds	11.375%	11/1/16	1,303,000	1,368,163(a)
New Academy Finance Co. LLC/New Academy Finance Corp., Senior Notes	8.000%	6/15/18	530,000	554,513(b)(f)
Spencer Spirit Holdings Inc., Senior Notes	9.000%	5/1/18	2,790,000	2,821,387(b)(f)
Spencer Spirit Holdings Inc./Spencer Gifts LLC/Spirit Halloween Superstores, Senior Notes	11.000%	5/1/17	2,260,000	2,505,775(a)(b)
Total Specialty Retail				19,953,569

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Textiles, Apparel & Luxury Goods 0.7%				
Boardriders SA, Senior Notes	8.875%	12/15/17	2,900,000EUR	\$ 4,143,785(b)
Empire Today LLC/Empire Today Finance Corp., Senior Secured Notes	11.375%	2/1/17	1,300,000	1,343,875(a)(b)
Total Textiles, Apparel & Luxury Goods				5,487,660
Total Consumer Discretionary				166,810,700
Consumer Staples 2.3%				
Food Products 1.1%				
Chiquita Brands International Inc./Chiquita Brands LLC, Senior Secured Notes	7.875%	2/1/21	2,330,000	2,504,750(a)(b)
Harmony Foods Corp., Senior Secured Notes	10.000%	5/1/16	1,125,000	1,223,437(a)(b)
Post Holdings Inc., Senior Notes	7.375%	2/15/22	490,000	546,350(a)
Simmons Foods Inc., Senior Secured Notes	10.500%	11/1/17	3,300,000	3,349,500(a)(b)
Wells Enterprises Inc., Senior Secured Notes	6.750%	2/1/20	1,280,000	1,392,000(a)(b)
Total Food Products				9,016,037
Household Products 0.4%				
Harbinger Group Inc., Senior Secured Notes	7.875%	7/15/19	730,000	784,750(b)
Sun Products Corp., Senior Notes	7.750%	3/15/21	2,720,000	2,822,000(b)
Total Household Products				3,606,750
Personal Products 0.2%				
Hypermecas SA, Notes	6.500%	4/20/21	1,230,000	1,336,395(b)
Tobacco 0.6%				
Alliance One International Inc., Senior Notes	10.000%	7/15/16	4,650,000	4,961,085(a)
Total Consumer Staples				18,920,267
Energy 15.7%				
Energy Equipment & Services 2.5%				
Atwood Oceanics Inc., Senior Notes	6.500%	2/1/20	1,470,000	1,609,650(a)
Basic Energy Services Inc., Senior Notes	7.750%	10/15/22	170,000	179,775
Gulfmark Offshore Inc., Senior Notes	6.375%	3/15/22	2,420,000	2,541,000
Hercules Offshore Inc., Senior Notes	10.250%	4/1/19	1,760,000	2,028,400(a)(b)
Hercules Offshore Inc., Senior Secured Notes	10.500%	10/15/17	4,905,000	5,358,712(a)(b)
Parker Drilling Co., Senior Notes	9.125%	4/1/18	3,240,000	3,564,000(a)
Petroleum Geo-Services ASA, Senior Notes	7.375%	12/15/18	1,720,000	1,922,100(a)(b)
SESI LLC, Senior Notes	7.125%	12/15/21	2,780,000	3,176,150
TMK OAO Via TMK Capital SA, Senior Notes	6.750%	4/3/20	210,000	207,375(b)
Total Energy Equipment & Services				20,587,162
Oil, Gas & Consumable Fuels 13.2%				
Alliance Oil Co. Ltd., Senior Notes	7.000%	5/4/20	2,220,000	2,208,900(b)
Arch Coal Inc., Senior Notes	8.750%	8/1/16	3,710,000	3,876,950(a)
Arch Coal Inc., Senior Notes	9.875%	6/15/19	1,360,000	1,421,200(a)(b)

See Notes to Financial Statements.

Schedule of investments (cont d)

April 30, 2013

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Oil, Gas & Consumable Fuels continued</i>				
Atlas Pipeline Partners LP/Atlas Pipeline Finance Corp., Senior Notes	6.625%	10/1/20	1,010,000	\$1,068,075(a)(b)
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes	9.375%	5/1/19	2,140,000	2,407,500(a)
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes	9.375%	5/1/19	690,000	776,250(a)
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes	9.625%	8/1/20	1,570,000	1,793,725(a)(b)
Carrizo Oil & Gas Inc., Senior Notes	7.500%	9/15/20	1,140,000	1,242,600(a)
Chesapeake Energy Corp., Senior Notes	6.875%	11/15/20	2,100,000	2,409,750
Compagnie Generale de Geophysique-Veritas, Senior Notes	9.500%	5/15/16	1,125,000	1,189,687(a)
Compagnie Generale de Geophysique-Veritas, Senior Notes	7.750%	5/15/17	1,120,000	1,159,200(a)
Comstock Resources Inc., Senior Notes	9.500%	6/15/20	2,130,000	2,406,900(a)
CONSOL Energy Inc., Senior Notes	8.250%	4/1/20	2,870,000	3,228,750(a)
Corral Petroleum Holdings AB, Senior Notes	15.000%	12/31/17	4,451,416	4,162,074(b)(c)(f)
Crosstex Energy LP/Crosstex Energy Finance Corp., Senior Notes	8.875%	2/15/18	1,600,000	1,756,000(a)
Crosstex Energy LP/Crosstex Energy Finance Corp., Senior Notes	7.125%	6/1/22	2,720,000	2,964,800
Denbury Resources Inc., Senior Subordinated Notes	8.250%	2/15/20	1,875,000	2,137,500(a)
EDC Finance Ltd., Senior Notes	4.875%	4/17/20	1,100,000	1,112,375(b)
Energy Transfer Equity LP, Senior Notes	7.500%	10/15/20	1,135,000	1,333,625
Enterprise Products Operating LLC, Junior Subordinated Notes	8.375%	8/1/66	285,000	327,630(a)(h)
EP Energy AS, Senior Secured Notes	5.875%	11/1/19	1,270,000EUR	1,839,780(b)
EP Energy LLC/EP Energy Finance Inc., Senior Notes	9.375%	5/1/20	910,000	1,064,700
EPE Holdings LLC/EP Energy Bond Co. Inc., Senior Notes	8.125%	12/15/17	2,230,000	2,386,100(b)(f)
Halcon Resources Corp., Senior Notes	9.750%	7/15/20	3,090,000	3,391,275(a)(b)
Halcon Resources Corp., Senior Notes	8.875%	5/15/21	2,310,000	2,489,025(a)(b)
Hiland Partners LP/Hiland Partners Finance Corp., Senior Notes	7.250%	10/1/20	1,080,000	1,206,900(b)
Kodiak Oil & Gas Corp., Senior Notes	8.125%	12/1/19	2,720,000	3,107,600(a)
LUKOIL International Finance BV, Bonds	6.356%	6/7/17	1,720,000	1,956,500(b)
Magnum Hunter Resources Corp., Senior Notes	9.750%	5/15/20	2,330,000	2,411,550(a)(b)
Magnum Hunter Resources Corp., Senior Notes	9.750%	5/15/20	2,200,000	2,277,000(a)(b)
Milagro Oil & Gas Inc., Secured Notes	10.500%	5/15/16	3,290,000	2,582,650(a)
Novatek Finance Ltd., Notes	6.604%	2/3/21	2,300,000	2,682,950(b)(i)

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Oil, Gas & Consumable Fuels continued				
Overseas Shipholding Group Inc., Senior Notes	8.750%	12/1/13	890,000	\$ 752,050(g)
Overseas Shipholding Group Inc., Senior Notes	8.125%	3/30/18	3,640,000	3,039,400(g)
Pacific Drilling V Ltd., Senior Secured Notes	7.250%	12/1/17	2,310,000	2,454,375(a)(b)
Peabody Energy Corp., Senior Notes	7.875%	11/1/26	1,780,000	1,935,750(a)
Penn Virginia Corp., Senior Notes	8.500%	5/1/20	1,770,000	1,783,275(b)
Petrobras International Finance Co., Senior Notes	6.875%	1/20/40	1,145,000	1,378,661(i)
Petrobras International Finance Co., Senior Notes	6.750%	1/27/41	360,000	428,768(a)
Plains Exploration & Production Co., Senior Notes	8.625%	10/15/19	2,260,000	2,570,750(a)
PT Adaro Indonesia, Senior Notes	7.625%	10/22/19	770,000	843,112(a)(b)
Quicksilver Resources Inc., Senior Notes	11.750%	1/1/16	7,094,000	7,617,182(a)
Range Resources Corp., Senior Subordinated Notes	8.000%	5/15/19	530,000	583,000(a)
Samson Investment Co., Senior Notes	9.750%	2/15/20	6,620,000	7,066,850(a)(b)
SandRidge Energy Inc., Senior Notes	7.500%	3/15/21	990,000	1,032,075(a)
SandRidge Energy Inc., Senior Notes	7.500%	2/15/23	1,930,000	1,997,550
Shelf Drilling Holdings Ltd., Senior Secured Notes	8.625%	11/1/18	1,810,000	1,945,750(b)
Sidewinder Drilling Inc., Senior Notes	9.750%	11/15/19	1,100,000	1,146,750(b)
TNK-BP Finance SA, Senior Notes	7.500%	7/18/16	270,000	310,838(b)
TNK-BP Finance SA, Senior Notes	6.625%	3/20/17	230,000	263,350(b)
TNK-BP Finance SA, Senior Notes	7.875%	3/13/18	1,390,000	1,681,900(b)
TNK-BP Finance SA, Senior Notes	7.875%	3/13/18	200,000	242,000(b)
Xinergy Ltd., Senior Secured Notes	9.250%	5/15/19	4,740,000	3,495,750(a)(b)
Total Oil, Gas & Consumable Fuels				108,948,657
Total Energy				129,535,819
Financials 9.7%				
Capital Markets 0.3%				
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	2,320,000	2,670,162(a)
Commercial Banks 3.9%				
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	3,710,000	5,095,963(b)
Barclays Bank PLC, Subordinated Notes	7.625%	11/21/22	5,000,000	5,112,500
BBVA US Senior SAU, Senior Notes	4.664%	10/9/15	1,380,000	1,434,923
Credit Agricole SA, Subordinated Notes	8.375%	10/13/19	3,180,000	3,557,625(a)(b)(h)(j)
Intesa Sanpaolo SpA, Senior Notes	3.625%	8/12/15	3,920,000	3,969,353(b)
M&T Bank Corp., Junior Subordinated Notes	6.875%	6/15/16	4,400,000	4,576,356(b)(j)
Royal Bank of Scotland Group PLC, Junior Subordinated Bonds	7.648%	9/30/31	3,530,000	3,724,150(a)(h)(j)

See Notes to Financial Statements.

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Schedule of investments (cont d)

April 30, 2013

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Commercial Banks continued				
Royal Bank of Scotland Group PLC, Subordinated Notes	5.000%	10/1/14	1,660,000	\$ 1,715,364
Royal Bank of Scotland NV, Subordinated Notes	7.750%	5/15/23	650,000	743,778
Santander Issuances SAU, Notes	5.911%	6/20/16	2,090,000	2,203,734(b)
Total Commercial Banks				32,133,746
Consumer Finance 0.8%				
Ally Financial Inc., Senior Notes	6.750%	12/1/14	6,140,000	6,623,525(a)
Diversified Financial Services 3.3%				
Bankrate Inc., Senior Secured Notes	11.750%	7/15/15	5,248,000	5,654,720(a)
International Lease Finance Corp., Senior Notes	5.750%	5/15/16	800,000	874,146
International Lease Finance Corp., Senior Notes	8.750%	3/15/17	3,385,000	4,087,387(a)
International Lease Finance Corp., Senior Notes	8.875%	9/1/17	5,180,000	6,313,125(a)
International Lease Finance Corp., Senior Notes	8.250%	12/15/20	2,160,000	2,705,400(a)
JPMorgan Chase & Co., Junior Subordinated Bonds	5.150%	5/1/23	1,270,000	1,293,813(h)(j)
Nationstar Mortgage LLC/Nationstar Capital Corp., Senior Notes	7.875%	10/1/20	2,200,000	2,475,000(a)(b)
TransUnion Holding Co. Inc., Senior Notes	9.625%	6/15/18	2,630,000	2,899,575(a)
ZFS Finance USA Trust II, Bonds	6.450%	12/15/65	500,000	542,500(b)(h)
Total Diversified Financial Services				26,845,666
Insurance 1.2%				
American International Group Inc., Senior Notes	8.250%	8/15/18	3,180,000	4,133,014(a)
Fidelity & Guaranty Life Holdings Inc., Senior Notes	6.375%	4/1/21	1,450,000	1,511,625(b)
ING Capital Funding Trust III, Junior Subordinated Bonds	3.884%	6/30/13	890,000	867,750(a)(h)(j)
Liberty Mutual Group Inc., Junior Subordinated Bonds	7.800%	3/15/37	1,750,000	2,065,000(b)
MetLife Capital Trust IV, Junior Subordinated Notes	7.875%	12/15/37	1,100,000	1,391,500(a)(b)
Total Insurance				9,968,889
Real Estate Management & Development 0.2%				
Realogy Corp., Senior Secured Notes	7.625%	1/15/20	1,320,000	1,521,300(a)(b)
Total Financials				79,763,288
Health Care 6.3%				
Health Care Equipment & Supplies 0.6%				
Hologic Inc., Senior Notes	6.250%	8/1/20	1,330,000	1,443,050
Lantheus Medical Imaging Inc., Senior Notes	9.750%	5/15/17	3,570,000	3,552,150(a)
Total Health Care Equipment & Supplies				4,995,200

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Health Care Providers & Services 5.2%				
Acadia Healthcare Co. Inc., Senior Notes	12.875%	11/1/18	1,248,000	\$ 1,553,760(a)
Acadia Healthcare Co. Inc., Senior Notes	6.125%	3/15/21	1,850,000	1,942,500(b)
CHS/Community Health Systems Inc., Senior Notes	8.000%	11/15/19	4,590,000	5,226,862(a)
CRC Health Corp., Senior Subordinated Notes	10.750%	2/1/16	8,945,000	9,140,672(a)
DJO Finance LLC/DJO Finance Corp., Senior Notes	9.875%	4/15/18	2,620,000	2,901,650
ExamWorks Group Inc., Senior Notes	9.000%	7/15/19	1,840,000	2,028,600(a)
Fresenius Medical Care U.S. Finance Inc., Senior Notes	6.875%	7/15/17	105,000	121,800(a)
Fresenius U.S. Finance II Inc., Senior Notes	9.000%	7/15/15	1,020,000	1,180,650(a)(b)
HCA Inc., Debentures	7.500%	11/15/95	1,325,000	1,235,563(a)
HCA Inc., Senior Secured Notes	8.500%	4/15/19	3,520,000	3,889,600(a)
HCA Inc., Senior Secured Notes	6.500%	2/15/20	960,000	1,111,200(a)
IASIS Healthcare LLC/IASIS Capital Corp., Senior Notes	8.375%	5/15/19	1,540,000	1,636,250
INC Research LLC, Senior Notes	11.500%	7/15/19	1,000,000	1,100,000(a)(b)
Labco SAS, Senior Secured Notes	8.500%	1/15/18	1,942,000EUR	2,755,725(b)
Physiotherapy Associates Holdings Inc., Senior Notes	11.875%	5/1/19	1,100,000	968,000(a)(b)
Radnet Management Inc., Senior Notes	10.375%	4/1/18	3,010,000	3,235,750
Tenet Healthcare Corp., Senior Secured Notes	8.875%	7/1/19	1,120,000	1,268,400(a)
US Oncology Inc. Escrow			1,760,000	77,000*
Vanguard Health Holdings Co., II LLC, Senior Notes	8.000%	2/1/18	1,285,000	1,397,438(a)
Total Health Care Providers & Services				42,771,420
Pharmaceuticals 0.5%				
ConvaTec Healthcare E SA, Senior Notes	10.875%	12/15/18	2,500,000EUR	3,751,662(b)
Rottapharm Ltd., Senior Notes	6.125%	11/15/19	500,000EUR	680,205(b)
Total Pharmaceuticals				4,431,867
Total Health Care				52,198,487
Industrials 20.9%				
Aerospace & Defense 2.4%				
Ducommun Inc., Senior Notes	9.750%	7/15/18	1,960,000	2,175,600(a)
Erickson Air-Crane Inc., Senior Secured Notes	8.250%	5/1/20	4,140,000	4,279,725(b)
GenCorp Inc., Secured Notes	7.125%	3/15/21	1,490,000	1,612,925(a)(b)
Kratos Defense & Security Solutions Inc., Senior Secured Notes	10.000%	6/1/17	4,570,000	5,061,275(a)
Triumph Group Inc., Senior Notes	8.625%	7/15/18	1,660,000	1,850,900(a)
Wyle Services Corp., Senior Subordinated Notes	10.500%	4/1/18	4,360,000	4,588,900(a)(b)
Total Aerospace & Defense				19,569,325

See Notes to Financial Statements.

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Schedule of investments (cont d)

April 30, 2013

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Airlines 2.8%				
Air Canada, Pass-Through Trust, Secured Notes	6.625%	5/15/18	1,100,000	\$ 1,105,643(b)
American Airlines, Pass-Through Trust, Secured Notes	7.000%	1/31/18	1,318,501	1,397,611(b)
DAE Aviation Holdings Inc., Senior Notes	11.250%	8/1/15	7,745,000	7,948,306(a)(b)
Delta Air Lines Inc., Pass-Through Certificates	8.954%	8/10/14	5,730	6,016
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	1,436,724	1,580,396(a)
Delta Air Lines Inc., Pass-Through Certificates, Subordinated Secured Notes	9.750%	12/17/16	590,900	655,899(a)
Heathrow Finance PLC, Senior Secured Notes	7.125%	3/1/17	2,450,000GBP	4,160,095
United Airlines Inc., Pass-Through Certificates	5.983%	4/19/22	4,386,231	5,000,303(a)
United Airlines Inc., Pass-Through Certificates, Senior Secured Notes	6.125%	4/29/18	1,430,000	1,458,600(a)
Total Airlines				23,312,869
Building Products 1.4%				
Andrade Gutierrez International SA, Senior Notes	4.000%	4/30/18	1,230,000	1,236,150(b)
Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Notes	6.875%	2/15/21	2,010,000	2,085,375(b)
BC Mountain LLC/BC Mountain Finance Inc., Senior Notes	7.000%	2/1/21	690,000	743,475(b)
GTL Trade Finance Inc., Senior Notes	7.250%	10/20/17	2,260,000	2,638,550(b)
GTL Trade Finance Inc., Senior Notes	7.250%	10/20/17	1,424,000	1,662,520(b)(i)
Rearden G Holdings EINS GmbH, Senior Notes	7.875%	3/30/20	800,000	886,400(b)
Spie BondCo 3 SCA, Secured Notes	11.000%	8/15/19	1,139,000EUR	1,706,258(b)
Total Building Products				10,958,728
Commercial Services & Supplies 3.2%				
Altegrity Inc., Senior Subordinated Notes	10.500%	11/1/15	346,000	318,320(a)(b)
Altegrity Inc., Senior Subordinated Notes	11.750%	5/1/16	2,885,000	2,163,750(a)(b)
ARC Document Solutions Inc., Senior Notes	10.500%	12/15/16	4,150,000	4,243,375(a)
JM Huber Corp., Senior Notes	9.875%	11/1/19	1,490,000	1,720,950(a)(b)
Monitronics International Inc., Senior Notes	9.125%	4/1/20	5,300,000	5,777,000(a)
RSC Equipment Rental Inc./RSC Holdings III LLC, Senior Notes	8.250%	2/1/21	1,600,000	1,832,000(a)
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	7.750%	4/15/20	3,358,000	3,786,145(a)(b)
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	7.750%	4/15/20	1,186,000	1,337,215(a)(b)
United Rentals North America Inc., Senior Notes	7.625%	4/15/22	3,018,000	3,478,245(a)
United Rentals North America Inc., Senior Subordinated Notes	8.375%	9/15/20	1,310,000	1,486,850
Total Commercial Services & Supplies				26,143,850

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Construction & Engineering 1.3%				
Abengoa Finance SAU, Senior Notes	8.875%	11/1/17	2,710,000	\$ 2,615,150(a)(b)
Odebrecht Finance Ltd., Senior Notes	4.375%	4/25/25	5,670,000	5,627,475(b)
PH Holding LLC, Secured Notes	9.750%	12/31/17	1,950,000	2,041,948(c)(d)
Total Construction & Engineering				10,284,573
Electrical Equipment 0.8%				
313 Group Inc., Senior Secured Notes	6.375%	12/1/19	1,820,000	1,842,750(a)(b)
International Wire Group Holdings Inc., Senior Secured Notes	8.500%	10/15/17	1,970,000	2,038,950(a)(b)
NES Rentals Holdings Inc., Senior Secured Notes	7.875%	5/1/18	2,770,000	2,860,025(b)
Total Electrical Equipment				6,741,725
Industrial Conglomerates 0.3%				
Leucadia National Corp., Senior Notes	8.125%	9/15/15	2,490,000	2,838,600
Machinery 2.1%				
Dematic SA/DH Services Luxembourg Sarl, Senior Notes	7.750%	12/15/20	5,370,000	5,893,575(b)
Global Brass and Copper Inc., Senior Secured Notes	9.500%	6/1/19	2,390,000	2,640,950(a)(b)
KION Finance SA, Senior Secured Notes	6.750%	2/15/20	3,027,000EUR	4,360,135(b)
KM Germany Holdings GmbH, Senior Secured Notes	8.750%	12/15/20	700,000EUR	1,023,455(b)
Silver II Borrower/Silver II U.S. Holdings LLC, Senior Notes	7.750%	12/15/20	1,470,000	1,583,925(b)
SPL Logistics Escrow LLC, Senior Secured Notes	8.875%	8/1/20	1,760,000	1,865,600(a)(b)
Total Machinery				17,367,640
Marine 1.3%				
Horizon Lines LLC, Secured Notes	13.000%	10/15/16	3,142,721	2,962,015(f)
Horizon Lines LLC, Senior Secured Notes	11.000%	10/15/16	1,880,000	1,898,800
Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes	8.625%	11/1/17	5,880,000	5,902,050(a)
Total Marine				10,762,865
Road & Rail 1.9%				
Florida East Coast Holdings Corp., Senior Notes	10.500%	8/1/17	5,995,996	6,265,816(f)
Jack Cooper Holdings Corp., Senior Secured Notes	13.750%	12/15/15	560,000	603,400(b)(d)
Kansas City Southern de Mexico SA de CV, Senior Notes	8.000%	2/1/18	3,605,000	3,942,788
Quality Distribution LLC/QD Capital Corp., Secured Notes	9.875%	11/1/18	4,000,000	4,460,000(a)
Total Road & Rail				15,272,004

See Notes to Financial Statements.

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Schedule of investments (cont d)

April 30, 2013

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Trading Companies & Distributors 0.5%				
H&E Equipment Services Inc., Senior Notes	7.000%	9/1/22	3,510,000	\$ 3,904,875
Transportation 2.7%				
CMA CGM, Senior Notes	8.500%	4/15/17	5,990,000	5,600,650(a)(b)
Hapag-Lloyd AG, Senior Notes	9.750%	10/15/17	3,490,000	3,699,400(a)(b)
Neovia Logistics Intermediate Holdings LLC/Logistics Intermediate Finance Corp., Senior Notes	10.000%	2/15/18	3,890,000	3,890,000(b)(f)
Syncreon Global Ireland Ltd./Syncreon Global Finance US Inc., Senior Notes	9.500%	5/1/18	5,790,000	6,195,300(a)(b)
Syncreon Global Ireland Ltd./Syncreon Global Finance US Inc., Senior Notes	9.500%	5/1/18	380,000	406,600(b)
Watco Cos., LLC/Watco Finance Corp., Senior Notes	6.375%	4/1/23	2,580,000	2,702,550(b)
Total Transportation				22,494,500
Transportation Infrastructure 0.2%				
Aguila 3 SA, Senior Secured Notes	7.875%	1/31/18	1,540,000	1,667,050(a)(b)
Total Industrials				171,318,604
Information Technology 1.8%				
Communications Equipment 0.3%				
CyrusOne LP/CyrusOne Finance Corp., Senior Notes	6.375%	11/15/22	2,190,000	2,343,300(a)(b)
Electronic Equipment, Instruments & Components 0.3%				
NXP BV/NXP Funding LLC, Senior Secured Notes	9.750%	8/1/18	1,621,000	1,839,835(b)
Techem GmbH, Senior Secured Notes	6.125%	10/1/19	650,000EUR	935,627(b)
Total Electronic Equipment, Instruments & Components				2,775,462
Internet Software & Services 0.3%				
Zayo Group LLC/Zayo Capital Inc., Senior Secured Notes	8.125%	1/1/20	1,920,000	2,174,400(a)
IT Services 0.4%				
First Data Corp., Senior Notes	12.625%	1/15/21	2,690,000	2,932,100
Semiconductors & Semiconductor Equipment 0.2%				
Advanced Micro Devices Inc., Senior Notes	7.500%	8/15/22	640,000	616,000(b)
Freescale Semiconductor Inc., Senior Subordinated Notes	10.125%	12/15/16	1,186,000	1,226,028(a)
Total Semiconductors & Semiconductor Equipment				1,842,028
Software 0.3%				

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Interface Security Systems Holdings Inc./ Interface Security Systems LLC, Senior Secured Notes	9.250%	1/15/18	2,430,000	2,533,275(b)
Total Information Technology				14,600,565

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Materials 15.4%				
Chemicals 0.7%				
Ineos Finance PLC, Senior Secured Notes	9.000%	5/15/15	2,430,000	\$ 2,551,500(a)(b)
Kloeckner Pentaplast GmbH & Co. KG, Senior Secured Notes	11.625%	7/15/17	680,000EUR	1,016,602(b)
Kloeckner Pentaplast GmbH & Co. KG, Senior Secured Notes	11.625%	7/15/17	530,000EUR	792,351(b)
Rain CII Carbon LLC/CII Carbon Corp., Senior Secured Notes	8.000%	12/1/18	330,000	353,925(b)
Rentech Nitrogen Partners LP/Rentech Nitrogen Finance Corp., Secured Notes	6.500%	4/15/21	740,000	761,275(b)
Total Chemicals				5,475,653
Construction Materials 0.1%				
Cemex SAB de CV, Senior Secured Notes	9.000%	1/11/18	780,000	854,100(b)
Containers & Packaging 4.0%				
Ardagh Packaging Finance PLC, Senior Notes	9.125%	10/15/20	3,170,000	3,597,950(a)(b)
Ardagh Packaging Finance PLC, Senior Secured Notes	7.375%	10/15/17	1,160,000EUR	1,672,790(a)(b)
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	9.125%	10/15/20	1,220,000	1,378,600(b)
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	7.000%	11/15/20	3,240,000	3,434,400(b)
Beverage Packaging Holdings Luxembourg II SA, Senior Secured Notes	9.500%	6/15/17	4,020,000EUR	5,466,200(b)
Longview Fibre Paper & Packaging Inc., Senior Secured Notes	8.000%	6/1/16	2,460,000	2,576,850(a)(b)
Pactiv LLC, Senior Bonds	8.375%	4/15/27	1,000,000	987,500
Pactiv LLC, Senior Notes	7.950%	12/15/25	920,000	903,900
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer (Luxembourg) SA, Senior Notes	8.500%	5/15/18	1,340,000	1,433,800(a)
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer (Luxembourg) SA, Senior Notes	9.000%	4/15/19	4,400,000	4,774,000(a)
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer (Luxembourg) SA, Senior Notes	9.875%	8/15/19	1,680,000	1,890,000(a)
Viskase Cos. Inc., Senior Secured Notes	9.875%	1/15/18	4,650,000	5,027,813(a)(b)
Total Containers & Packaging				33,143,803
Metals & Mining 9.5%				
ArcelorMittal, Senior Notes	5.000%	2/25/17	1,760,000	1,868,643
ArcelorMittal, Senior Notes	6.000%	3/1/21	3,870,000	4,106,681
Cliffs Natural Resources Inc., Senior Notes	3.950%	1/15/18	60,000	60,863

See Notes to Financial Statements.

Schedule of investments (cont d)

April 30, 2013

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Metals & Mining continued</i>				
Cliffs Natural Resources Inc., Senior Notes	5.900%	3/15/20	3,420,000	\$3,681,110
Cliffs Natural Resources Inc., Senior Notes	4.800%	10/1/20	170,000	172,002
Coeur d Alene Mines Corp., Senior Notes	7.875%	2/1/21	2,780,000	2,939,850(a)(b)
CSN Resources SA, Senior Bonds	6.500%	7/21/20	990,000	1,064,250(b)
Evraz Group SA, Notes	8.250%	11/10/15	170,000	186,983(b)
Evraz Group SA, Notes	9.500%	4/24/18	680,000	768,740(a)(b)
Evraz Group SA, Notes	6.750%	4/27/18	4,550,000	4,635,312(b)(i)
Evraz Group SA, Senior Notes	9.500%	4/24/18	330,000	373,065(b)
FMG Resources (August 2006) Pty Ltd., Senior Notes	7.000%	11/1/15	1,130,000	1,189,325(a)(b)
FMG Resources (August 2006) Pty Ltd., Senior Notes	6.375%	2/1/16	1,560,000	1,620,450(b)
FMG Resources (August 2006) Pty Ltd., Senior Notes	8.250%	11/1/19	4,290,000	4,740,450(a)(b)
Hecla Mining Co., Senior Notes	6.875%	5/1/21	740,000	737,225(b)
JW Aluminum Co., Senior Secured Notes	11.500%	11/15/17	3,380,000	3,481,400(b)
Midwest Vanadium Pty Ltd., Senior Secured Notes	11.500%	2/15/18	6,020,000	3,958,150(a)(b)(d)
Mirabela Nickel Ltd., Senior Notes	8.750%	4/15/18	1,710,000	1,470,600(a)(b)
Molycorp Inc., Senior Secured Notes	10.000%	6/1/20	2,920,000	2,876,200
New World Resources NV, Senior Notes	7.875%	1/15/21	1,450,000EUR	1,546,739(b)
Noranda Aluminum Acquisition Corp., Senior Notes	11.000%	6/1/19	1,740,000	1,731,300(b)
Optima Specialty Steel Inc., Senior Secured Notes	12.500%	12/15/16	2,190,000	2,398,050(b)
Prince Mineral Holding Corp., Senior Secured Notes	11.500%	12/15/19	2,510,000	2,811,200(a)(b)
Rain CII Carbon LLC/CII Carbon Corp., Senior Secured Notes	8.250%	1/15/21	2,630,000	2,873,275(a)(b)
Rio Tinto Finance USA Ltd., Senior Notes	9.000%	5/1/19	1,820,000	2,521,008(a)
Ryerson Inc./Joseph T Ryerson & Son Inc., Senior Secured Notes	9.000%	10/15/17	3,960,000	4,331,250(a)(b)
St. Barbara Ltd., Senior Secured Notes	8.875%	4/15/18	2,690,000	2,666,463(b)
Steel Dynamics Inc., Senior Notes	6.125%	8/15/19	1,300,000	1,430,000(b)
SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., Senior Notes	7.375%	2/1/20	1,200,000	1,287,000(b)
Tempel Steel Co., Senior Secured Notes	12.000%	8/15/16	1,280,000	1,232,000(a)(b)
Thompson Creek Metals Co. Inc., Senior Secured Notes	9.750%	12/1/17	2,630,000	2,814,100
Vale Overseas Ltd., Notes	8.250%	1/17/34	1,846,000	2,478,168(i)
Vale Overseas Ltd., Notes	6.875%	11/21/36	1,826,000	2,177,372

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Metals & Mining continued				
Vedanta Resources PLC, Senior Notes	8.750%	1/15/14	2,070,000	\$ 2,152,800(b)(i)
Vedanta Resources PLC, Senior Notes	6.750%	6/7/16	3,630,000	3,815,856(b)
Total Metals & Mining				78,197,880
Paper & Forest Products 1.1%				
Appleton Papers Inc., Senior Secured Notes	11.250%	12/15/15	3,615,000	4,139,175(a)
Fibria Overseas Finance Ltd., Senior Notes	6.750%	3/3/21	710,000	799,637(b)
Resolute Forest Products, Senior Notes	5.875%	5/15/23	2,240,000	2,217,600(b)
Verso Paper Holdings LLC/Verso Paper Inc., Senior Secured Notes	11.750%	1/15/19	1,768,000	1,383,460(a)
Verso Paper Holdings LLC/Verso Paper Inc., Senior Secured Notes	11.750%	1/15/19	260,000	280,150
Total Paper & Forest Products				8,820,022
Total Materials				
Telecommunication Services 10.2%				
Diversified Telecommunication Services 5.9%				
Axtel SAB de CV, Senior Secured Notes, step bond	7.000%	1/31/20	2,544,000	2,315,040(b)
Cogent Communications Group Inc., Senior Secured Notes	8.375%	2/15/18	3,340,000	3,749,150(a)(b)
Inmarsat Finance PLC, Senior Notes	7.375%	12/1/17	810,000	863,663(a)(b)
Intelsat Jackson Holdings SA, Senior Notes	7.250%	10/15/20	6,670,000	7,428,712
Intelsat Luxembourg SA, Senior Notes	11.250%	2/4/17	1,081,000	1,152,616(a)
Intelsat Luxembourg SA, Senior Notes	8.125%	6/1/23	2,070,000	2,212,313(b)
Koninklijke KPN NV, Senior Subordinated Notes	7.000%	3/28/73	770,000	773,276(b)(h)
Level 3 Financing Inc., Senior Notes	8.625%	7/15/20	2,440,000	2,766,350(a)
TW Telecom Holdings Inc., Senior Notes	8.000%	3/1/18	3,120,000	3,400,800(a)
TW Telecom Holdings Inc., Senior Notes	5.375%	10/1/22	940,000	989,350
UBS Luxembourg SA for OJSC Vimpel Communications, Loan Participation Notes	8.250%	5/23/16	2,220,000	2,500,386(b)
Unitymedia Hessen GmbH & Co. KG/Unitymedia NRW GmbH, Senior Secured Notes	7.500%	3/15/19	260,000	286,650(b)
Vimpel Communications, Notes	6.493%	2/2/16	375,000	405,000(b)
Wind Acquisition Finance SA, Senior Notes	11.750%	7/15/17	1,620,000	1,745,550(a)(b)
Wind Acquisition Holdings Finance SpA, Senior Notes	12.250%	7/15/17	9,685,638	10,424,168(a)(b)(f)
Windstream Corp., Senior Notes	7.500%	4/1/23	5,780,000	6,329,100(a)
Windstream Corp., Senior Notes	6.375%	8/1/23	1,430,000	1,487,200
Total Diversified Telecommunication Services				48,829,324
Wireless Telecommunication Services 4.3%				
Matterhorn Midco & Cy SCA, Senior Notes	7.750%	2/15/20	1,400,000EUR	1,899,043(b)
Phones4u Finance PLC, Senior Secured Notes	9.500%	4/1/18	1,300,000GBP	2,120,322(b)

See Notes to Financial Statements.

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Schedule of investments (cont d)

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Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Wireless Telecommunication Services continued</i>				
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	3,530,000	\$ 3,627,075(a)
Sprint Capital Corp., Senior Notes	8.750%	3/15/32	9,405,000	11,168,438(a)
Sprint Nextel Corp., Senior Notes	9.000%	11/15/18	7,200,000	8,874,000(a)(b)
Sprint Nextel Corp., Senior Notes	6.000%	11/15/22	1,460,000	1,529,350
Syniverse Holdings Inc., Senior Notes	9.125%	1/15/19	3,144,000	3,497,700(a)
VimpelCom Holdings BV, Senior Notes	7.504%	3/1/22	2,230,000	2,525,475(b)
Total Wireless Telecommunication Services				35,241,403
Total Telecommunication Services				84,070,727
Utilities 7.3%				
<i>Electric Utilities 2.1%</i>				
AES Red Oak LLC, Secured Notes	9.200%	11/30/29	4,270,000	4,825,100(a)
DPL Inc., Senior Notes	7.250%	10/15/21	331,000	354,170(a)
GenOn REMA LLC, Pass-Through Certificates	9.237%	7/2/17	3,092,880	3,402,168
GenOn REMA LLC, Pass-Through Certificates	9.681%	7/2/26	5,610,000	6,171,000
Midwest Generation LLC, Pass-Through Certificates	8.560%	1/2/16	2,711,292	2,657,066(g)
Total Electric Utilities				17,409,504
<i>Gas Utilities 0.3%</i>				
Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes	7.375%	3/15/20	2,230,000	2,436,275(a)
Independent Power Producers & Energy Traders 4.8%				
Atlantic Power Corp., Senior Notes	9.000%	11/15/18	2,290,000	2,433,125(a)
Calpine Corp., Senior Secured Notes	7.875%	7/31/20	306,000	348,075(a)(b)
Calpine Corp., Senior Secured Notes	7.875%	1/15/23	3,771,000	4,336,650(a)(b)
Colbun SA, Senior Notes	6.000%	1/21/20	1,100,000	1,245,268(b)
Dynegy Inc., Bonds	7.670%	11/8/16	3,100,000	77,500(c)(d)(g)
Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Secured Notes	11.750%	3/1/22	5,590,000	6,428,500(a)(b)
Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes	6.875%	8/15/17	860,000	915,900(b)
Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes	10.000%	12/1/20	3,233,000	3,717,950(a)
First Wind Holdings Inc., Senior Secured Notes	10.250%	6/1/18	3,350,000	3,584,500(a)(b)
Foresight Energy LLC/Foresight Energy Corp., Senior Notes	9.625%	8/15/17	6,900,000	7,521,000(a)(b)
Mirant Americas Generation LLC, Senior Notes	9.125%	5/1/31	5,595,000	6,350,325(a)
Mirant Mid Atlantic LLC, Pass-Through Certificates	9.125%	6/30/17	470,657	524,783(a)

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Mirant Mid Atlantic LLC, Pass-Through Certificates	10.060%	12/30/28	1,705,015	1,956,505
<i>Total Independent Power Producers & Energy Traders</i>				<i>39,440,081</i>

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

	Rate	Maturity Date	Face Amount	Value
Security				
Multi-Utilities 0.1%				
Empresas Publicas de Medellin ESP, Senior Notes	7.625%	7/29/19	740,000	\$ 921,300 ^(b)
Total Utilities				
Total Corporate Bonds & Notes (Cost \$838,568,336)				60,207,160
Collateralized Mortgage Obligations 0.2%				
Countrywide Home Loan Mortgage Pass-Through Trust, 2004-HYB5 7A1 (Cost \$933,063)	2.410%	4/20/35	1,463,044	1,241,724 ^(h)
Collateralized Senior Loans 4.4%				
Consumer Discretionary 1.6%				
Hotels, Restaurants & Leisure 1.5%				
El Pollo Loco Inc., First Lien Term Loan	9.250%	7/14/17	3,656,365	3,747,775 ^(k)
Equinox Fitness Clubs, Second Lien Term Loan	9.750%	5/16/20	2,510,000	2,585,300 ^(k)
Stockbridge/SBE Holdings LLC, Term Loan B	13.000%	5/2/17	5,170,000	5,557,750 ^(k)
Total Hotels, Restaurants & Leisure				11,890,825
Specialty Retail 0.1%				
Gymboree Corp., Initial Term Loan	5.000%	2/23/18	1,220,000	1,196,820 ^(k)
Total Consumer Discretionary				13,087,645
Consumer Staples 0.2%				
Food Products 0.2%				
AdvancePierre Foods Inc., Second Lien Term Loan	9.500%	10/10/17	1,080,000	1,117,800 ^(k)
Energy 0.8%				
Energy Equipment & Services 0.0%				
Frac Tech International LLC, Term Loan B	8.500%	5/6/16	240,000	237,180 ^(k)
Oil, Gas & Consumable Fuels 0.8%				
Chesapeake Energy Corp., New Term Loan	5.750%	12/1/17	1,930,000	2,001,018 ^(k)
Sanchez Energy Corp., Bridge Loan		6/30/13	4,070,000	4,070,000 ^{(c)(d)(l)}
Total Oil, Gas & Consumable Fuels				6,071,018
Total Energy				6,308,198
Health Care 0.3%				
Health Care Equipment & Supplies 0.3%				
BSN Medical GmbH & Co. KG, Term Loan B2	5.250%	8/28/19	2,000,000EUR	2,670,117 ^(k)
Industrials 0.5%				
Machinery 0.5%				
Intelligrated Inc., Second Lien Term Loan	10.500%	12/31/19	4,200,000	4,326,000 ^(k)
Information Technology 0.3%				
IT Services 0.3%				
CompuCom Systems Inc., Second Lien Term Loan	10.250%	10/4/19	2,400,000	2,454,000 ^(k)
First Data Corp., Extended Term Loan B	4.199%	3/23/18	212,079	211,648 ^(k)
Total Information Technology				2,665,648

See Notes to Financial Statements.

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Schedule of investments (cont d)

April 30, 2013

Western Asset High Income Fund II Inc.

Security	Rate	Maturity Date	Face Amount	Value
Materials 0.4%				
Chemicals 0.4%				
Kerling PLC, Term Loan	10.000%	6/30/16	1,200,000EUR	\$ 1,497,373(k)
Kronos Inc., Second Lien Term Loan	9.750%	4/30/20	1,920,000	2,032,800(k)
Total Materials				3,530,173
Telecommunication Services 0.3%				
Wireless Telecommunication Services 0.3%				
Vodafone Americas Finance 2 Inc., PIK Term Loan	6.875%	8/11/15	2,418,713	2,461,040(k)
Total Collateralized Senior Loans (Cost \$34,524,444)				36,166,621
Convertible Bonds & Notes 0.0%				
Telecommunication Services 0.0%				
Diversified Telecommunication Services 0.0%				
Axtel SAB de CV, Senior Secured Notes (Cost \$463,360)	7.000%	1/31/20	2,900,100MXN	322,438(b)(c)
Sovereign Bonds 3.3%				
Argentina 0.1%				
Republic of Argentina, Senior Bonds	7.000%	9/12/13	98,000	98,293
Republic of Argentina, Senior Bonds	7.000%	10/3/15	936,000	816,328
Total Argentina				914,621
Brazil 1.1%				
Brazil Nota do Tesouro Nacional, Notes	10.000%	1/1/14	1,541,000BRL	779,736
Brazil Nota do Tesouro Nacional, Notes	10.000%	1/1/17	14,552,000BRL	7,527,510
Brazil Nota do Tesouro Nacional, Notes	10.000%	1/1/21	1,309,000BRL	675,988
Total Brazil				8,983,234
Peru 0.3%				
Republic of Peru, Senior Bonds	7.840%	8/12/20	4,588,000PEN	2,176,305
Russia 0.3%				
RSHB Capital, Loan Participation Notes, Senior Secured Bonds	6.299%	5/15/17	1,055,000	1,164,456(b)
Russian Federation, Bonds	7.400%	6/14/17	36,588,000RUB	1,240,391
Total Russia				2,404,847
Turkey 0.6%				
Republic of Turkey, Senior Bonds	11.875%	1/15/30	1,175,000	2,240,725
Republic of Turkey, Senior Notes	6.875%	3/17/36	2,064,000	2,711,580
Total Turkey				4,952,305
Venezuela 0.9%				
Bolivarian Republic of Venezuela, Senior Bonds	5.750%	2/26/16	3,370,000	3,209,925(b)
Bolivarian Republic of Venezuela, Senior Bonds	9.250%	9/15/27	3,050,000	3,011,875
Bolivarian Republic of Venezuela, Senior Bonds	9.375%	1/13/34	1,164,000	1,125,006

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Total Venezuela

7,346,806

Total Sovereign Bonds (Cost \$25,319,557)

26,778,118

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

	Shares	Value
Security		
Common Stocks 3.3%		
Consumer Discretionary 0.0%		
<i>Hotels, Restaurants & Leisure 0.0%</i>		
Bossier Casino Venture Holdco Inc.	166,350	\$ 332,700*(c)(d)
Energy 0.7%		
<i>Energy Equipment & Services 0.7%</i>		
KCAD Holdings I Ltd.	533,873,172	5,624,354*(c)(d)
Financials 1.8%		
<i>Diversified Financial Services 0.8%</i>		
Citigroup Inc.	143,529	6,697,063
PB Investors II LLC	60,468	0*(c)(d)(e)
Total Diversified Financial Services		6,697,063
<i>Real Estate Management & Development 1.0%</i>		
Realogy Holdings Corp.	129,092	6,196,395*
Realogy Holdings Corp.	34,268	1,644,885*(c)(d)
Total Real Estate Management & Development		7,841,280
Total Financials		14,538,343
Industrials 0.8%		
<i>Building Products 0.0%</i>		
Nortek Inc.	1,600	114,976*
<i>Marine 0.8%</i>		
DeepOcean Group Holding AS	198,468	4,376,517*(c)(d)
Horizon Lines Inc., Class A Shares	1,490,060	2,086,084*
Total Marine		6,462,601
Total Industrials		6,577,577
Materials 0.0%		
<i>Chemicals 0.0%</i>		
LyondellBasell Industries NV, Class A Shares	19	1,153
Total Common Stocks (Cost \$32,070,702)		27,074,127
	Rate	
Convertible Preferred Stocks 0.1%		
Materials 0.1%		
<i>Metals & Mining 0.1%</i>		
ArcelorMittal (Cost \$517,500)	6.000%	20,700 428,490
Preferred Stocks 2.4%		
Energy 0.2%		
<i>Oil, Gas & Consumable Fuels 0.2%</i>		
Sanchez Energy Corp., Series B	6.500%	39,000 1,921,530(b)

See Notes to Financial Statements.

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Schedule of investments (cont d)

April 30, 2013

Western Asset High Income Fund II Inc.

Security	Rate	Shares	Value
Financials 2.2%			
<i>Consumer Finance 1.6%</i>			
GMAC Capital Trust I	8.125%	489,100	\$ 13,396,449 ^(h)
<i>Diversified Financial Services 0.6%</i>			
Citigroup Capital XIII	7.875%	168,125	4,747,850 ^(h)
Total Financials			18,144,299
Total Preferred Stocks (Cost \$18,093,736)			20,065,829
		Expiration Date	Notional Amount
Purchased Options 0.0%			
Credit default swaption with BNP Paribas to buy protection on Markit CDX.NA.HY.19 Index, Put @ \$101.00 (Cost \$255,200)		5/15/13	17,600,000
			110
			Warrants
Warrants 0.1%			
Bolivarian Republic of Venezuela, Oil-linked payment obligations		4/15/20	18,500
SemGroup Corp.		11/30/14	21,481
Total Warrants (Cost \$0)			597,601^{*(d)}
Total Investments before Short-Term Investments (Cost \$950,745,898)			1,017,124,008
		Maturity Date	Face Amount
Short-Term Investments 2.0%			
<i>Repurchase Agreements 2.0%</i>			
Barclays Capital Inc. repurchase agreement dated 4/30/13; Proceeds at maturity \$17,000,038; (Fully collateralized by U.S. government obligations, 0.375% due 11/15/15; Market value \$17,339,766)		5/1/13	17,000,000
(Cost \$17,000,000)	0.080%		17,000,000
Total Investments 125.7% (Cost \$967,745,898#)			1,034,124,008
Liabilities in Excess of Other Assets (25.7)%			(211,721,370)
Total Net Assets 100.0%			\$ 822,402,638

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

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* Non-income producing security.

(a) All or a portion of this security is pledged as collateral pursuant to the loan agreement (See Note 5).

(b) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.

See Notes to Financial Statements.

Western Asset High Income Fund II Inc.

- (c) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).
- (d) Illiquid security (unaudited).
- (e) Value is less than \$1.
- (f) Payment-in-kind security for which all or part of the income earned may be paid as additional principal.
- (g) The coupon payment on these securities is currently in default as of April 30, 2013.
- (h) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (i) All or a portion of this security is held by the counterparty as collateral for open reverse repurchase agreements.
- (j) Security has no maturity date. The date shown represents the next call date.
- (k) Interest rates disclosed represent the effective rates on collateralized senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
- (l) All or a portion of this loan is unfunded as of April 30, 2013. The interest rate for fully unfunded term loans is to be determined.
- # Aggregate cost for federal income tax purposes is \$969,816,022.

Abbreviations used in this schedule:

BRL	Brazilian Real
EUR	Euro
GBP	British Pound
GDP	Gross Domestic Product
MXN	Mexican Peso
OJSC	Open Joint Stock Company
PEN	Peruvian Nuevo Sol
RUB	Russian Ruble

Schedule of Written Options

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Security	Expiration Date	Strike Price	Notional Amount¹	Value
Credit default swaption with BNP Paribas to buy protection on Markit CDX.NA.HY.19 Index, Call	5/15/13	\$103.00	17,600,000	\$682,674
Credit default swaption with BNP Paribas to sell protection on Markit CDX.NA.HY.19 Index, Put	5/15/13	98.00	17,600,000	46
Credit default swaption with BNP Paribas to buy protection on Markit CDX.NA.HY.20 Index, Call	6/19/13	104.00	16,600,000	292,790
Total Written Options (Premiums Received \$371,860)				\$975,510

¹ In the event an option is exercised and a credit event occurs as defined under the terms of the swap agreement, the notional amount is the maximum potential amount that could be required to be paid as a seller of credit protection or received as a buyer of credit protection.

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

See Notes to Financial Statements.

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Statement of assets and liabilities

April 30, 2013

Assets:

Investments, at value (Cost \$967,745,898)	\$1,034,124,008
Foreign currency, at value (Cost \$383,860)	385,824
Cash	8,437,528
Interest and dividends receivable	21,098,118
Receivable for securities sold	3,028,130
Deposits with brokers for swap contracts	2,800,000
Unrealized appreciation on forward foreign currency contracts	2,165,442
Prepaid expenses	82,244
Total Assets	1,072,121,294

Liabilities:

Loan payable (Note 5)	215,000,000
Payable for securities purchased	21,046,132
Payable for open reverse repurchase agreements (Note 3)	9,200,271
Swaps, at value (net premiums received \$178,630)	2,311,614
Written options, at value (premiums received \$371,860)	975,510
Investment management fee payable	684,943
Payable for open swap contracts	180,626
Interest payable (Notes 3 and 5)	133,395
Accrued expenses	186,165
Total Liabilities	249,718,656
Total Net Assets	\$ 822,402,638

Net Assets:

Par value (\$0.001 par value; 86,013,319 shares issued and outstanding; 100,000,000 shares authorized)	\$86,013
Paid-in capital in excess of par value	1,022,231,536
Overdistributed net investment income	(2,027,763)
Accumulated net realized loss on investments, futures contracts, written options, swap contracts and foreign currency transactions	(263,696,175)
Net unrealized appreciation on investments, written options, swap contracts and foreign currencies	65,809,027
Total Net Assets	\$ 822,402,638

Shares Outstanding	86,013,319
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Net Asset Value	\$9.56
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See Notes to Financial Statements.

Statement of operations

For the Year Ended April 30, 2013

Investment Income:

Interest	\$ 85,916,689
Dividends	1,893,906
Less: Foreign taxes withheld	(39,358)
Total Investment Income	87,771,237

Expenses:

Investment management fee (Note 2)	8,105,108
Interest expense (Notes 3 and 5)	2,260,934
Transfer agent fees	135,068
Directors' fees	121,928
Audit and tax	80,950
Legal fees	71,987
Shareholder reports	66,473
Stock exchange listing fees	64,504
Custody fees	42,477
Insurance	17,388
Miscellaneous expenses	14,244
Total Expenses	10,981,061
Net Investment Income	76,790,176

Realized and Unrealized Gain (Loss) on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):

Net Realized Gain (Loss) From:	
Investment transactions	26,505,502
Futures contracts	(265,692)
Written options	892,383
Swap contracts	(3,585,636)
Foreign currency transactions	(1,976,554)
Net Realized Gain	21,570,003
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	44,885,848
Futures contracts	155,722
Written options	(661,619)
Swap contracts	(2,159,721)
Foreign currencies	2,376,262
Change in Net Unrealized Appreciation (Depreciation)	44,596,492
Net Gain on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign Currency Transactions	66,166,495
Increase in Net Assets from Operations	\$142,956,671

See Notes to Financial Statements.

Statements of changes in net assets

For the years ended April 30,	2013	2012
Operations:		
Net investment income	\$ 76,790,176	\$ 81,273,614
Net realized gain	21,570,003	366,521
Change in net unrealized appreciation (depreciation)	44,596,492	(56,578,015)
<i>Increase in Net Assets From Operations</i>	<i>142,956,671</i>	<i>25,062,120</i>
Distributions to Shareholders From (Note 1):		
Net investment income	(83,317,971)	(84,861,997)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(83,317,971)</i>	<i>(84,861,997)</i>
Fund Share Transactions:		
Reinvestment of distributions (655,589 and 955,418 shares issued, respectively)	6,315,655	8,929,085
<i>Increase in Net Assets From Fund Share Transactions</i>	<i>6,315,655</i>	<i>8,929,085</i>
<i>Increase (Decrease) in Net Assets</i>	<i>65,954,355</i>	<i>(50,870,792)</i>
Net Assets:		
Beginning of year	756,448,283	807,319,075
End of year*	\$822,402,638	\$756,448,283
* Includes (overdistributed) undistributed net investment income, respectively, of:	\$(2,027,763)	\$6,741,126

See Notes to Financial Statements.

Statement of cash flows

For the Year Ended April 30, 2013

Increase (Decrease) in Cash:**Cash Provided (Used) by Operating Activities:**

Net increase in net assets resulting from operations	\$ 142,956,671
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided (used) by operating activities:	
Purchases of portfolio securities	(510,100,973)
Proceeds from sales of portfolio securities	551,703,785
Net purchases, sales and maturities of short-term investments	(17,000,000)
Cash paid for purchased options	(1,201,658)
Net amortization of premium (accretion of discount)	(1,358,843)
Payment-in-kind	(3,538,927)
Decrease in receivable for securities sold	10,504,539
Decrease in interest and dividends receivable	1,525,608
Increase in prepaid expenses	(76,501)
Decrease in deposits with brokers for futures contracts	354,403
Increase in deposits with brokers for swap contracts	(2,800,000)
Increase in net premiums received for swap contracts	549,479
Increase in payable for open swap contracts	110,626
Increase in payable for securities purchased	11,769,958
Increase in investment management fee payable	24,855
Decrease in interest payable	(30,591)
Increase in accrued expenses	25,328
Increase in premiums received from written options	211,060
Decrease in payable to broker - variation margin on open futures contracts	(8,219)
Net realized gain on investments	(26,505,502)
Change in unrealized appreciation of investments, written options, swap contracts and forward foreign currency transactions	(44,436,415)
Net Cash Provided by Operating Activities*	112,678,683

Cash Flows from Financing Activities:

Distributions paid on common stock	(77,002,316)
Decrease in payable for reverse repurchase agreements	(29,683,086)
Net Cash Used in Financing Activities	(106,685,402)
Net Increase in Cash	5,993,281
Cash at beginning of year	2,830,071
Cash at end of year	\$ 8,823,352

Non-Cash Financing Activities:

Proceeds from reinvestment of distributions	\$ 6,315,655
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* Included in operating expenses is cash of \$2,291,525 paid for interest on borrowings.

See Notes to Financial Statements.

Financial highlights

For a share of capital stock outstanding throughout each year ended April 30:

	20131	20121	20111	20101	20091
Net asset value, beginning of year	\$8.86	\$9.57	\$9.00	\$6.13	\$10.76
Income (loss) from operations:					
Net investment income	0.90	0.96	1.00	1.07	1.14
Net realized and unrealized gain (loss)	0.77	(0.67)	0.62	2.94	(4.64)
Total income (loss) from operations	1.67	0.29	1.62	4.01	(3.50)
Less distributions from:					
Net investment income	(0.97)	(1.00)	(1.05)	(1.14)	(1.13)
Total distributions	(0.97)	(1.00)	(1.05)	(1.14)	(1.13)
Net asset value, end of year	\$9.56	\$8.86	\$9.57	\$9.00	\$6.13
Market price, end of year	\$10.20	\$10.10	\$10.04	\$9.82	\$6.22
Total return, based on NAV^{2,3}	20.03%	3.80%	19.40%	69.38%	(32.74)%
Total return, based on Market Price⁴	11.68%	11.89%	14.54%	81.29%	(25.21)%
Net assets, end of year (000s)	\$822,403	\$756,448	\$807,319	\$751,122	\$504,958
Ratios to average net assets:					
Gross expenses	1.41%	1.51%	1.61%	2.12%	3.03%
Net expenses ⁵	1.41	1.51	1.61	2.12	3.03
Net investment income	9.84	10.93	11.03	13.44	15.02
Portfolio turnover rate	52%	45%	84%	81%	53%
Supplemental data:					
Loans Outstanding, End of Year (000s)	\$215,000	\$215,000	\$190,000	\$196,500	\$161,500
Asset Coverage for Loan Outstanding	483%	452%	525%	482%	413%
Weighted Average Loan (000s)	\$215,000	\$211,038	\$197,170	\$169,363	\$219,563
Weighted Average Interest Rate on Loans	0.97%	1.09%	1.49%	1.80%	3.00%

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

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

3 The total return calculation assumes that distributions are reinvested at NAV. Past performance is no guarantee of future results.

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4 The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results.

5 The impact of compensating balance arrangements, if any, was less than 0.01%.

See Notes to Financial Statements.

Notes to financial statements

1. Organization and significant accounting policies

Western Asset High Income Fund II Inc. (the Fund) was incorporated in Maryland and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund seeks to maximize current income by investing at least 80% of its net assets, plus any borrowings for investment purposes, in high-yield debt securities. As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income.

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

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

Notes to financial statements (cont d)

calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund's Board of Directors.

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

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

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

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

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

- Level 1 quoted prices in active markets for identical investments

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

- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

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

Description	ASSETS			Total
	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Long-term investments :				
Corporate bonds & notes		\$895,132,827	\$ 8,784,248	\$ 903,917,075
Collateralized mortgage obligations		1,241,724		1,241,724
Collateralized senior loans		36,166,621		36,166,621
Convertible bonds & notes		322,438		322,438
Sovereign bonds		26,778,118		26,778,118
Common stocks:				
Consumer discretionary			332,700	332,700
Energy			5,624,354	5,624,354
Financials	\$12,893,458	1,644,885	0*	14,538,343
Industrials	2,201,060		4,376,517	6,577,577
Materials	1,153			1,153
Convertible preferred stocks	428,490			428,490
Preferred stocks	18,144,299	1,921,530		20,065,829
Purchased options		110		110
Warrants		1,129,476		1,129,476
Total long-term investments	\$33,668,460	\$964,337,729	\$19,117,819	\$1,017,124,008

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Short-term investments		17,000,000		17,000,000
Total investments	\$33,668,460	\$981,337,729	\$19,117,819	\$1,034,124,008
Other financial instruments:				
Forward foreign currency contracts		\$ 2,165,442		\$ 2,165,442
Total	\$33,668,460	\$983,503,171	\$19,117,819	\$1,036,289,450

Notes to financial statements (cont d)

Description	LIABILITIES			Total
	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Other financial instruments:				
Written options		\$ 975,510		\$ 975,510
Credit default swaps on credit indices buy protection		2,311,614		2,311,614
Total		\$3,287,124		\$3,287,124

See Schedule of Investments for additional detailed categorizations.

* Amount represents less than \$1.

Values include any premiums paid or received with respect to swap contracts.

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

Investments in Securities	Common Stocks						Total
	Corporate Bonds & Notes	Consumer Discretionary	Energy	Financials	Industrials	Warrants	
Balance as of April 30, 2012	\$ 7,320,975	\$332,700	\$4,946,869	\$ 0*		\$ 35	\$12,600,579
Accrued premiums/discounts	62,554						62,554
Realized gain (loss) ¹	(2,028,420)						(2,028,420)
Change in unrealized appreciation (depreciation) ²	2,432,054		677,485	(0)*		(35)	3,109,504
Purchases	2,927,614						2,927,614
Sales	(2,008,029)					(0)*	(2,008,029)
Transfers into Level 33	77,500				\$4,376,517		4,454,017
Transfers out of Level 3							
Balance as of April 30, 2013	\$ 8,784,248	\$332,700	\$5,624,354	\$ 0*	\$4,376,517		\$19,117,819
Net change in unrealized appreciation (depreciation) for investments in securities still held at April 30, 2013²	\$ 988,576		\$ 677,485	\$(0)*			\$ 1,666,061

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

* Value is less than \$1.

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

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- 2 This amount is included in the change in net unrealized appreciation (depreciation) in the accompanying Statement of Operations. Change in unrealized appreciation (depreciation) includes net unrealized appreciation (depreciation) resulting from changes in investment values during the reporting period and the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.
- 3 Transferred into Level 3 as a result of the unavailability of a quoted price in an active market for an identical investment or the unavailability of other significant observable inputs.

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

(c) Reverse repurchase agreements. The Fund may enter into reverse repurchase agreements. Under the terms of a typical reverse repurchase agreement, a fund sells a security subject to an obligation to repurchase the security from the buyer at an agreed-upon time and price. In the event the buyer of securities under a reverse 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 counterparty, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. In entering into reverse repurchase agreements, the Fund will maintain cash, U.S. government securities or other liquid debt obligations at least equal in value to its obligations with respect to reverse repurchase agreements or will take other actions permitted by law to cover its obligations.

(d) Loan participations. The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund's investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement related to the loan, or any rights of off-set against the borrower and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

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

Notes to financial statements (cont d)

(e) Unfunded loan commitments. The Fund may enter into certain credit agreements all or a portion of which may be unfunded. The Fund is obligated to fund these commitments at the borrower's discretion. The commitments are disclosed in the accompanying Schedule of Investments. At April 30, 2013, the Fund had sufficient cash and/or securities to cover these commitments.

(f) Forward foreign currency contracts. The Fund enters into a forward foreign currency contract to hedge against foreign currency exchange rate risk on its non-U.S. dollar denominated securities or to facilitate settlement of a foreign currency denominated portfolio transaction. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price with delivery and settlement at a future date. The contract is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When a forward foreign currency contract is closed, through either delivery or offset by entering into another forward foreign currency contract, the Fund recognizes a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it is closed.

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

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

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

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

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

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

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

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

(i) Written options. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the premium received is recorded as a realized gain. When a written call option is exercised, the difference between the premium received plus the option exercise price and the Fund's basis in the underlying security (in the case of a covered written call option), or the cost to purchase the underlying security (in the case of an uncovered written call option), including brokerage commission, is recognized as a realized gain or loss. When a written put option is exercised, the amount of the premium received is subtracted from the cost of the security purchased by the Fund from the exercise of the written put option to form the Fund's basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Fund.

Notes to financial statements (cont d)

The risk in writing a covered call option is that the Fund may forego 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. The risk in writing an uncovered call option is that the Fund is exposed to the risk of loss if the market price of the underlying security increases. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

(j) Swaptions. The Fund purchases and writes swaption contracts to manage exposure to an underlying instrument. The Fund may also purchase or write options to manage exposure to fluctuations in interest rates or to enhance yield. Swaption contracts written by the Fund represent an option that gives the purchaser the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date. Swaption contracts purchased by the Fund represent an option that gives the Fund the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date.

When the Fund writes a swaption, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the swaption written. If the swaption expires, the Fund realizes a gain equal to the amount of the premium received.

When the Fund purchases a swaption, an amount equal to the premium paid by the Fund is recorded as an investment, the value of which is marked-to-market daily to reflect the current market value of the swaption purchased. If the swaption expires, the Fund realizes a loss equal to the amount of the premium paid.

Swaptions are marked-to-market daily based upon quotations from market makers. Changes in the value of the swaption are reported as unrealized gains or losses in the Statement of Operations.

(k) Swap agreements. The Fund invests in swaps for the purpose of managing its exposure to interest rate, credit or market risk, or for other purposes, including to increase the Fund's return. The use of swaps involves risks that are different from those associated with other portfolio transactions.

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund's custodian in compliance with the terms of the swap contracts. Securities posted as collateral for swap contracts are identified in the Schedule of Investments and restricted cash, if any, is identified on the Statement of Assets and Liabilities. Risks may exceed amounts recorded in the Statement of Assets and Liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to

perform under the contracts' terms, and the possible lack of liquidity with respect to the swap agreements.

Payments received or made at the beginning of the measurement period are reflected as a premium or deposit, respectively, on the Statement of Assets and Liabilities. These upfront payments are amortized over the life of the swap and are recognized as realized gain or loss in the Statement of Operations. Net periodic payments received or paid by the Fund are recognized as a realized gain or loss in the Statement of Operations.

The Fund's maximum exposure in the event of a defined credit event on a credit default swap to sell protection is the notional amount. As of April 30, 2013, the Fund did not hold any credit default swaps to sell protection.

For average notional amounts of swaps held during the year ended April 30, 2013, see Note 4.

Credit default swaps

The Fund enters into credit default swap (CDS) contracts for investment purposes, to manage its credit risk or to add leverage. CDS agreements involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party, typically corporate or sovereign issuers, on a specified obligation, or in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising a credit index. The Fund may use a CDS to provide protection against defaults of the issuers (i.e., to reduce risk where the Fund has exposure to an issuer) or to take an active long or short position with respect to the likelihood of a particular issuer's default. As a seller of protection, the Fund generally receives an upfront payment or a stream of payments throughout the term of the swap provided that there is no credit event. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the maximum potential amount of future payments (undiscounted) that the Fund could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. These amounts of potential payments will be partially offset by any recovery of values from the respective referenced obligations. As a seller of protection, the Fund effectively adds leverage to its portfolio because, in addition to its total net assets, the Fund is subject to investment exposure on the notional amount of the swap. As a buyer of protection, the Fund generally receives an amount up to the notional value of the swap if a credit event occurs.

Implied spreads are the theoretical prices a lender receives for credit default protection. When spreads rise, market perceived credit risk rises and when spreads fall, market perceived credit risk falls. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to enter into the agreement. Wider credit spreads and decreasing market values, when compared to the notional

Notes to financial statements (cont d)

amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. Credit spreads utilized in determining the period end market value of credit default swap agreements on corporate or sovereign issues are disclosed in the Notes to Financial Statements and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for credit derivatives. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values, particularly in relation to the notional amount of the contract as well as the annual payment rate, serve as an indication of the current status of the payment/ performance risk.

The Fund's maximum risk of loss from counterparty risk, as the protection buyer, is the fair value of the contract (this risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty). As the protection seller, the Fund's maximum risk is the notional amount of the contract. Credit default swaps are considered to have credit risk-related contingent features since they require payment by the protection seller to the protection buyer upon the occurrence of a defin