



FRANKLIN TEMPLETON
INVESTMENTS

**Annual Report
and Shareholder Letter**

December 31, 2017

Templeton International Bond Fund

A SERIES OF TEMPLETON INCOME TRUST



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Franklin Templeton Investments

Gain From Our Perspective®

At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers. This has helped us to become a trusted partner to individual and institutional investors across the globe.

Dear Shareholder:

During the 12 months ended December 31, 2017, the global economy generally expanded amid improved commodity prices, generally upbeat economic data, encouraging corporate earnings and the European Central Bank's (ECB's) extension of its monetary easing time frame. The ECB kept its benchmark interest rate unchanged, while the US Federal Reserve (Fed) raised its target range for the federal funds rate 0.25% three times in 2017 to 1.25%–1.50% amid signs of a growing US economy. The Fed's inflation outlook remained essentially the same. In this environment, global government bonds, as measured by the Citigroup World Government Bond Index, rose in both US dollar and local currency terms. The US dollar declined against most foreign currencies during the period.

We are committed to our long-term perspective and disciplined investment approach as we conduct a rigorous, fundamental analysis of securities with a regular emphasis on investment risk management.

Historically, patient investors have achieved rewarding results by evaluating their goals, diversifying their assets globally and maintaining a disciplined investment program, all hallmarks of the Templeton investment philosophy developed more than 60 years ago. We continue to recommend investors consult their financial advisors and review their portfolios to design a long-term strategy and portfolio allocation that meet their individual needs, goals and risk tolerance.

Templeton International Bond Fund's annual report includes more detail about prevailing conditions and a discussion about investment decisions during the period. Please remember all securities markets fluctuate, as do mutual fund share prices.

We thank you for investing with Franklin Templeton, welcome your questions and comments, and look forward to serving your investment needs in the years ahead.

Sincerely,



Christopher J. Molumphy, CFA
President and Chief Executive Officer – Investment
Management
Templeton Income Trust

This letter reflects our analysis and opinions as of December 31, 2017, unless otherwise indicated. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

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Visit franklintempleton.com for fund updates,
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financial planning tools.

Annual Report

Templeton International Bond Fund

This annual report for Templeton International Bond Fund covers the fiscal year ended December 31, 2017.

Your Fund's Goal and Main Investments

The Fund seeks current income with capital appreciation and growth of income. Under normal market conditions, the Fund invests at least 80% of its net assets in "bonds." The Fund invests predominantly in bonds issued by governments, government-related entities and government agencies located outside of the US. Bonds include debt obligations of any maturity, such as bonds, notes, bills and debentures.

Performance Overview

For the 12 months under review, the Fund's Class A shares posted a +2.25% cumulative total return. In comparison, the Fund's benchmark, the Citigroup Non-USD World Government Bond Index (WGIBI), which measures performance of investment-grade, non-US world government bond markets, had a cumulative total return of +10.33% in US dollar terms for the same period.¹ You can find more of the Fund's performance data in the Performance Summary beginning on page 7.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

Economic and Market Overview

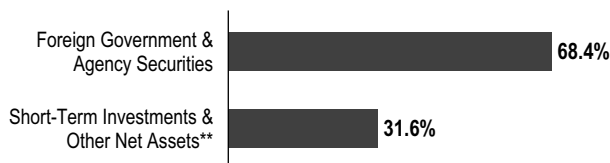
The year began with a rally in emerging markets (EMs), as fourth-quarter 2016 fears for potential trade shocks dissipated. Capital moved into several markets we considered undervalued at a pace not seen in a number of years. The strengthening trends in specific EMs largely continued throughout much of 2017, particularly in select areas of Latin America and Asia.

Duration exposures around the world generally performed well during the year, as rates in developed markets remained relatively low or range-bound, while a number of EM local-currency markets saw declining yields and strengthening valuations.

The 10-year US Treasury note reached its highest yield of 2017 at 2.62% on March 13, two days before the US Federal Reserve (Fed) made its first rate hike of 2017. However, yields declined in the second and third quarters as policy setbacks from the Trump administration and subdued inflation figures appeared to dampen expectations for higher rates.

Portfolio Composition*

Based on Total Net Assets as of 12/31/17



*Figures represent the net Fund exposure and include certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of any derivatives or other factors.

**Includes foreign treasury bills, money market funds and other net assets less liabilities.

Those negative trends began to reverse in the fall months as Fed Chair Janet Yellen returned from Jackson Hole, Wyoming, with more hawkish-sounding comments on the need to normalize monetary policy. Additionally, a moderate pickup in inflation, exceptional strength in US labor markets, progress on tax reform and a new Fed chair nomination (Jay Powell) appeared to push rate expectations higher, in our opinion. The Fed also began unwinding its nearly \$4.5 trillion balance sheet in October. Ultimately, the Fed raised rates 25 basis points three times in 2017, as it indicated it would.

On the currency front, the US dollar broadly weakened during much of the year, with notable weakness against the euro and Mexican peso during the summer months. Those trends moderately reversed in September and October, before

1. Source: Morningstar.

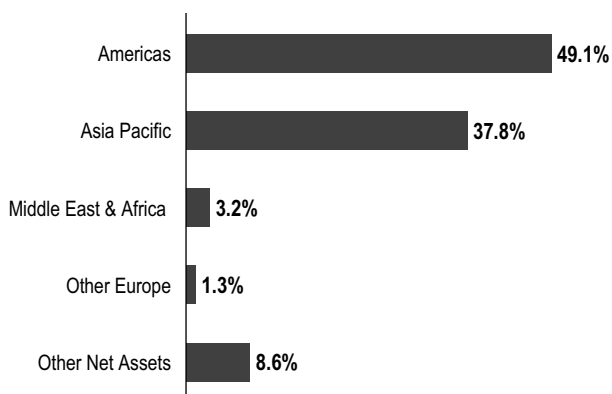
The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

See www.franklintempletondatasources.com for additional data provider information.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 16.

Geographic Composition*

Based on Total Net Assets as of 12/31/17



*Figures represent the net Fund exposure and include certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of any derivatives or other factors.

resuming over the final two months of the year, leaving the US dollar broadly weaker in 2017.

In Europe, economic optimism surged in the summer months, driven by the cyclical upswing in eurozone growth as well as some political refortifying after Emmanuel Macron’s victory in the French election in May. The euro appreciated 13.85% against the US dollar during the year.² However, growing populist/nationalist movements in a number of countries continued to test the political cohesion across the eurozone. Angela Merkel’s win in the German election in September came with new uncertainties around forming a coalition government.

In October, European Central Bank (ECB) President Mario Draghi announced a reduction in the ECB’s bond-buying program, as expected, to €30 billion per month, down from a €60 billion monthly pace, scheduled to begin in January 2018. Draghi also indicated that rates would not be hiked until quantitative easing (QE) ends, implying that rates would likely remain unchanged in the upcoming year.

In Japan, Prime Minister Shinzo Abe’s political mandate was reaffirmed after his political coalition maintained its supermajority in October elections. The Bank of Japan (BOJ) continued to deploy massive levels of QE throughout 2017; however, the yen appreciated 3.54% against the US dollar during the year.²

Investment Strategy

We invest selectively in non-US bonds around the world based upon our assessment of changing market, political and economic conditions. While seeking opportunities, we monitor various factors including changes in interest rates, currency exchange rates and credit risks. For purposes of pursuing its investment goals, the Fund regularly enters into various currency-related transactions involving derivative instruments, principally currency and cross currency forwards, but it may also use currency and currency index futures contracts. The Fund may also enter into various other transactions involving derivatives, including swap agreements (which may include interest rate and credit default swaps).

What is a currency forward contract?

A currency forward contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency in exchange for another currency at a specific exchange rate on a future date. Currency forward contracts are privately traded in the interbank market, not on a centralized exchange.

Manager’s Discussion

On the whole, we continued to position the Fund for rising rates by maintaining low portfolio duration and aiming at a negative correlation with US Treasury returns. We also continued to actively seek select duration exposures that we believe can offer positive real yields without taking undue interest-rate risk, favoring countries that we believe have solid underlying fundamentals and prudent fiscal, monetary and financial policies. When investing globally, investment opportunities may take time to materialize, which may require weathering periods of volatility as the longer term investing theses develop. During the period, we added to some of our strongest investment convictions as prices became cheaper during periods of heightened volatility. We also maintained exposures to a number of emerging market currencies that we believe remained fundamentally undervalued. Overall, we were positioned for depreciation of the euro and Japanese yen, rising US Treasury yields and currency appreciation in select emerging markets. During the period, we used forward currency exchange contracts to actively manage currencies. We also used interest-rate swaps to tactically manage duration exposures.

During the period, the Fund’s positive absolute performance was largely attributable to interest-rate strategies and sovereign

2. Source: FactSet.

What is an interest-rate swap?

An interest-rate swap is an agreement between two parties to exchange interest-rate payment obligations, generally one based on an interest rate fixed to maturity and the other based on an interest rate that changes in accordance with changes in a designated benchmark (for example, LIBOR, prime, commercial paper or other benchmarks).

What is duration?

Duration is a measure of a bond's price sensitivity to interest-rate changes. In general, a portfolio of securities with a lower duration can be expected to be less sensitive to interest-rate changes than a portfolio with a higher duration.

credit exposures. Currency positions had a largely neutral effect on absolute results. The Fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select duration exposures in Latin America (Brazil) and Asia ex-Japan (Indonesia) contributed to absolute performance, while negative duration exposure to US Treasuries detracted. Among currencies, the Fund's net-negative positions in the euro, the Japanese yen and the Australian dollar detracted from absolute results. However, currency positions in Latin America (the Mexican peso and Brazilian real) and Asia ex-Japan (the Indian rupee) contributed to absolute performance.

On a relative basis, the Fund's underperformance was largely due to currency positions. Interest-rate strategies and sovereign credit exposures contributed to relative results. Among currencies, the Fund's underweighted positions in the euro, the Japanese yen and the Australian dollar detracted from relative performance. However, overweighted currency positions in Latin America (the Mexican peso and Brazilian real) and Asia ex-Japan (the Indian rupee) contributed to relative results. The Fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select overweighted duration exposures in Latin America (Brazil) and Asia ex-Japan (Indonesia) contributed to relative performance, while underweighted duration exposure in the US detracted.

Currency Composition*

12/31/17

	% of Total Net Assets
Americas	160.1%
U.S. Dollar	114.6%
Mexican Peso	22.3%
Brazilian Real	14.0%
Colombian Peso	4.6%
Argentine Peso	4.6%
Middle East & Africa	3.3%
South Africa Rand	1.7%
Ghananian Cedi	1.6%
Asia Pacific	-24.9%
Indian Rupee	10.6%
Indonesian Rupiah	10.3%
Philippine Peso	2.8%
South Korean Won	-7.1%
Australian Dollar	-9.3%
Japanese Yen	-32.2%
Europe	-38.5%
Euro	-38.5%

*Figures represent the net Fund exposure and include certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of any derivatives or other factors.

TEMPLETON INTERNATIONAL BOND FUND

Thank you for your continued participation in Templeton International Bond Fund. We look forward to serving your future investment needs.



A stylized, handwritten signature of Michael Hasenstab, Ph.D. in black ink.

Michael Hasenstab, Ph.D.
Lead Portfolio Manager



A handwritten signature of Sonal Desai, Ph.D. in black ink.

Sonal Desai, Ph.D.
Portfolio Manager

Portfolio Management Team

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2017, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of December 31, 2017

The performance table and graphs do not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities.

Performance as of 12/31/17¹

*Cumulative total return excludes sales charges. Average annual total return includes maximum sales charges. Sales charges will vary depending on the size of the investment and the class of share purchased. The maximum is 4.25% and the minimum is 0%. **Class A:** 4.25% maximum initial sales charge; **Advisor Class:** no sales charges. For other share classes, visit franklintempleton.com.*

Share Class	Cumulative Total Return ²	Average Annual Total Return ³
A		
1-Year	+2.25%	-2.08%
5-Year	-0.19%	-0.90%
10-Year	+55.13%	+4.04%
Advisor		
1-Year	+2.51%	+2.51%
5-Year	+1.14%	+0.23%
10-Year	+59.40%	+4.77%

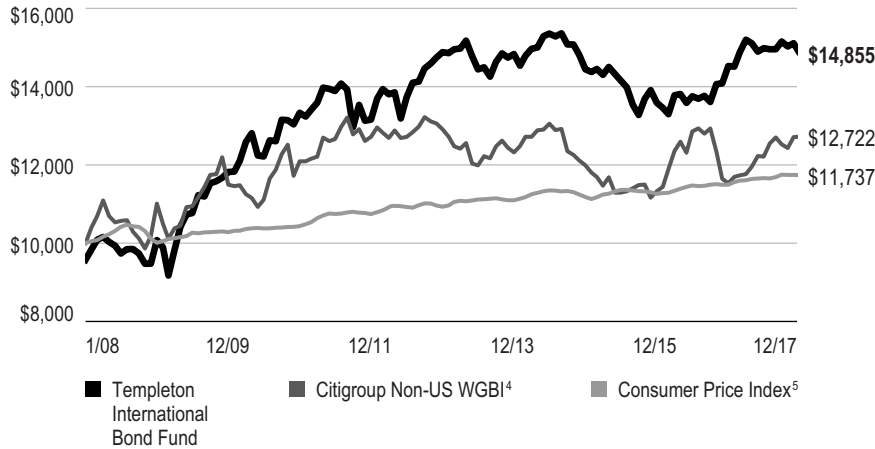
Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

See page 9 for Performance Summary footnotes.

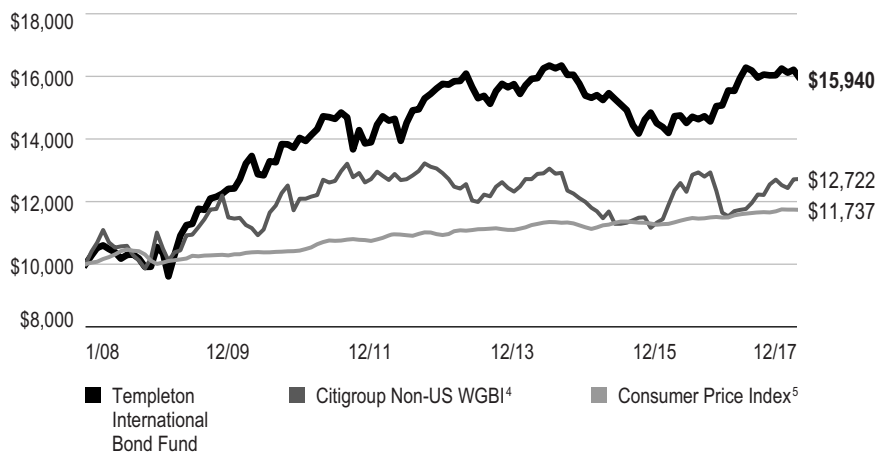
Total Return Index Comparison for a Hypothetical \$10,000 Investment¹

Total return represents the change in value of an investment over the periods shown. It includes any applicable maximum sales charge, Fund expenses, account fees and reinvested distributions. The unmanaged indexes include reinvestment of any income or distributions. They differ from the Fund in composition and do not pay management fees or expenses. One cannot invest directly in an index.

Class A (1/1/08–12/31/17)



Advisor Class (1/1/08–12/31/17)



See page 9 for Performance Summary footnotes.

Distributions (1/1/17–12/31/17)

Share Class	Net Investment Income
A	\$0.2826
C	\$0.2393
R	\$0.2569
R6	\$0.1462
Advisor	\$0.3101

Total Annual Operating Expenses⁶

Share Class	With Waiver	Without Waiver
A	1.03%	1.62%
Advisor	0.78%	1.37%

Each class of shares is available to certain eligible investors and has different annual fees and expenses, as described in the prospectus.

All investments involve risks, including possible loss of principal. Derivatives, including currency management strategies, involve costs and can create economic leverage in the portfolio, which may result in significant volatility and cause the Fund to participate in losses on an amount that exceeds the Fund's initial investment. The Fund may not achieve the anticipated benefits, and may realize losses when a counterparty fails to perform as promised. The markets for particular securities or types of securities are or may become relatively illiquid. Reduced liquidity will have an adverse impact on the security's value and on the Fund's ability to sell such securities when necessary to meet the Fund's liquidity needs or in response to a specific market event. Foreign securities involve special risks, including currency fluctuations (which may be significant over the short term) and economic and political uncertainties; investments in emerging markets involve heightened risks related to the same factors. Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a government entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due. Investments in lower rated bonds include higher risk of default and loss of principal. Bond prices generally move in the opposite direction of interest rates. As the prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

1. The Fund has an expense reduction and a fee waiver associated with any investments it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/18. Fund investment results reflect the expense reduction and fee waiver; without these reductions, the results would have been lower.

2. Cumulative total return represents the change in value of an investment over the periods indicated.

3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.

4. Source: Morningstar. The Citigroup Non-USD WGBI is a market capitalization-weighted index consisting of investment-grade world government bond markets; it includes all WGBI countries except the US and is stated in US dollar terms.

5. Source: Bureau of Labor Statistics, bls.gov/cpi. The Consumer Price Index (CPI) is a commonly used measure of the inflation rate.

6. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

See www.franklintempletondatasources.com for additional data provider information.

Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and (2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses. The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value" for each class of shares. You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$*). Then multiply the result by the number in the row for your class of shares under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then $8.6 \times \$7.50 = \64.50*). In this illustration, the actual expenses paid this period are \$64.50.

Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example for the class of shares you hold with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

Share Class	Beginning Account Value 7/1/17	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/17	Expenses Paid During Period 7/1/17–12/31/17 ^{1,2}	Ending Account Value 12/31/17	Expenses Paid During Period 7/1/17–12/31/17 ^{1,2}	
A	\$1,000	\$991.30	\$4.97	\$1,020.21	\$5.04	0.99%
C	\$1,000	\$989.40	\$6.92	\$1,018.25	\$7.02	1.38%
R	\$1,000	\$990.10	\$6.22	\$1,018.95	\$6.31	1.24%
R6	\$1,000	\$993.90	\$3.16	\$1,022.08	\$3.16	0.62%
Advisor	\$1,000	\$992.60	\$3.72	\$1,021.48	\$3.77	0.74%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

Financial Highlights

Templeton International Bond Fund

	Year Ended December 31,		Year Ended August 31,			
	2017	2016 ^a	2016	2015	2014	2013
Class A						
Per share operating performance						
(for a share outstanding throughout the year)						
Net asset value, beginning of year	\$10.61	\$10.07	\$10.03	\$11.86	\$11.30	\$11.70
Income from investment operations ^b :						
Net investment income ^c	0.42	0.12	0.34	0.30	0.26	0.26
Net realized and unrealized gains (losses)	(0.18)	0.44	(0.17)	(1.68)	0.61	(0.14)
Total from investment operations	0.24	0.56	0.17	(1.38)	0.87	0.12
Less distributions from:						
Net investment income	(0.28)	—	(0.04)	(0.45)	(0.31)	(0.46)
Net realized gains	—	—	—	—	—	(—) ^d
Tax return of capital	—	(0.02)	(0.09)	—	—	(0.06)
Total distributions	(0.28)	(0.02)	(0.13)	(0.45)	(0.31)	(0.52)
Net asset value, end of year	\$10.57	\$10.61	\$10.07	\$10.03	\$11.86	\$11.30
Total return ^e	2.25%	5.54%	1.70%	(11.90)%	7.77%	0.89%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates and expense reduction	1.44%	1.58%	1.27%	1.17%	1.14%	1.13%
Expenses net of waiver and payments by affiliates and expense reduction	0.99%	0.99%	0.99%	1.04% ^g	1.04% ^g	1.04%
Net investment income	3.87%	3.48%	3.28%	2.72%	2.23%	2.14%
Supplemental data						
Net assets, end of year (000's)	\$71,262	\$84,766	\$92,981	\$84,779	\$141,831	\$127,365
Portfolio turnover rate	88.62%	31.37%	105.96%	43.49%	33.45%	43.53%

^aFor the period September 1, 2016 to December 31, 2016.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dAmount rounds to less than \$0.01 per share.

^eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

TEMPLETON INCOME TRUST
FINANCIAL HIGHLIGHTS

Templeton International Bond Fund (continued)

	Year Ended December 31,		Year Ended August 31,			
	2017	2016 ^a	2016	2015	2014	2013
Class C						
Per share operating performance						
(for a share outstanding throughout the year)						
Net asset value, beginning of year	\$10.62	\$10.08	\$10.04	\$11.87	\$11.31	\$11.71
Income from investment operations ^b :						
Net investment income ^c	0.38	0.11	0.29	0.26	0.22	0.21
Net realized and unrealized gains (losses)	(0.18)	0.43	(0.16)	(1.68)	0.61	(0.13)
Total from investment operations	0.20	0.54	0.13	(1.42)	0.83	0.08
Less distributions from:						
Net investment income and net foreign currency gains	(0.24)	—	(0.03)	(0.41)	(0.27)	(0.42)
Net realized gains	—	—	—	—	—	(—) ^d
Tax return of capital	—	(—) ^d	(0.06)	—	—	(0.06)
Total distributions	(0.24)	—	(0.09)	(0.41)	(0.27)	(0.48)
Net asset value, end of year	\$10.58	\$10.62	\$10.08	\$10.04	\$11.87	\$11.31
Total return ^e	1.84%	5.36%	1.30%	(12.20)%	7.38%	0.58%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates and expense reduction	1.84%	1.98%	1.66%	1.51%	1.49%	1.48%
Expenses net of waiver and payments by affiliates and expense reduction	1.39%	1.39%	1.38%	1.38% ^g	1.39% ^g	1.39%
Net investment income	3.47%	3.08%	2.89%	2.38%	1.88%	1.79%
Supplemental data						
Net assets, end of year (000's)	\$9,733	\$11,563	\$11,906	\$15,559	\$23,990	\$27,270
Portfolio turnover rate	88.62%	31.37%	105.96%	43.49%	33.45%	43.53%

^aFor the period September 1, 2016 to December 31, 2016.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dAmount rounds to less than \$0.01 per share.

^eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

Templeton International Bond Fund (continued)

	Year Ended December 31,		Year Ended August 31,			
	2017	2016 ^a	2016	2015	2014	2013
Class R						
Per share operating performance						
(for a share outstanding throughout the year)						
Net asset value, beginning of year	\$10.61	\$10.08	\$10.03	\$11.87	\$11.31	\$11.71
Income from investment operations ^b :						
Net investment income ^c	0.40	0.11	0.30	0.28	0.24	0.23
Net realized and unrealized gains (losses)	(0.19)	0.43	(0.15)	(1.70)	0.61	(0.13)
Total from investment operations	0.21	0.54	0.15	(1.42)	0.85	0.10
Less distributions from:						
Net investment income and net foreign currency gains	(0.26)	—	(0.03)	(0.42)	(0.29)	(0.44)
Net realized gains	—	—	—	—	—	(—) ^d
Tax return of capital	—	(0.01)	(0.07)	—	—	(0.06)
Total distributions	(0.26)	(0.01)	(0.10)	(0.42)	(0.29)	(0.50)
Net asset value, end of year	\$10.56	\$10.61	\$10.08	\$10.03	\$11.87	\$11.31
Total return ^e	1.92%	5.44%	1.44%	(12.16)%	7.55%	0.71%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates and expense reduction	1.69%	1.83%	1.52%	1.37%	1.34%	1.33%
Expenses net of waiver and payments by affiliates and expense reduction	1.24%	1.24%	1.24%	1.24% ^g	1.24% ^g	1.24%
Net investment income	3.62%	3.23%	3.03%	2.52%	2.03%	1.94%
Supplemental data						
Net assets, end of year (000's)	\$286	\$1,010	\$1,005	\$1,001	\$1,558	\$1,452
Portfolio turnover rate	88.62%	31.37%	105.96%	43.49%	33.45%	43.53%

^aFor the period September 1, 2016 to December 31, 2016.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dAmount rounds to less than \$0.01 per share.

^eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

Templeton International Bond Fund (continued)

**Year Ended
December 31,
2017^a**

Class R6

Per share operating performance

(for a share outstanding throughout the year)

Net asset value, beginning of year	\$10.78
Income from investment operations ^b :	
Net investment income ^c	0.18
Net realized and unrealized gains (losses)	(0.24)
Total from investment operations	(0.06)
Less distributions from net investment income	(0.15)
Net asset value, end of year	\$10.57
 Total return ^d	(0.61)%

Ratios to average net assets^e

Expenses before waiver and payments by affiliates and expense reduction	0.99%
Expenses net of waiver and payments by affiliates and expense reduction	0.68%
Net investment income	4.39%

Supplemental data

Net assets, end of year (000's)	\$414
Portfolio turnover rate	88.62%

^aFor the period August 1, 2017 (effective date) to December 31, 2017.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dTotal return is not annualized for periods less than one year.

^eRatios are annualized for periods less than one year.

Templeton International Bond Fund (continued)

	Year Ended December 31,		Year Ended August 31,			
	2017	2016 ^a	2016	2015	2014	2013
Advisor Class						
Per share operating performance						
(for a share outstanding throughout the year)						
Net asset value, beginning of year	\$10.62	\$10.08	\$10.04	\$11.87	\$11.31	\$11.71
Income from investment operations ^b :						
Net investment income ^c	0.45	0.13	0.35	0.33	0.30	0.29
Net realized and unrealized gains (losses)	(0.18)	0.43	(0.16)	(1.68)	0.60	(0.14)
Total from investment operations	0.27	0.56	0.19	(1.35)	0.90	0.15
Less distributions from:						
Net investment income and net foreign currency gains	(0.31)	—	(0.04)	(0.48)	(0.34)	(0.49)
Net realized gains	—	—	—	—	—	(—) ^d
Tax return of capital	—	(0.02)	(0.11)	—	—	(0.06)
Total distributions	(0.31)	(0.02)	(0.15)	(0.48)	(0.34)	(0.55)
Net asset value, end of year	\$10.58	\$10.62	\$10.08	\$10.04	\$11.87	\$11.31
Total return ^e	2.51%	5.59%	1.95%	(11.63)%	8.09%	1.17%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates and expense reduction	1.19%	1.33%	1.02%	0.87%	0.84%	0.83%
Expenses net of waiver and payments by affiliates and expense reduction	0.74%	0.74%	0.74%	0.74% ^g	0.74% ^g	0.74%
Net investment income	4.12%	3.73%	3.53%	3.02%	2.53%	2.44%
Supplemental data						
Net assets, end of year (000's)	\$276,074	\$249,190	\$248,750	\$307,449	\$355,214	\$251,785
Portfolio turnover rate	88.62%	31.37%	105.96%	43.49%	33.45%	43.53%

^aFor the period September 1, 2016 to December 31, 2016.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dAmount rounds to less than \$0.01 per share.

^eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

Statement of Investments, December 31, 2017
Templeton International Bond Fund

	Principal Amount*		Value
Foreign Government and Agency Securities 68.4%			
Argentina 4.3%			
Argentine Bonos del Tesoro,			
21.20%, 9/19/18	4,382,000	ARS	\$ 228,545
18.20%, 10/03/21	72,414,000	ARS	3,995,170
16.00%, 10/17/23	109,096,000	ARS	5,837,200
senior note, 15.50%, 10/17/26	90,450,000	ARS	4,922,930
^a Government of Argentina, FRN, 24.225%, (ARS Badlar + 2.00%), 4/03/22	5,808,000	ARS	311,445
			<u>15,295,290</u>
Brazil 4.6%			
Letra Tesouro Nacional,			
Strip, 1/01/20	3,100 ^b	BRL	801,486
Strip, 7/01/20	21,410 ^b	BRL	5,261,552
Strip, 7/01/21	27,790 ^b	BRL	6,145,747
Nota Do Tesouro Nacional,			
10.00%, 1/01/21	130 ^b	BRL	40,399
10.00%, 1/01/23	8,407 ^b	BRL	2,568,477
^c Index Linked, 6.00%, 8/15/22	929 ^b	BRL	890,933
^c Index Linked, 6.00%, 8/15/24	630 ^b	BRL	609,226
			<u>16,317,820</u>
Colombia 4.6%			
Government of Colombia,			
senior bond, 7.75%, 4/14/21	378,000,000	COP	134,009
senior bond, 4.375%, 3/21/23	57,000,000	COP	18,148
senior bond, 9.85%, 6/28/27	91,000,000	COP	38,241
Titulos de Tesoreria,			
B, 5.00%, 11/21/18	440,000,000	COP	147,934
B, 7.75%, 9/18/30	6,076,400,000	COP	2,223,663
B, 7.00%, 6/30/32	516,000,000	COP	175,562
senior bond, B, 11.25%, 10/24/18	814,000,000	COP	287,126
senior bond, B, 11.00%, 7/24/20	746,000,000	COP	283,946
senior bond, B, 7.00%, 5/04/22	11,196,000,000	COP	3,948,341
senior bond, B, 10.00%, 7/24/24	11,997,000,000	COP	4,847,295
senior bond, B, 7.50%, 8/26/26	7,767,700,000	COP	2,780,357
senior bond, B, 6.00%, 4/28/28	4,498,900,000	COP	1,449,804
senior note, B, 7.00%, 9/11/19	637,000,000	COP	220,952
			<u>16,555,378</u>
Ghana 1.6%			
Ghana Treasury Note, 17.24%, 11/11/19	280,000	GHS	61,896
Government of Ghana,			
21.00%, 3/23/20	90,000	GHS	21,391
24.75%, 3/01/21	50,000	GHS	13,182
24.50%, 6/21/21	50,000	GHS	13,279
24.75%, 7/19/21	50,000	GHS	13,386
18.75%, 1/24/22	2,910,000	GHS	680,714
19.75%, 3/25/24	2,910,000	GHS	713,945
19.00%, 11/02/26	8,740,000	GHS	2,133,451
senior bond, 19.75%, 3/15/32	8,740,000	GHS	2,122,138
senior note, 21.50%, 3/09/20	50,000	GHS	11,965
senior note, 18.25%, 9/21/20	60,000	GHS	13,761
			<u>5,799,108</u>

Templeton International Bond Fund (continued)

	Principal Amount*		Value
Foreign Government and Agency Securities (continued)			
India 10.1%			
Government of India,			
senior bond, 7.80%, 5/03/20	103,000,000	INR	\$ 1,647,112
senior bond, 8.20%, 2/15/22	19,000,000	INR	307,812
senior bond, 8.35%, 5/14/22	30,400,000	INR	495,581
senior bond, 8.08%, 8/02/22	673,000,000	INR	10,875,423
senior bond, 8.13%, 9/21/22	51,000,000	INR	823,941
senior bond, 9.15%, 11/14/24	227,000,000	INR	3,866,894
senior note, 7.28%, 6/03/19	4,000,000	INR	63,071
senior note, 8.12%, 12/10/20	125,300,000	INR	2,030,433
senior note, 7.80%, 4/11/21	196,900,000	INR	3,157,833
senior note, 8.79%, 11/08/21	110,000,000	INR	1,822,185
senior note, 8.15%, 6/11/22	82,000,000	INR	1,327,645
senior note, 6.84%, 12/19/22	12,000,000	INR	185,636
senior note, 7.16%, 5/20/23	19,100,000	INR	298,885
senior note, 8.83%, 11/25/23	257,900,000	INR	4,316,916
senior note, 7.68%, 12/15/23	302,000,000	INR	4,830,368
			<u>36,049,735</u>
Indonesia 7.7%			
Government of Indonesia,			
senior bond, FR64, 6.125%, 5/15/28	159,000,000	IDR	11,365
senior bond, FR68, 8.375%, 3/15/34	55,620,000,000	IDR	4,586,319
senior bond, FR39, 11.75%, 8/15/23	1,040,000,000	IDR	96,986
senior bond, FR40, 11.00%, 9/15/25	1,060,000,000	IDR	99,906
senior bond, FR42, 10.25%, 7/15/27	6,831,000,000	IDR	634,136
senior bond, FR44, 10.00%, 9/15/24	686,000,000	IDR	60,450
senior bond, FR47, 10.00%, 2/15/28	4,555,000,000	IDR	418,906
senior bond, FR52, 10.50%, 8/15/30	7,950,000,000	IDR	761,015
senior bond, FR56, 8.375%, 9/15/26	53,156,000,000	IDR	4,435,055
senior bond, FR59, 7.00%, 5/15/27	5,896,000,000	IDR	457,383
senior bond, FR70, 8.375%, 3/15/24	180,376,000,000	IDR	14,780,388
senior bond, FR71, 9.00%, 3/15/29	4,732,000,000	IDR	413,210
senior bond, FR73, 8.75%, 5/15/31	10,430,000,000	IDR	896,169
			<u>27,651,288</u>
Mexico 12.6%			
Government of Mexico,			
senior note, M, 4.75%, 6/14/18	2,592,800 ^d	MXN	13,030,592
senior bond, M, 8.00%, 6/11/20	4,433,950 ^d	MXN	22,759,327
senior bond, M, 6.50%, 6/10/21	958,380 ^d	MXN	4,716,058
senior note, M, 5.00%, 12/11/19	904,100 ^d	MXN	4,384,971
^e Mexican Udibonos, Index Linked, 4.00%, 6/13/19	42,076 ^f	MXN	215,788
			<u>45,106,736</u>
Philippines 2.8%			
Government of the Philippines,			
senior note, 5.875%, 1/31/18	1,310,000	PHP	26,234
senior note, 3.375%, 8/20/20	1,700,000	PHP	33,364
senior note, 5-72, 2.125%, 5/23/18	426,543,000	PHP	8,504,452
senior note, 7-51, 5.00%, 8/18/18	5,550,000	PHP	112,017
senior note, 7-56, 3.875%, 11/22/19	65,380,000	PHP	1,305,076
			<u>9,981,143</u>

Templeton International Bond Fund (continued)

	Principal Amount*		Value
Foreign Government and Agency Securities (continued)			
Serbia 0.5%			
^g Government of Serbia,			
senior note, 144A, 4.875%, 2/25/20	770,000		\$ 799,884
senior note, 144A, 7.25%, 9/28/21	710,000		812,943
			<u>1,612,827</u>
South Africa 1.6%			
Government of South Africa,			
8.00%, 1/31/30	15,341,000	ZAR	1,134,965
7.00%, 2/28/31	10,947,000	ZAR	738,315
8.25%, 3/31/32	19,654,000	ZAR	1,454,235
8.875%, 2/28/35	8,657,000	ZAR	660,900
8.50%, 1/31/37	4,659,000	ZAR	339,477
R186, 10.50%, 12/21/26	10,927,000	ZAR	987,077
senior bond, 6.25%, 3/31/36	9,693,000	ZAR	566,046
			<u>5,881,015</u>
South Korea 17.2%			
Korea Treasury Bond,			
senior note, 1.75%, 12/10/18	35,500,000,000	KRW	33,228,997
senior note, 1.25%, 12/10/19	11,430,000,000	KRW	10,541,279
senior note, 1.375%, 9/10/21	15,354,000,000	KRW	13,928,076
senior note, 1.875%, 3/10/22	3,066,000,000	KRW	2,821,266
senior note, 3.75%, 6/10/22	430,000,000	KRW	426,535
senior note, 2.00%, 9/10/22	566,000,000	KRW	522,593
senior note, 3.00%, 3/10/23	221,000,000	KRW	213,225
			<u>61,681,971</u>
Ukraine 0.8%			
^{g,h,i} Government of Ukraine, 144A, VRI, GDP Linked Security, 5/31/40	4,993,000		<u>2,782,349</u>
Total Foreign Government and Agency Securities (Cost \$241,854,029)			<u>244,714,660</u>
Short Term Investments 23.0%			
Foreign Government and Agency Securities 1.4%			
Argentina 0.2%			
Argentine Bonos del Tesoro, 22.75%, 3/05/18	260,000	ARS	13,897
Letras del Banco Central de la Republica Argentina, Strip, 7/18/18	13,050,000	ARS	611,787
			<u>625,684</u>
Colombia 0.0%^t			
Colombian Tes Corto Plazo, Strip, 3/13/18	204,000,000	COP	<u>67,657</u>
Mexico 1.2%			
^j Mexico Treasury Bill, 5/10/18 - 12/06/18	8,589,490 ^k	MXN	<u>4,185,010</u>
Total Foreign Government and Agency Securities (Cost \$5,110,869)			<u>4,878,351</u>

Templeton International Bond Fund (continued)

	Principal Amount*	Value
Short Term Investments (continued)		
U.S. Government and Agency Securities 5.9%		
United States 5.9%		
i U.S. Treasury Bill,		
1/11/18	8,350,000	\$ 8,347,552
1/18/18	12,871,000	12,863,943
Total U.S. Government and Agency Securities (Cost \$21,209,978)		21,211,495
Total Investments before Money Market Funds (Cost \$268,174,876)		270,804,506
	Shares	
Money Market Funds (Cost \$56,018,858) 15.7%		
United States 15.7%		
^{l,m} Institutional Fiduciary Trust Money Market Portfolio, 0.89%	56,018,858	56,018,858
Total Investments (Cost \$324,193,734) 91.4%		326,823,364
Other Assets, less Liabilities 8.6%		30,945,663
Net Assets 100.0%		\$357,769,027

[†]Rounds to less than 0.1% of net assets.

*The principal amount is stated in U.S. dollars unless otherwise indicated.

^aThe coupon rate shown represents the rate at period end.

^bPrincipal amount is stated in 1,000 Brazilian Real Units.

^cRedemption price at maturity and coupon payment is adjusted for inflation. See Note 1(f).

^dPrincipal amount is stated in 100 Mexican Peso Units.

^ePrincipal amount of security is adjusted for inflation. See Note 1(f).

^fPrincipal amount is stated in 100 Unidad de Inversion Units.

^gSecurity was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2017, the aggregate value of these securities was \$4,395,176, representing 1.2% of net assets.

^hNon-income producing.

ⁱThe principal represents the notional amount. See Note 1(c) regarding value recovery instruments.

^jThe security was issued on a discount basis with no stated coupon rate.

^kPrincipal amount is stated in 10 Mexican Peso Units.

^lSee Note 3(f) regarding investments in affiliated management investment companies.

^mThe rate shown is the annualized seven-day yield at period end.

Templeton International Bond Fund (continued)

At December 31, 2017, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Forward Exchange Contracts

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Euro	MSCO	Sell	2,850,000	3,371,009	1/05/18	\$ —	\$ (49,931)
Euro	JPHQ	Sell	5,133,700	6,070,626	1/08/18	—	(92,672)
Euro	SCNY	Sell	142,592	168,509	1/08/18	—	(2,681)
Euro	UBSW	Sell	596,153	704,785	1/08/18	—	(10,932)
Euro	BZWS	Sell	736,000	870,405	1/10/18	—	(13,317)
Euro	GSCO	Sell	399,000	470,441	1/10/18	—	(8,642)
Euro	HSBK	Sell	5,247,292	6,205,710	1/10/18	—	(94,757)
Euro	JPHQ	Sell	494,274	575,034	1/10/18	—	(18,445)
Euro	SCNY	Sell	195,249	230,003	1/10/18	—	(4,434)
Euro	JPHQ	Sell	186,425	220,415	1/11/18	—	(3,441)
Japanese Yen	DBAB	Sell	23,005,000	204,035	1/11/18	—	(251)
Indian Rupee	JPHQ	Buy	4,211,000	63,716	1/12/18	2,176	—
Indian Rupee	JPHQ	Sell	4,211,000	64,270	1/12/18	—	(1,622)
Euro	BOFA	Sell	208,570	245,695	1/16/18	—	(4,831)
Euro	DBAB	Sell	3,684,803	4,362,291	1/16/18	—	(63,758)
Euro	HSBK	Sell	396,000	471,703	1/16/18	—	(3,957)
Euro	JPHQ	Sell	418,000	498,073	1/16/18	—	(4,013)
Euro	SCNY	Sell	327,000	384,859	1/16/18	—	(7,921)
Japanese Yen	CITI	Sell	7,840,000	69,225	1/16/18	—	(412)
Japanese Yen	HSBK	Sell	28,700,000	253,287	1/16/18	—	(1,635)
Euro	BOFA	Sell	64,282	76,708	1/17/18	—	(510)
Euro	GSCO	Sell	247,466	293,134	1/17/18	—	(4,132)
Euro	JPHQ	Sell	1,801,118	2,149,696	1/17/18	—	(13,877)
Euro	GSCO	Sell	582,885	691,733	1/18/18	—	(8,495)
Euro	JPHQ	Sell	2,629,256	3,120,756	1/18/18	—	(37,807)
Euro	MSCO	Sell	403,500	476,037	1/18/18	—	(8,693)
Euro	UBSW	Sell	68,610	81,390	1/18/18	—	(1,032)
Indonesian Rupiah	JPHQ	Buy	104,632,000,000	9,797,921 AUD	1/19/18	73,690	—
Euro	DBAB	Sell	869,774	1,025,968	1/22/18	—	(19,168)
Euro	JPHQ	Sell	2,061,845	2,435,390	1/22/18	—	(42,160)
Euro	UBSW	Sell	573,000	678,048	1/22/18	—	(10,479)
Japanese Yen	SCNY	Sell	37,130,000	334,882	1/22/18	4,982	—
Indian Rupee	DBAB	Buy	62,497,432	955,911	1/23/18	21,210	—
Indian Rupee	DBAB	Sell	62,497,432	952,560	1/23/18	—	(24,561)
Indian Rupee	JPHQ	Buy	68,937,820	1,054,095	1/23/18	23,718	—
Indian Rupee	JPHQ	Sell	68,937,820	1,050,881	1/23/18	—	(26,932)
Euro	CITI	Sell	48,798	57,956	1/24/18	—	(688)
Euro	DBAB	Sell	922,000	1,092,948	1/24/18	—	(15,083)
Euro	JPHQ	Sell	32,570	38,694	1/24/18	—	(447)
Indian Rupee	HSBK	Buy	59,357,090	907,601	1/24/18	20,352	—
Indian Rupee	HSBK	Sell	59,357,090	904,834	1/24/18	—	(23,119)
Japanese Yen	BZWS	Sell	20,800,000	184,490	1/24/18	—	(336)
Japanese Yen	DBAB	Sell	7,860,000	70,755	1/24/18	912	—
Australian Dollar	JPHQ	Buy	4,863,000	3,732,353	1/25/18	61,826	—
Australian Dollar	JPHQ	Sell	4,863,000	3,840,749	1/25/18	46,571	—
Japanese Yen	JPHQ	Buy	2,280,000,000	20,117,351	1/25/18	143,504	—
Japanese Yen	JPHQ	Sell	2,903,484,220	26,344,179	1/25/18	542,832	—
Mexican Peso	DBAB	Buy	218,500,000	10,260,143 EUR	1/25/18	—	(1,280,040)

Templeton International Bond Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Indian Rupee	HSBK	Buy	34,646,000	528,140	1/29/18	\$ 13,274	\$ —
Indian Rupee	HSBK	Sell	34,646,000	527,899	1/29/18	—	(13,515)
Japanese Yen	DBAB	Sell	31,548,058	284,689	1/29/18	4,287	—
Indian Rupee	JPHQ	Buy	4,211,000	64,408	1/30/18	1,391	—
Indian Rupee	JPHQ	Sell	4,211,000	64,148	1/30/18	—	(1,651)
Euro	BZWS	Sell	4,047,984	4,848,574	1/31/18	—	(18,198)
Euro	CITI	Sell	805,010	937,273	1/31/18	—	(30,567)
Euro	SCNY	Sell	670,194	799,710	1/31/18	—	(6,046)
Japanese Yen	BZWS	Sell	37,960,000	343,778	1/31/18	6,356	—
Japanese Yen	HSBK	Sell	40,858,365	369,258	1/31/18	6,072	—
Indian Rupee	JPHQ	Buy	5,599,000	85,065	2/01/18	2,403	—
Indian Rupee	JPHQ	Sell	5,599,000	85,273	2/01/18	—	(2,196)
Brazilian Real	DBAB	Buy	8,737,100	2,274,102 EUR	2/02/18	—	(106,396)
Euro	GSCO	Sell	444,500	519,754	2/02/18	—	(14,714)
Euro	HSBK	Sell	810,000	949,032	2/02/18	—	(24,913)
Euro	JPHQ	Sell	1,228,000	1,437,028	2/02/18	—	(39,522)
South Korean Won	DBAB	Sell	35,754,315,750	32,092,555	2/02/18	—	(1,424,759)
Euro	CITI	Sell	239,000	279,699	2/05/18	—	(7,722)
Euro	DBAB	Sell	256,873	300,567	2/05/18	—	(8,348)
Euro	BOFA	Sell	1,234,819	1,448,048	2/06/18	—	(37,027)
Japanese Yen	MSCO	Sell	16,900,000	153,333	2/06/18	3,069	—
Japanese Yen	SCNY	Sell	30,300,000	274,527	2/06/18	5,120	—
Euro	DBAB	Sell	6,731,060	7,861,743	2/07/18	—	(233,915)
Indian Rupee	DBAB	Buy	61,979,983	942,231	2/08/18	25,324	—
Indian Rupee	DBAB	Sell	61,979,983	943,092	2/08/18	—	(24,464)
Indian Rupee	HSBK	Buy	28,986,500	444,170	2/08/18	8,332	—
Indian Rupee	HSBK	Sell	28,986,500	441,195	2/08/18	—	(11,307)
Japanese Yen	BZWS	Sell	15,100,000	133,120	2/08/18	—	(1,151)
Euro	CITI	Sell	203,000	236,262	2/09/18	—	(7,920)
Euro	DBAB	Sell	780,000	907,823	2/09/18	—	(30,411)
Japanese Yen	CITI	Sell	42,706,000	387,405	2/09/18	7,641	—
Euro	HSBK	Sell	152,000	177,213	2/12/18	—	(5,652)
Euro	JPHQ	Sell	186,425	220,830	2/12/18	—	(3,450)
Japanese Yen	CITI	Sell	15,026,000	136,883	2/13/18	3,239	—
Euro	JPHQ	Sell	1,650,000	1,934,600	2/14/18	—	(50,668)
Japanese Yen	CITI	Sell	29,073,000	257,520	2/14/18	—	(1,071)
Euro	DBAB	Sell	1,328,838	1,558,490	2/15/18	—	(40,446)
Euro	GSCO	Sell	191,000	224,110	2/15/18	—	(5,713)
Indian Rupee	JPHQ	Buy	68,195,820	1,046,590	2/15/18	17,224	—
Indian Rupee	JPHQ	Sell	68,195,820	1,037,041	2/15/18	—	(26,773)
Japanese Yen	JPHQ	Sell	8,460,000	78,320	2/15/18	3,068	—
Euro	BOFA	Sell	946,613	1,118,845	2/16/18	—	(20,239)
Japanese Yen	DBAB	Sell	2,870,000,000	25,785,005	2/16/18	255,290	—
Japanese Yen	GSCO	Sell	2,903,924,440	26,781,806	2/16/18	950,321	—
Euro	GSCO	Sell	830,953	985,196	2/20/18	—	(14,929)
Euro	JPHQ	Sell	2,061,845	2,439,534	2/20/18	—	(42,080)
Euro	SCNY	Sell	388,000	460,667	2/20/18	—	(6,326)
Euro	UBSW	Sell	212,000	251,167	2/20/18	—	(3,994)
Japanese Yen	DBAB	Sell	16,770,000	153,004	2/20/18	3,801	—

Templeton International Bond Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
South Korean Won	CITI	Sell	5,092,000,000	4,556,778	2/20/18	\$ —	\$ (217,576)
Euro	BOFA	Sell	781,000	923,076	2/22/18	—	(17,030)
Euro	DBAB	Sell	3,030,000	3,580,309	2/22/18	—	(66,966)
Euro	HSBK	Sell	677,192	803,150	2/22/18	—	(12,000)
Euro	UBSW	Sell	60,021	71,046	2/22/18	—	(1,202)
Japanese Yen	HSBK	Sell	34,880,000	320,588	2/22/18	10,233	—
Japanese Yen	JPHQ	Sell	22,704,000	209,597	2/22/18	7,582	—
Mexican Peso	CITI	Buy	217,062,136	9,505,677	2/22/18	—	(515,732)
Euro	JPHQ	Sell	543,898	641,234	2/26/18	—	(13,611)
Japanese Yen	DBAB	Sell	7,432,000	68,605	2/26/18	2,465	—
Japanese Yen	HSBK	Sell	46,976,000	424,930	2/27/18	6,851	—
Euro	BOFA	Sell	237,520	284,169	2/28/18	—	(1,836)
Euro	DBAB	Sell	7,379,587	8,814,916	2/28/18	—	(71,071)
Euro	SCNY	Sell	683,487	816,903	2/28/18	—	(6,104)
Japanese Yen	BZWS	Sell	17,800,000	165,130	2/28/18	6,703	—
Japanese Yen	DBAB	Sell	17,053,000	157,640	2/28/18	5,861	—
Japanese Yen	JPHQ	Sell	93,760,000	861,979	2/28/18	27,479	—
Euro	BOFA	Sell	237,212	282,157	3/01/18	—	(3,497)
Japanese Yen	HSBK	Sell	27,402,000	250,911	3/01/18	7,007	—
Euro	GSCO	Sell	2,010,172	2,400,123	3/05/18	—	(21,188)
Japanese Yen	JPHQ	Sell	70,000,000	627,530	3/05/18	4,306	—
South Korean Won	HSBK	Sell	4,362,000,000	4,037,767	3/05/18	—	(52,630)
Euro	UBSW	Sell	596,153	709,613	3/06/18	—	(8,519)
Japanese Yen	HSBK	Sell	33,100,000	294,930	3/06/18	216	—
Euro	BOFA	Sell	1,234,819	1,468,138	3/07/18	—	(19,435)
Euro	GSCO	Sell	616,000	733,025	3/07/18	—	(9,064)
South Korean Won	GSCO	Sell	4,520,000,000	4,023,858	3/07/18	—	(214,768)
Euro	JPHQ	Sell	186,425	221,191	3/12/18	—	(3,467)
Australian Dollar	JPHQ	Sell	14,299,239	10,581,437	3/13/18	—	(573,085)
Euro	DBAB	Sell	3,684,803	4,376,477	3/13/18	—	(64,331)
Japanese Yen	JPHQ	Sell	1,913,717,700	16,909,711	3/14/18	—	(138,148)
Euro	JPHQ	Sell	2,061,845	2,439,173	3/15/18	—	(46,027)
Euro	BOFA	Sell	946,613	1,118,991	3/16/18	—	(22,064)
Japanese Yen	JPHQ	Sell	172,858,450	1,533,555	3/16/18	—	(6,504)
Euro	GSCO	Sell	247,466	293,658	3/19/18	—	(4,699)
Euro	MSCO	Sell	403,500	477,708	3/19/18	—	(8,771)
Japanese Yen	BZWS	Sell	18,748,705	171,039	3/19/18	3,969	—
Japanese Yen	CITI	Sell	18,818,061	170,957	3/20/18	3,257	—
South Korean Won	CITI	Sell	2,444,000,000	2,161,971	3/20/18	—	(130,121)
Japanese Yen	CITI	Sell	16,634,000	150,469	3/23/18	2,205	—
Japanese Yen	BZWS	Sell	13,651,450	123,634	3/26/18	1,932	—
Japanese Yen	JPHQ	Sell	18,778,488	172,206	3/26/18	4,796	—
Japanese Yen	MSCO	Sell	23,490,000	212,656	3/26/18	3,243	—
Japanese Yen	JPHQ	Sell	4,170,000	37,215	3/30/18	30	—
Australian Dollar	CITI	Sell	17,916,470	14,042,929	4/06/18	67,678	—
Japanese Yen	SCNY	Sell	23,520,000	210,847	4/10/18	974	—
Japanese Yen	CITI	Sell	20,800,000	191,502	4/13/18	5,866	—
Indian Rupee	DBAB	Buy	1,094,000	16,520	4/25/18	422	—
Indian Rupee	DBAB	Sell	1,094,000	16,506	4/25/18	—	(436)

Templeton International Bond Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Indian Rupee	DBAB	Buy	95,708,516	1,444,221	4/27/18	\$ 37,610	\$ —
Indian Rupee	DBAB	Sell	95,708,516	1,443,567	4/27/18	—	(38,264)
Japanese Yen	GSCO	Sell	33,200,000	294,214	4/27/18	—	(2,343)
Indian Rupee	DBAB	Buy	118,000,000	1,518,075 EUR	5/02/18	—	(9,670)
Mexican Peso	CITI	Buy	42,756,760	1,914,165 EUR	5/02/18	—	(187,930)
South Korean Won	DBAB	Sell	35,754,315,750	31,814,135	5/02/18	—	(1,736,850)
Indonesian Rupiah	DBAB	Buy	16,430,000,000	1,007,666 EUR	5/08/18	—	(17,079)
Japanese Yen	BOFA	Sell	15,120,000	137,317	5/08/18	2,168	—
Japanese Yen	CITI	Sell	34,542,911	305,318	5/09/18	—	(3,461)
Japanese Yen	CITI	Sell	29,073,000	258,844	5/14/18	—	(1,119)
Japanese Yen	JPHQ	Sell	33,933,000	302,460	5/14/18	—	(960)
Japanese Yen	GSCO	Sell	57,105,000	508,468	5/15/18	—	(2,181)
Japanese Yen	HSBK	Sell	15,273,000	136,549	5/15/18	—	(26)
Japanese Yen	SCNY	Sell	42,686,000	381,196	5/15/18	—	(514)
South Korean Won	CITI	Sell	4,902,000,000	4,403,126	5/15/18	—	(197,665)
Japanese Yen	CITI	Sell	42,685,000	379,892	5/16/18	—	(1,833)
Japanese Yen	CITI	Sell	2,880,000,000	25,849,882	5/16/18	94,549	—
Japanese Yen	SCNY	Sell	34,402,400	306,063	5/16/18	—	(1,592)
Japanese Yen	CITI	Sell	31,268,000	280,490	5/18/18	831	—
Japanese Yen	CITI	Sell	31,268,000	279,496	5/21/18	—	(214)
Japanese Yen	DBAB	Sell	23,793,000	212,894	5/21/18	52	—
Indonesian Rupiah	JPHQ	Buy	5,408,000,000	515,932 AUD	5/22/18	—	(7,355)
Japanese Yen	CITI	Sell	7,521,000	67,652	5/22/18	368	—
Japanese Yen	JPHQ	Sell	21,372,000	195,862	5/22/18	4,666	—
Japanese Yen	SCNY	Sell	23,295,000	209,509	5/24/18	1,084	—
Japanese Yen	BOFA	Sell	23,333,000	213,672	5/25/18	4,894	—
Japanese Yen	HSBK	Sell	6,209,000	55,877	5/29/18	306	—
Brazilian Real	JPHQ	Buy	105,449,861	32,112,145	6/04/18	—	(821,952)
Japanese Yen	CITI	Sell	9,278,000	82,706	6/13/18	—	(407)
Mexican Peso	CITI	Buy	82,331,810	3,523,264 EUR	6/14/18	—	(208,860)
Japanese Yen	MSCO	Sell	6,000,000	53,638	6/18/18	—	(128)
Japanese Yen	BZWS	Sell	63,037,000	572,239	6/29/18	6,985	—
Japanese Yen	CITI	Sell	29,073,000	260,336	8/14/18	—	(1,153)
Mexican Peso	CITI	Buy	23,897,760	1,010,834 EUR	9/07/18	—	(72,139)
Mexican Peso	CITI	Buy	22,997,080	955,830 EUR	12/07/18	—	(75,525)
Total Forward Exchange Contracts						\$ 2,584,573	\$ (9,810,396)
Net unrealized appreciation (depreciation)							\$ (7,225,823)

*In U.S. dollars unless otherwise indicated.

^aMay be comprised of multiple contracts with the same counterparty, currency and settlement date.

Templeton International Bond Fund (continued)

At December 31, 2017, the Fund had the following interest rate swap contracts outstanding. See Note 1(c).

Interest Rate Swap Contracts

Description	Payment Frequency	Maturity Date	Notional Amount	Value/ Unrealized Appreciation (Depreciation)
Centrally Cleared Swap Contracts				
Receive Floating 3-month USD LIBOR	Quarterly			
Pay Fixed 1.970%	Semi-Annual	1/23/25	\$15,050,000	\$ 242,441
Receive Floating 3-month USD LIBOR	Quarterly			
Pay Fixed 1.973%	Semi-Annual	1/27/25	8,880,000	141,275
Receive Floating 3-month USD LIBOR	Quarterly			
Pay Fixed 1.937%	Semi-Annual	1/29/25	2,220,000	40,934
Receive Floating 3-month USD LIBOR	Quarterly			
Pay Fixed 1.942%	Semi-Annual	1/30/25	1,880,000	34,038
Receive Floating 3-month USD LIBOR	Quarterly			
Pay Fixed 1.817%	Semi-Annual	2/03/25	2,960,000	79,929
Receive Floating 3-month USD LIBOR	Quarterly			
Pay Fixed 2.449%	Semi-Annual	7/02/25	4,540,000	(80,457)
Receive Floating 3-month USD LIBOR	Quarterly			
Pay Fixed 2.310%	Semi-Annual	7/29/25	18,210,000	(122,110)
Receive Floating 3-month USD LIBOR	Quarterly			
Pay Fixed 2.752%	Semi-Annual	7/29/45	5,970,000	(317,644)
Receive Floating 3-month USD LIBOR	Quarterly			
Pay Fixed 2.378%	Semi-Annual	11/18/46	21,600,000	721,338
Total Interest Rate Swap Contracts				<u>\$ 739,744</u>

See Note 9 regarding other derivative information.

See Abbreviations on page 40.

Financial Statements

Statement of Assets and Liabilities

December 31, 2017

Templeton International Bond Fund

Assets:

Investments in securities:

Cost - Unaffiliated issuers	\$268,174,876
Cost - Non-controlled affiliates (Note 3f)	56,018,858

Value - Unaffiliated issuers	\$270,804,506
Value - Non-controlled affiliates (Note 3f)	56,018,858

Cash	273
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Restricted cash for OTC derivative contracts (Note 1d)	730,000
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Foreign currency, at value (cost \$139,780)	140,265
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Receivables:

Investment securities sold	22,528,427
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Capital shares sold	1,706,556
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Interest	3,143,013
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Affiliates	430,014
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Deposits with brokers for:

OTC derivative contracts	6,462,000
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Centrally cleared swap contracts	5,286,241
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Unrealized appreciation on OTC forward exchange contracts	2,584,573
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Other assets	327
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Total assets	369,835,053
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Liabilities:

Payables:

Capital shares redeemed	470,433
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Management fees	136,662
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Distribution fees	42,212
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Transfer agent fees	153,909
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Variation margin on centrally cleared swap contracts	143,430
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Deposits from brokers for:

OTC derivative contracts	730,000
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Unrealized depreciation on OTC forward exchange contracts	9,810,396
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Deferred tax	392,794
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Accrued expenses and other liabilities	186,190
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Total liabilities	12,066,026
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Net assets, at value	\$357,769,027
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Net assets consist of:

Paid-in capital	\$367,142,794
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Undistributed net investment income (loss)	(4,612,723)
--	-------------

Net unrealized appreciation (depreciation)	(4,166,806)
--	-------------

Accumulated net realized gain (loss)	(594,238)
--	-----------

Net assets, at value	\$357,769,027
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TEMPLETON INCOME TRUST
FINANCIAL STATEMENTS

Statement of Assets and Liabilities (continued)
December 31, 2017

Templeton International Bond Fund

Class A:

Net assets, at value	\$ 71,262,365
Shares outstanding	6,742,811
Net asset value per share ^a	\$10.57
Maximum offering price per share (net asset value per share ÷ 95.75%)	\$11.04

Class C:

Net assets, at value	\$ 9,732,533
Shares outstanding	919,893
Net asset value and maximum offering price per share ^a	\$10.58

Class R:

Net assets, at value	\$ 285,874
Shares outstanding	27,063
Net asset value and maximum offering price per share	\$10.56

Class R6:

Net assets, at value	\$ 413,825
Shares outstanding	39,142
Net asset value and maximum offering price per share	\$10.57

Advisor Class:

Net assets, at value	\$276,074,430
Shares outstanding	26,099,447
Net asset value and maximum offering price per share	\$10.58

^aRedemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Statement of Operations

for the year ended December 31, 2017

Templeton International Bond Fund

Investment income:

Dividends:

Non-controlled affiliates (Note 3f)	\$ 465,943
Interest: (net of foreign taxes)~	
Unaffiliated issuers	17,532,523
Total investment income	<u>17,998,466</u>

Expenses:

Management fees (Note 3a)	2,500,497
Distribution fees: (Note 3c)	
Class A	207,604
Class C	67,195
Class R	1,575
Transfer agent fees: (Note 3e)	
Class A	317,527
Class C	39,745
Class R	1,209
Class R6	170
Advisor Class	1,054,142
Custodian fees (Note 4)	192,290
Reports to shareholders	51,906
Registration and filing fees	111,898
Professional fees	84,409
Trustees' fees and expenses	3,807
Other	55,535
Total expenses	4,689,509
Expense reductions (Note 4)	(23,989)
Expenses waived/paid by affiliates (Note 3f and 3g)	(1,652,351)
Net expenses	<u>3,013,169</u>
Net investment income	<u>14,985,297</u>

Realized and unrealized gains (losses):

Net realized gain (loss) from:

Investments:#

Unaffiliated issuers	(4,849,717)
Foreign currency transactions	(292,205)
Forward exchange contracts	2,024,410
Swap contracts	(948,149)
Net realized gain (loss)	<u>(4,065,661)</u>

Net change in unrealized appreciation (depreciation) on:

Investments:

Unaffiliated issuers	18,768,513
Translation of other assets and liabilities	
denominated in foreign currencies	115,421
Forward exchange contracts	(22,265,580)
Swap contracts	(68,770)
Change in deferred taxes on unrealized appreciation	(113,718)
Net change in unrealized appreciation (depreciation)	<u>(3,564,134)</u>

Net realized and unrealized gain (loss) (7,629,795)

Net increase (decrease) in net assets resulting from operations \$ 7,355,502

~Foreign taxes withheld on interest \$ 637,484
#Net of foreign taxes \$ 70,482

Statements of Changes in Net Assets

Templeton International Bond Fund

	Year Ended December 31,		Year Ended
	2017	2016 ^a	August 31, 2016
Increase (decrease) in net assets:			
Operations:			
Net investment income	\$ 14,985,297	\$ 4,231,662	\$ 13,269,573
Net realized gain (loss)	(4,065,661)	(15,980,742)	(21,303,748)
Net change in unrealized appreciation (depreciation)	(3,564,134)	30,199,234	17,715,411
Net increase (decrease) in net assets resulting from operations	7,355,502	18,450,154	9,681,236
Distributions to shareholders from:			
Net investment income:			
Class A	(2,135,713)	—	(250,807)
Class C	(226,565)	—	(43,256)
Class R	(7,288)	—	(3,030)
Class R6	(4,040)	—	—
Advisor Class	(7,732,320)	—	(1,179,201)
Tax return of capital:			
Class A	—	(147,100)	(742,249)
Class C	—	(542)	(87,572)
Class R	—	(747)	(7,112)
Advisor Class	—	(536,941)	(3,350,079)
Total distributions to shareholders	(10,105,926)	(685,330)	(5,663,306)
Capital share transactions: (Note 2)			
Class A	(13,408,837)	(12,516,437)	6,384,367
Class C	(1,837,725)	(908,425)	(3,660,293)
Class R	(724,335)	(48,144)	74
Class R6	424,421	—	—
Advisor Class	29,536,606	(12,404,778)	(60,888,281)
Total capital share transactions	13,990,130	(25,877,784)	(58,164,133)
Net increase (decrease) in net assets	11,239,706	(8,112,960)	(54,146,203)
Net assets:			
Beginning of year	346,529,321	354,642,281	408,788,484
End of year	\$357,769,027	\$346,529,321	\$354,642,281
Undistributed net investment income (loss) included in net assets:			
End of year	\$ (4,612,723)	\$ (16,890,318)	\$ 9,315,413

^aFor the period September 1, 2016 to December 31, 2016.

Notes to Financial Statements

Templeton International Bond Fund

1. Organization and Significant Accounting Policies

Templeton Income Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of four separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Templeton International Bond Fund (Fund) is included in this report. The Fund offers five classes of shares: Class A, Class C, Class R, Class R6, and Advisor Class. Each class of shares may differ by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees due to differing arrangements for distribution and transfer agent fees. Effective August 1, 2017, the Fund began offering a new class of shares, Class R6.

Subsequent to August 31, 2016, the Fund's fiscal year end changed to December 31.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share as of 4 p.m. Eastern time each day the New York Stock Exchange (NYSE) is open for trading. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The VC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Debt securities generally trade in the over-the-counter (OTC) market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through

which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the date that the values of the foreign debt securities are determined.

Investments in open-end mutual funds are valued at the closing NAV.

Certain derivative financial instruments are centrally cleared or trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Templeton International Bond Fund (continued)

1. Organization and Significant Accounting Policies (continued)

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Derivative Financial Instruments

The Fund invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential

for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from \$100,000 to \$250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of Fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty the next business day, or within a few business days. Collateral pledged and/or received by the Fund for OTC derivatives, if any, is held in segregated accounts with

Templeton International Bond Fund (continued)

the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives. To the extent that the amounts due to the Fund from its counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

The Fund entered into OTC forward exchange contracts primarily to manage and/or gain exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date.

The Fund entered into interest rate swap contracts primarily to manage interest rate risk. An interest rate swap is an agreement between the Fund and a counterparty to exchange cash flows based on the difference between two interest rates, applied to a notional amount. These agreements may be privately negotiated in the over-the-counter market (OTC interest rate swaps) or may be executed on a registered exchange (centrally cleared interest rate swaps). For centrally cleared interest rate swaps, required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities. Over the term of the contract, contractually required payments to be paid and to be received are accrued daily and recorded as unrealized depreciation and appreciation until the payments are made, at which time they are realized.

The Fund invests in value recovery instruments (VRI) primarily to gain exposure to economic growth. Periodic payments from VRI are dependent on established benchmarks for underlying variables. VRI has a notional amount, which is used to calculate amounts of payments to holders. Payments are recorded upon receipt as realized gains in the Statement of Operations. The risks of investing in VRI include growth risk, liquidity, and the potential loss of investment.

See Note 9 regarding other derivative information.

d. Restricted Cash

At December 31, 2017, the Fund held restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's custodian and is reflected in the Statement of Assets and Liabilities.

e. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2017, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Templeton International Bond Fund (continued)

1. Organization and Significant Accounting Policies (continued)

f. Security Transactions, Investment Income, Expenses and Distributions (continued)

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the Fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

Inflation-indexed bonds are adjusted for inflation through periodic increases or decreases in the security's interest accruals, face amount, or principal redemption value, by amounts corresponding to the rate of inflation as measured by an index. Any increase or decrease in the face amount or principal redemption value will be included as interest income in the Statement of Operations.

2. Shares of Beneficial Interest

At December 31, 2017, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2017	
	Shares	Amount
Class A Shares:		
Shares sold	1,636,962	\$ 17,770,560
Shares issued in reinvestment of distributions	194,303	2,102,871
Shares redeemed	(3,078,899)	(33,282,268)
Net increase (decrease)	(1,247,634)	\$ (13,408,837)
Class C Shares:		
Shares sold	116,561	\$ 1,258,227
Shares issued in reinvestment of distributions	18,551	200,916
Shares redeemed	(304,164)	(3,296,868)
Net increase (decrease)	(169,052)	\$ (1,837,725)
Class R Shares:		
Shares sold	6,017	\$ 64,972
Shares issued in reinvestment of distributions	675	7,288
Shares redeemed	(74,817)	(796,595)
Net increase (decrease)	(68,125)	\$ (724,335)

g. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

h. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

Templeton International Bond Fund (continued)

	Year Ended December 31, 2017	
	Shares	Amount
Class R6 Shares^a:		
Shares sold	41,387	\$ 448,560
Shares issued in reinvestment of distributions	371	3,972
Shares redeemed	(2,616)	(28,111)
Net increase (decrease)	39,142	\$ 424,421
Advisor Class Shares:		
Shares sold	16,643,696	\$ 181,321,450
Shares issued in reinvestment of distributions	673,632	7,293,102
Shares redeemed	(14,686,688)	(159,077,946)
Net increase (decrease)	2,630,640	\$ 29,536,606

^aFor the period August 1, 2017 (effective date) to December 31, 2017.

	Year Ended December 31, 2016 ^a		Year Ended August 31, 2016	
	Shares	Amount	Shares	Amount
Class A Shares:				
Shares sold	481,640	\$ 4,961,220	8,362,848	\$ 81,618,838
Shares issued in reinvestment of distributions	14,226	144,332	95,518	950,216
Shares redeemed	(1,736,393)	(17,621,989)	(7,682,750)	(76,184,687)
Net increase (decrease)	(1,240,527)	\$(12,516,437)	775,616	\$ 6,384,367
Class C Shares:				
Shares sold	66,190	\$ 702,987	337,939	\$ 3,406,659
Shares issued in reinvestment of distributions	46	469	11,371	113,342
Shares redeemed	(158,337)	(1,611,881)	(718,449)	(7,180,294)
Net increase (decrease)	(92,101)	\$ (908,425)	(369,139)	\$ (3,660,293)
Class R Shares:				
Shares sold	9,414	\$ 96,754	25,853	\$ 257,479
Shares issued in reinvestment of distributions	74	747	1,018	10,142
Shares redeemed	(14,077)	(145,645)	(26,895)	(267,547)
Net increase (decrease)	(4,589)	\$ (48,144)	(24)	\$ 74
Advisor Class Shares:				
Shares sold	5,198,685	\$ 53,201,278	15,044,737	\$ 149,053,642
Shares issued in reinvestment of distributions	46,668	476,990	379,078	3,777,755
Shares redeemed	(6,455,866)	(66,083,046)	(21,378,024)	(213,719,678)
Net increase (decrease)	(1,210,513)	\$(12,404,778)	(5,954,209)	\$ (60,888,281)

^aFor the period September 1, 2016 to December 31, 2016.

Templeton International Bond Fund (continued)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.700%	Up to and including \$200 million
0.650%	Over \$200 million, up to and including \$1.3 billion
0.600%	In excess of \$1.3 billion

For the year ended December 31, 2017, the gross effective investment management fee rate was 0.677% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class R6 and Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's Class A reimbursement distribution plan, the Fund reimburses Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. Under the Class A reimbursement distribution plan, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Fund's Class C and R compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate for each class. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

Class A	0.25%
Class C	0.65%
Class R	0.50%

Templeton International Bond Fund (continued)

d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. These charges are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. Distributors has advised the Fund of the following commission transactions related to the sales and redemptions of the Fund's shares for the year:

Sales charges retained net of commissions paid to unaffiliated brokers/dealers	\$7,203
CDSC retained	\$ 8

e. Transfer Agent Fees

Each class of shares pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations. Effective November 1, 2017, the fees are based on an annualized asset based fee of 0.02% plus a transaction based fee. Prior to November 1, 2017, the fees were account based fees that varied based on fund or account type. In addition, each class reimburses Investor Services for out of pocket expenses incurred and, except for Class R6, reimburses shareholder servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets. Class R6 pays Investor Services transfer agent fees specific to that class.

For the year ended December 31, 2017, the Fund paid transfer agent fees of \$1,412,793, of which \$815,252 was retained by Investor Services.

f. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. Prior to September 1, 2013, the waiver was accounted for as a reduction to management fees. During the year ended December 31, 2017, the Fund held investments in affiliated management investment companies as follows:

	Number of Shares Held at Beginning of Year	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Dividend Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Non-Controlled Affiliates								
Institutional Fiduciary Trust Money Market Portfolio, 0.89%	79,099,308	249,967,664	(273,048,114)	56,018,858	\$56,018,858	\$465,943	\$ —	\$ —

g. Waiver and Expense Reimbursements

Advisers and Investor Services have contractually agreed in advance to waive or limit their respective fees and to assume as their own expense certain expenses otherwise payable by the Fund so that the expenses (excluding distribution fees, and acquired fund fees and expenses) for Class A, Class C, Class R and Advisor Class of the Fund do not exceed 0.74%, and Class R6 does not exceed 0.68% based on the average net assets of each class (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until April 30, 2018. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

Templeton International Bond Fund (continued)

3. Transactions with Affiliates (continued)

h. Interfund Transactions

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the year ended December 31, 2017, these purchase and sale transactions aggregated \$0 and \$ 327,792, respectively.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2017, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains, if any. At December 31, 2017, the Fund had short-term capital loss carryforwards of \$565,250 not subject to expiration.

During the year ended December 31, 2017, the Fund utilized \$500,450 of capital loss carryforwards.

For tax purposes, the Fund may elect to defer any portion of a late-year ordinary loss to the first day of the following fiscal year. At December 31, 2017, the Fund deferred late-year ordinary losses of \$7,288,413.

The tax character of distributions paid during the years ended December 31, 2017, December 31, 2016 and August 31, 2016, was as follows:

	<u>December 31,</u>		<u>August 31,</u>
	<u>2017</u>	<u>2016</u>	<u>2016</u>
Distributions paid from:			
Distributions paid from ordinary income	\$10,105,926	\$ —	\$1,476,294
Return of capital	—	685,330	4,187,012
	<u>\$10,105,926</u>	<u>\$685,330</u>	<u>\$5,663,306</u>

At December 31, 2017, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	<u>\$321,848,008</u>
Unrealized appreciation	\$ 20,443,674
Unrealized depreciation	<u>(21,565,794)</u>
Net unrealized appreciation (depreciation)	<u>\$ (1,122,120)</u>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of foreign currency transactions and tax straddles.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2017, aggregated \$225,600,484 and \$229,968,628, respectively.

Templeton International Bond Fund (continued)

7. Credit Risk

At December 31, 2017, Fund had 14.5% of its portfolio invested in high yield securities or other securities rated below investment grade and unrated securities, if any. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities.

9. Other Derivative Information

At December 31, 2017, the Fund's investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Interest rate contracts	Variation margin on centrally cleared swap contracts	\$1,259,955 ^a	Variation margin on centrally cleared swap contracts	\$ 520,211 ^a
Foreign exchange contracts	Unrealized appreciation on OTC forward exchange contracts	2,584,573	Unrealized depreciation on OTC forward exchange contracts	9,810,396
Value Recovery Instruments	Investments in securities, at value	2,782,349 ^b		
Totals		<u>\$6,626,877</u>		<u>\$10,330,607</u>

^aThis amount reflects the cumulative appreciation (depreciation) of centrally cleared swap contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at year end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

^bVRI are included in investments in securities, at value in the Statement of Assets and Liabilities.

For the year ended December 31, 2017, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Interest rate contracts	Swap contracts	\$ (948,149)	Swap contracts	\$ (68,770)
Foreign exchange contracts	Forward exchange contracts	2,024,410	Forward exchange contracts	(22,265,580)
Value Recovery Instruments	Investments	—	Investments	1,259,484 ^a
Totals		<u>\$1,076,261</u>		<u>\$(21,074,866)</u>

^aVRI are included in net change in unrealized appreciation (depreciation) on investments in the Statement of Operations.

For the year ended December 31, 2017, the average month end notional amount of swap contracts represented \$81,310,000. The average month end contract value and fair value of forward exchange contracts and VRI, was \$421,566,019 and \$2,171,916, respectively.

Templeton International Bond Fund (continued)

9. Other Derivative Information (continued)

At December 31, 2017, the Fund's OTC derivative assets and liabilities are as follows:

	Gross Amounts of Assets and Liabilities Presented in the Statement of Assets and Liabilities	
	Assets^a	Liabilities^a
Derivatives		
Forward Exchange Contracts	\$2,584,573	\$9,810,396

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

At December 31, 2017, the Fund's OTC derivative assets, which may be offset against the Fund's OTC derivative liabilities and collateral received from the counterparty, are as follows:

	Gross Amounts of Assets Presented in the Statement of Assets and Liabilities	Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount (Not less than zero)
		Financial Instruments Available for Offset	Financial Instruments Collateral Received	Cash Collateral Received^a	
Counterparty					
BOFA	\$ 7,062	\$ (7,062)	\$ —	\$ —	\$ —
BZWS	25,945	(25,945)	—	—	—
CITI	185,634	(185,634)	—	—	—
DBAB	357,234	(357,234)	—	—	—
GSCO	950,321	(310,868)	—	(639,453)	—
HSBK	72,643	(72,643)	—	—	—
JPHQ	967,262	(967,262)	—	—	—
MSCO	6,312	(6,312)	—	—	—
SCNY	12,160	(12,160)	—	—	—
UBSW	—	—	—	—	—
Total	\$2,584,573	\$(1,945,120)	\$ —	\$(639,453)	\$ —

Templeton International Bond Fund (continued)

At December 31, 2017, the Fund's OTC derivative liabilities, which may be offset against the Fund's OTC derivative assets and collateral pledged to the counterparty, are as follows:

	Gross Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount (Not less than zero)
		Financial Instruments Available for Offset	Financial Instruments Collateral Pledged	Cash Collateral Pledged	
Counterparty					
BOFA	\$ 126,469	\$ (7,062)	\$ —	\$ —	\$ 119,407
BZWS	33,002	(25,945)	—	—	7,057
CITI	1,662,115	(185,634)	—	(1,320,000)	156,481
DBAB	5,276,267	(357,234)	—	(4,490,000)	429,033
GSCO	310,868	(310,868)	—	—	—
HSBK	243,511	(72,643)	—	—	170,868
JPHQ	2,018,865	(967,262)	—	(652,000)	399,603
MSCO	67,523	(6,312)	—	—	61,211
SCNY	35,618	(12,160)	—	—	23,458
UBSW	36,158	—	—	—	36,158
Total	\$9,810,396	\$(1,945,120)	\$ —	\$(6,462,000)	\$1,403,276

^aIn some instances, the collateral amount disclosed in the table above was adjusted due to the requirement to limit collateral amount to avoid the effect of overcollateralization. Actual collateral received and/or pledged may be more than the amount disclosed herein.

See Note 1(c) regarding derivative financial instruments.

See Abbreviations on page 40.

10. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 9, 2018. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 9, 2018, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 8, 2019, for a total of \$2 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2017, the Fund did not use the Global Credit Facility.

11. Fair Value Measurements

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)

Templeton International Bond Fund (continued)

11. Fair Value Measurements (continued)

- Level 3 – significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of December 31, 2017, in valuing the Fund’s assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities: ^a				
Foreign Government and Agency Securities	\$ —	\$ 244,714,660	\$ —	\$ 244,714,660
Short Term Investments	77,230,353	4,878,351	—	82,108,704
Total Investments in Securities	\$ 77,230,353	\$ 249,593,011	\$ —	\$ 326,823,364
Other Financial Instruments:				
Forward Exchange Contracts	\$ —	\$ 2,584,573	\$ —	\$ 2,584,573
Swap Contracts	—	1,259,955	—	1,259,955
Total Other Financial Instruments	\$ —	\$ 3,844,528	\$ —	\$ 3,844,528
Liabilities:				
Other Financial Instruments:				
Forward Exchange Contracts	\$ —	\$ 9,810,396	\$ —	\$ 9,810,396
Swap Contracts	—	520,211	—	520,211
Total Other Financial Instruments	\$ —	\$ 10,330,607	\$ —	\$ 10,330,607

^aFor detailed categories, see the accompanying Statement of Investments.

12. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those that have already been disclosed in the financial statements.

Abbreviations

Counterparty	Currency	Selected Portfolio
BOFA Bank of America Corp.	ARS Argentine Peso	BADLAR Argentina Deposit Rates Badlar Private Banks ARS
BZWS Barclays Bank PLC	AUD Australian Dollar	
CITI Citigroup, Inc.	BRL Brazilian Real	FRN Floating Rate Note
DBAB Deutsche Bank AG	COP Colombian Peso	GDP Gross Domestic Product
GSCO The Goldman Sachs Group, Inc.	EUR Euro	LIBOR London InterBank Offered Rate
HSBK HSBC Bank PLC	GHS Ghanaian Cedi	VRI Value Recovery Instrument
JPHQ JP Morgan Chase & Co.	IDR Indonesian Rupiah	
MSCO Morgan Stanley	INR Indian Rupee	
SCNY Standard Chartered Bank	KRW South Korean Won	
UBSW UBS AG	MXN Mexican Peso	
	PHP Philippine Peso	
	USD United States Dollar	
	ZAR South African Rand	

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Templeton Income Trust and Shareholders of Templeton International Bond Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Templeton International Bond Fund (the "Fund") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statements of changes in net assets for the year ended December 31, 2017, the period September 1, 2016 through December 31, 2016, and the year ended August 31, 2016, including the related notes, and the financial highlights for each of the periods indicated therein (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations for the year ended December 31, 2017, the changes in its net assets for the year ended December 31, 2017, the period September 1, 2016 through December 31, 2016, and the year ended August 31, 2016, and the financial highlights for each of the periods indicated therein in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian, transfer agent, and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 20, 2018

We have served as the auditor of one or more investment companies in the Franklin Templeton Group of Funds since 1948.

Tax Information (unaudited)

Templeton International Bond Fund

At December 31, 2016, more than 50% of the Fund’s total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. As shown in the table below, the Fund hereby reports to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Internal Revenue Code (Code). This written statement will allow shareholders of record on January 13, 2017, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

The following table provides a detailed analysis of foreign tax paid, foreign source income, and foreign source qualified dividends as reported by the Fund, to Class A, Class C, Class R, and Advisor Class shareholders of record.

Class	Foreign Tax Paid Per Share	Foreign Source Income Per Share	Foreign Source Qualified Dividends Per Share
Class A	\$0.0076	\$0.1075	\$ —
Class C	\$0.0076	\$0.0932	\$ —
Class R	\$0.0076	\$0.0217	\$ —
Advisor Class	\$0.0076	\$0.1179	\$ —

Foreign Tax Paid Per Share (Column 1) is the amount per share available to you, as a tax credit (assuming you held your shares in the Fund for a minimum of 16 days during the 31-day period beginning 15 days before the ex-dividend date of the Fund’s distribution to which the foreign taxes relate), or, as a tax deduction.

Foreign Source Income Per Share (Column 2) is the amount per share of income dividends attributable to foreign securities held by the Fund, plus any foreign taxes withheld on these dividends. The amounts reported include foreign source qualified dividends that have not been adjusted for the rate differential applicable to such dividend income.¹

Foreign Source Qualified Dividends Per Share (Column 3) is the amount per share of foreign source qualified dividends, plus any foreign taxes withheld on these dividends. These amounts represent the portion of the Foreign Source Income reported to you in column 2 that were derived from qualified foreign securities held by the Fund.¹

By mid-February 2018, shareholders will receive Form 1099-DIV which will include their share of taxes paid and foreign source income distributed during the calendar year 2017. The Foreign Source Income reported on Form 1099-DIV has not been adjusted for the rate differential on foreign source qualified dividend income. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their 2017 individual income tax returns.

At December 31, 2017, more than 50% of the Fund’s total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. The Fund elects to treat foreign taxes paid as allowed under Section 853 of the Code. This election will allow shareholders of record as of the first distribution in 2018, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

1. Qualified dividends are taxed at reduced long term capital gains tax rates. In determining the amount of foreign tax credit that may be applied against the U.S. tax liability of individuals receiving foreign source qualified dividends, adjustments may be required to the foreign tax credit limitation calculation to reflect the rate differential applicable to such dividend income. The rules however permit certain individuals to elect not to apply the rate differential adjustments for capital gains and/or dividends for any taxable year. Please consult your tax advisor and the instructions to Form 1116 for more information.

Special Meeting of Shareholders

MEETING OF SHAREHOLDERS: OCTOBER 30, 2017 AND RECONVENED ON DECEMBER 15, 2017 AND DECEMBER 29, 2017

(UNAUDITED)

A Special Meeting of Shareholders of Templeton Income Trust was held at the offices of Franklin Templeton Investments, One Franklin Parkway, San Mateo, California on October 30, 2017 and reconvened on December 15, 2017 and December 29, 2017. The purpose of the meeting was to elect Trustees of Templeton Income Trust and to vote on the following proposals: to approve the use of a “manager of managers” structure whereby the Fund’s investment manager would be able to hire and replace subadvisers without shareholder approval and to approve an amended fundamental investment restriction regarding investments in commodities for the Fund. At the meeting, (i) the following persons were elected by the shareholders to serve as Trustees of Templeton Income Trust: Harris J. Ashton, Ann Torre Bates, Mary C. Choksi, Edith E. Holiday, Gregory E. Johnson, Rupert H. Johnson, Jr., J. Michael Luttig, David W. Niemiec, Larry D. Thompson, Constantine D. Tseretopoulos, and Robert E. Wade and (ii) the proposals to use a “manager of managers” structure and to approve the amended fundamental investment restriction regarding investments in commodities were approved by shareholders. No other business was transacted at the meeting.

The results of the voting at the meeting are as follows:

Proposal 1. To elect a Board of Trustees:

Name	For	Withheld
Harris J. Ashton	2,245,000,342	39,406,689
Ann Torre Bates	2,245,209,719	39,192,314
Mary C. Choksi	2,245,204,857	39,202,177
Edith E. Holiday	2,245,128,911	39,278,121
Gregory E. Johnson	2,245,232,924	39,174,108
Rupert H. Johnson, Jr.	2,244,966,307	39,440,725
J. Michael Luttig	2,244,827,334	39,579,698
David W. Niemiec	2,245,105,092	39,301,940
Larry D. Thompson	2,245,128,168	39,278,864
Constantine D. Tseretopoulos	2,245,128,841	39,278,190
Robert E. Wade	2,245,153,718	39,253,314

Total Trust Shares Outstanding*: 3,753,885,536

* As of the record date.

TEMPLETON INCOME TRUST
SPECIAL MEETING OF SHAREHOLDERS

Proposal 2. To approve the use of a “manager of managers” structure whereby the Fund’s investment manager would be able to hire and replace subadvisers without shareholder approval:

	Shares
For	28,265,570
Against	255,850
Abstain	163,231
Broker Non-Votes	4,968,350
Total Fund Shares Voted	33,653,004
Total Fund Shares Outstanding*.	39,368,568

Proposal 3. To approve an amended fundamental investment restriction regarding investments in commodities:

	Shares
For	28,339,463
Against	143,424
Abstain	201,768
Broker Non-Votes	4,968,350
Total Fund Shares Voted	33,653,004
Total Fund Shares Outstanding*.	39,368,568

Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of US registered portfolios overseen in the Franklin Templeton Investments fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 1992	139	Bar-S Foods (meat packing company) (1981-2010).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
Ann Torre Bates (1958) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2008	40	Ares Capital Corporation (specialty finance company) (2010-present), United Natural Foods, Inc. (distributor of natural, organic and specialty foods) (2013-present), Allied Capital Corporation (financial services) (2003-2010), SLM Corporation (Sallie Mae) (1997-2014) and Navient Corporation (loan management, servicing and asset recovery) (2014-2016).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Executive Vice President and Chief Financial Officer, NHP Incorporated (manager of multifamily housing) (1995-1997); and Vice President and Treasurer, US Airways, Inc. (until 1995).				
Mary C. Choksi (1950) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2016	139	Avis Budget Group Inc. (car rental) (2007-present), Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				
Edith E. Holiday (1952) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Lead Independent Trustee	Trustee since 2001 and Lead Independent Trustee since 2007	139	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).
Principal Occupation During at Least the Past 5 Years: Director or Trustee of various companies and trusts; and formerly , Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison - United States Treasury Department (1988-1989).				

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
J. Michael Luttig (1954) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2009	139	Boeing Capital Corporation (aircraft financing) (2006-2013).
Principal Occupation During at Least the Past 5 Years: Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (aerospace company) (2006-present); and formerly , Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				
David W. Niemiec (1949) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2005	40	Hess Midstream Partners LO (oil and gas midstream infrastructure) (2017-present).
Principal Occupation During at Least the Past 5 Years: Advisor, Saratoga Partners (private equity fund); and formerly , Managing Director, Saratoga Partners (1998-2001) and SBC Warburg Dillon Read (investment banking) (1997-1998); Vice Chairman, Dillon, Read & Co. Inc. (investment banking) (1991-1997); and Chief Financial Officer, Dillon, Read & Co. Inc. (1982-1997).				
Larry D. Thompson (1945) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2005	139	The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012).
Principal Occupation During at Least the Past 5 Years: Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and formerly , Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President - Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003)				
Constantine D. Tseretopoulos (1954) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2003	26	None
Principal Occupation During at Least the Past 5 Years: Physician, Chief of Staff, owner and operator of the Lyford Cay Hospital (1987-present); director of various nonprofit organizations; and formerly , Cardiology Fellow, University of Maryland (1985-1987); and Internal Medicine Resident, Greater Baltimore Medical Center (1982-1985).				
Robert E. Wade (1946) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2006	40	El Oro Ltd (investments) (2003-present).
Principal Occupation During at Least the Past 5 Years: Attorney at law engaged in private practice as a sole practitioner (1972-2008) and member of various boards.				

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	153	None
Principal Occupation During at Least the Past 5 Years: Chairman of the Board, Member - Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 43 of the investment companies in Franklin Templeton Investments; Vice Chairman, Investment Company Institute; and formerly , President, Franklin Resources, Inc. (1994-2015).				
**Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, Trustee and Vice President	Chairman of the Board and Trustee since 2013 and Vice President since 1996	139	None
Principal Occupation During at Least the Past 5 Years: Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton Investments.				
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.				
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since June 2017	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; officer of 45 of the investment companies in Franklin Templeton Investments; formerly , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton Investments (2009-2017).				
Robert G. Kubilis (1973) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Financial Officer and Chief Accounting Officer and Treasurer	Since June 2017	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton Investments; and officer of 17 of the investment companies in Franklin Templeton Investments.				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert Lim (1948) One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Christopher J. Molumphy (1962) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2002	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director and Executive Vice President, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 22 of the investment companies in Franklin Templeton Investments.				
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; Vice President and Corporate Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; officer of 45 of the investment companies in Franklin Templeton Investments; and formerly , Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Secretary and Vice President	Secretary since 2013 and Vice President since 2011	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.

*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

**Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the US Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated each of Ann Torre Bates and David W. Niemiec as an audit committee financial expert. The Board believes that Ms. Bates and Mr. Niemiec qualify as such an expert in view of their extensive business background and experience. Ms. Bates has served as a member of the Fund Audit Committee since 2008. She currently serves as a director of Ares Capital Corporation (2010-present) and United Natural Foods, Inc. (2013-present) and was formerly a director of Navient Corporation from 2014 to 2016, SLM Corporation from 1997 to 2014 and Allied Capital Corporation from 2003 to 2010, Executive Vice President and Chief Financial Officer of NHP Incorporated from 1995 to 1997 and Vice President and Treasurer of US Airways, Inc. until 1995. Mr. Niemiec has served as a member of the Fund Audit Committee since 2005, currently serves as an Advisor to Saratoga Partners and was formerly its Managing Director from 1998 to 2001 and serves as a director of Hess Midstream Partners LP (2017-present). Mr. Niemiec was formerly a director of Emeritus Corporation from 1999 to 2010 and OSI Pharmaceuticals, Inc. from 2006 to 2010, Managing Director of SBC Warburg Dillon Read from 1997 to 1998, and was Vice Chairman from 1991 to 1997 and Chief Financial Officer from 1982 to 1997 of Dillon, Read & Co. Inc. As a result of such background and experience, the Board believes that Ms. Bates and Mr. Niemiec have each acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Ms. Bates and Mr. Niemiec are independent Board members as that term is defined under the applicable US Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.

Shareholder Information

Proxy Voting Policies and Procedures

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the US Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Trust, on behalf of the Fund, files a complete statement of investments with the US Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

Householding of Reports and Prospectuses

You will receive the Fund's financial reports every six months as well as an annual updated summary prospectus (prospectus available upon request). To reduce Fund expenses, we try to identify related shareholders in a household and send only one copy of the financial reports and summary prospectus. This process, called "householding," will continue indefinitely unless you instruct us otherwise. If you prefer not to have these documents househanded, please call us at (800) 632-2301. At any time you may view current prospectuses/summary prospectuses and financial reports on our website. If you choose, you may receive these documents through electronic delivery.

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**Annual Report and Shareholder Letter
Templeton International Bond Fund**

Investment Manager
Franklin Advisers, Inc.

Distributor
Franklin Templeton Distributors, Inc.
(800) DIAL BEN® / 342-5236
franklintempleton.com

Shareholder Services
(800) 632-2301

Authorized for distribution only when accompanied or preceded by a summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.