

BLACKROCK INCOME TRUST INC

Form N-CSR

November 08, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-05542

Name of Fund: BlackRock Income Trust, Inc. (BKT)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: Anne F. Ackerley, Chief Executive Officer, BlackRock Income Trust, Inc., 55 East 52<sup>nd</sup> Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 08/31/2010

Date of reporting period: 08/31/2010

Item 1 – Report to Stockholders

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August 31, 2010

## Annual Report

BlackRock Core Bond Trust (BHK)

BlackRock Corporate High Yield Fund V, Inc. (HYV)

BlackRock Corporate High Yield Fund VI, Inc. (HYT)

BlackRock High Income Shares (HIS)

BlackRock High Yield Trust (BHY)

BlackRock Income Opportunity Trust, Inc. (BNA)

BlackRock Income Trust, Inc. (BKT)

BlackRock Strategic Bond Trust (BHD)

**Not FDIC Insured No Bank Guarantee May Lose Value**

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## Dear Shareholder

The global economic recovery continues, although global and US economic statistics show that the pace of economic growth has slowed. The sovereign debt crisis in Europe, slowing growth in China and concerns over the possibility that the United States and other developed markets are heading for a double-dip recession have all acted to depress investor sentiment. Despite broadening evidence of a slowdown in global economic activity, market volatility has normalized from the extreme levels seen in recent months. In the United States, economic data continues to be mixed, but it is our view that the preponderance of data suggests that the recovery is continuing. The critical issue for investors remains the question of whether the economy will experience a double-dip recession. We are on the optimistic side of this debate and would point out that while the recovery has been slow, we have made significant progress.

Global equity markets have moved unevenly higher since bottoming out in early 2009 as investors were enticed by depressed valuations, improved corporate earnings, and their desire for higher yields. Several significant downturns, however, have occurred primarily as a result of mixed economic data and concerns about the possibility of prolonged deflation (especially in Europe). As the period drew to a close, equity markets lost ground on weaker-than-expected economic data, most notably from the United States. International equities posted negative returns on both a six- and 12-month basis while US equities posted negative returns over the six months, but were still showing positive returns on a 12-month basis as the domestic economic recovery had been more pronounced and credit-related issues held European markets down. Within the United States, smaller cap stocks continue to outperform large caps year-to-date.

In fixed income markets, yields have fluctuated significantly over the past year as economic data has been mixed. Risk aversion and credit issues have kept interest rates low and US Treasury yields have fallen significantly as investors favored safe haven assets. As the period drew to a close, Treasuries modestly outperformed the spread sectors of the market (those driven by changes in credit risk). Corporate credit spreads benefited from the low rate environment and high yield fixed income remains attractive due to low default rates and better-than-expected results on European bank stress tests. Meanwhile, tax-exempt municipal bonds slightly outperformed US investment grade bonds on a 12-month basis, but underperformed year-to-date as investors rotated to the relative safety of Treasuries.

Regarding cash investments, yields on money market securities remain near all-time lows (producing returns only marginally above zero percent), with the Federal Open Market Committee reiterating that economic circumstances are likely to necessitate an accommodative interest rate stance for an extended period.

Against this backdrop, the major market averages posted the following returns:

<b>Total Returns as of August 31, 2010</b>	<b>6-month</b>	<b>12-month</b>
US large cap equities (S&P 500 Index)	(4.04)%	4.91%
US small cap equities (Russell 2000 Index)	(3.60)	6.60
International equities (MSCI Europe, Australasia, Far East Index)	(3.04)	(2.34)
3-month Treasury bill (BofA Merrill Lynch 3-Month Treasury Bill Index)	0.07	0.14
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	11.49	11.58
US investment grade bonds (Barclays Capital US Aggregate Bond Index)	5.81	9.18
Tax-exempt municipal bonds (Barclays Capital Municipal Bond Index)	5.42	9.78
US high yield bonds (Barclays Capital US Corporate High Yield 2% Issuer Capped Index)	6.62	21.40

Past performance is no guarantee of future results. Index performance shown for illustrative purposes only. You cannot invest directly in an index.

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Although conditions have improved over the past couple of years, investors across the globe continue to face uncertainty about the future direction of economic growth. Through periods of uncertainty, as ever, BlackRock's full resources are dedicated to the management of our clients' assets. For additional market perspective and investment insight, visit [www.blackrock.com/shareholdermagazine](http://www.blackrock.com/shareholdermagazine), where you'll find the most recent issue of our award-winning *Shareholder*<sup>®</sup> magazine, as well as its quarterly companion newsletter, *Shareholder Perspectives*. We thank you for entrusting BlackRock with your investments, and we look forward to your continued partnership in the months and years ahead.

Sincerely,

Rob Kapito  
President, BlackRock Advisors, LLC

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THIS PAGE NOT PART OF YOUR FUND REPORT

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Trust Summary as of August 31, 2010

BlackRock Core Bond Trust

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**Trust Overview**


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**BlackRock Core Bond Trust s (BHK) (the Trust )** investment objective is to provide current income and capital appreciation. The Trust seeks to achieve its investment objective by investing at least 75% of its assets in bonds that are investment grade quality at the time of investment. The Trust s investments will include a broad range of bonds, including corporate bonds, US government and agency securities and mortgage-related securities. The Trust may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Trust s investment objective will be achieved.

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**Performance**


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For the 12 months ended August 31, 2010, the Trust returned 25.93% based on market price and 22.44% based on net asset value ( NAV ). For the same period, the closed-end Lipper Corporate Debt Funds BBB-Rated category posted an average return of 22.14% based on market price and 19.62% based on NAV. All returns reflect reinvestment of dividends. The Trust s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Trust benefited from its allocation to securitized sectors including commercial mortgage-backed securities ( MBS ), agency and non-agency MBS, and asset-backed securities. The Trust s higher duration (greater sensitivity to interest rates) relative to its peers contributed to performance as interest rates declined in the latter part of the period. The Trust s underweight in high yield corporate issues detracted from performance as risk assets rebounded sharply during the period and outperformed investment-grade credit. Rising interest rates during the first half of the period were detrimental to the Trust due to its higher duration.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

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**Trust Information**


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Symbol on New York Stock Exchange ( NYSE )	BHK
Initial Offering Date	November 27, 2001
Yield on Closing Market Price as of August 31, 2010 (\$13.92) <sup>1</sup>	5.78%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.067
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.804
Leverage as of August 31, 2010 <sup>3</sup>	31%

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<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution is not constant and is subject to change.

<sup>3</sup> Represents reverse repurchase agreements, treasury roll transactions and the Term Asset-Backed Securities Loan Facility ( TALF ) loan outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging

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techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Trust's market price and NAV per share:

	8/31/10	8/31/09	Change	High	Low
Market Price	\$ 13.92	\$ 11.98	16.19%	\$ 14.09	\$ 11.50
Net Asset Value	\$ 14.19	\$ 12.56	12.98%	\$ 14.20	\$ 12.48

The following charts show the portfolio composition of the Trust's long-term investments and credit quality allocations of the Trust's corporate bond and US Government securities:

### Portfolio Composition

	8/31/10	8/31/09
Corporate Bonds	38%	42%
U.S. Government Sponsored Agency Securities	23	20
U.S. Treasury Obligations	19	12
Non-Agency Mortgage-Backed Securities	10	17
Asset-Backed Securities	5	4
Taxable Municipal Bonds	2	2
Foreign Agency Obligations	2	2
Preferred Securities	1	1

### Credit Quality Allocations<sup>4</sup>

	8/31/10	8/31/09
AAA/Aaa <sup>5</sup>	43%	43%
Aa/Aa	11	9
A	17	17
BBB/Baa	11	12
BB/Ba	8	8
B	7	5
CCC/Caa	2	5
Not Rated	1	1

<sup>4</sup> Using the higher of Standard & Poor's Corporation (S&P's) or Moody's Investors Service, Inc. (Moody's) ratings.

<sup>5</sup> Includes US Government Sponsored Agency Securities which are deemed AAA/Aaa by the investment advisor.

Trust Summary as of August 31, 2010

BlackRock Corporate High Yield Fund V, Inc.

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**Trust Overview**


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**BlackRock Corporate High Yield Fund V, Inc. s (HYV) (the Trust )** investment objective is to provide shareholders with current income by investing primarily in a diversified portfolio of fixed income securities that are rated in the lower rating categories of the established rating services (BB or lower by S&P or Ba or lower by Moody s) or in unrated securities considered by the Trust s investment adviser to be of comparable quality. The Trust also seeks to provide shareholders with capital appreciation. The Trust seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in domestic and foreign high yield debt instruments, including high yield bonds (commonly referred to as junk bonds) and high yield corporate loans which are below investment grade quality. The Trust may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Trust s investment objective will be achieved.

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**Performance**


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For the 12 months ended August 31, 2010, the Trust returned 34.42% based on market price and 31.40% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of 34.35% based on market price basis and 26.92% based on NAV. All returns reflect reinvestment of dividends. The Trust s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The high yield sector outperformed most other sectors of the fixed income market. We focused on sectors and companies with relatively stable cash flows and the ability to generate steady income. We also invested in a few special situations and recovery stories, most notably in the automotive sector, which contributed to the Trust s outperformance versus its peer group. The Trust s underweight in higher quality speculative grade names and overweight in lower quality credits benefited performance. Toward the end of the period, we moved to an underweight position in lower quality names, which have recently become expensive relative to higher quality names. During the period, the Trust maintained leverage at an average amount just below 20% of its total managed assets, which detracted from relative performance versus competitors that maintained higher leverage, as would be expected when markets are advancing. Exposure to floating rate loan interests also detracted as the bank loan sector underperformed the high yield sector during the period.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

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**Trust Information**


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Symbol on NYSE	HYV
Initial Offering Date	November 30, 2001
Yield on Closing Market Price as of August 31, 2010 (\$11.40) <sup>1</sup>	8.68%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.0825
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.9900
Leverage as of August 31, 2010 <sup>3</sup>	19%

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<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.



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<sup>2</sup> The distribution is not constant and is subject to change.

<sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Trust's market price and NAV per share:

	8/31/10	8/31/09	Change	High	Low
Market Price	\$ 11.40	\$ 9.32	22.32%	\$ 11.78	\$ 9.02
Net Asset Value	\$ 11.61	\$ 9.71	19.57%	\$ 11.95	\$ 9.69

The following charts show the portfolio composition of the Trust's long-term investments and credit quality allocations of the Trust's corporate bond investments:

### Portfolio Composition

	8/31/10	8/31/09
Corporate Bonds	80%	81%
Floating Rate Loan Interests	15	17
Common Stocks	2	2
Other Interests	2	
Preferred Stocks	1	

### Credit Quality Allocations<sup>4</sup>

	8/31/10	8/31/09
AA/Aa		1%
BBB/Baa	3%	5
BB/Ba	35	31
B	46	37
CCC/Caa	11	20
CC/Ca	1	3
D		1
Not Rated	4	2

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

Trust Summary as of August 31, 2010

BlackRock Corporate High Yield Fund VI, Inc.

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**Trust Overview**


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**BlackRock Corporate High Yield Fund VI, Inc.** s (HYT) (the Trust ) primary investment objective is to provide shareholders with current income. The Trust s secondary investment objective is to provide shareholders with capital appreciation. The Trust seeks to achieve its objectives by investing, under normal market conditions, at least 80% of its assets in domestic and foreign high yield securities, including high yield bonds (commonly referred to as junk bonds), corporate loans, convertible debt securities and preferred securities which are below investment grade quality. The Trust may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Trust s investment objectives will be achieved.

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**Performance**


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For the 12 months ended August 31, 2010, the Trust returned 29.92% based on market price and 29.26% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of 34.35% based on market price and 26.92% based on NAV. All returns reflect reinvestment of dividends. The Trust s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The high yield sector outperformed most other sectors of the fixed income market, as the number of defaults declined and investors became less risk-averse and gravitated to higher yielding investments in the low yield environment. Given our outlook for a continued slow economic environment, we began to focus more on sectors and companies with relatively stable cash flows and the ability to generate steady income, and less on companies which require growth before they can achieve a steady income. Outside of this focus, we invested in a few special situations and recovery stories, most notably in the automotive sector. These investments were key contributors to the Trust s outperformance versus its peer group for the period. The Trust s underweight position in higher quality speculative grade names and overweight in lower quality credits benefited performance during the period. Toward the end of the period, we moved to an underweight position in lower quality names, which we believe will benefit the Trust going forward as lower quality issues have recently become expensive relative to higher quality names. During the period, the Trust maintained leverage at an average amount between 15% to 20% of its total managed assets, which detracted from relative performance versus competitors that maintained higher leverage, as would be expected when markets are advancing. The Trust s exposure to floating rate loan interests detracted from performance (despite favorable security selection within the sector) as the bank loan sector underperformed the high yield sector during the period.

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**Trust Information**


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Symbol on NYSE	HYT
Initial Offering Date	May 30, 2003
Yield on Closing Market Price as of August 31, 2010 (\$11.19) <sup>1</sup>	8.85%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.0825
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.9900
Leverage as of August 31, 2010 <sup>3</sup>	18%

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- <sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.
- <sup>2</sup> The distribution is not constant and is subject to change.
- <sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Trust's market price and NAV per share:

	8/31/10	8/31/09	Change	High	Low
Market Price	\$ 11.19	\$ 9.47	18.16%	\$ 11.76	\$ 9.15
Net Asset Value	\$ 11.38	\$ 9.68	17.56%	\$ 11.67	\$ 9.66

The following charts show the portfolio composition of the Trust's long-term investments and credit quality allocations of the Trust's corporate bond investments:

### Portfolio Composition

	8/31/10	8/31/09
Corporate Bonds	81%	82%
Floating Rate Loan Interests	15	16
Common Stocks	2	2
Other Interests	1	
Preferred Stocks	1	

### Credit Quality Allocations<sup>4</sup>

	8/31/10	8/31/09
A		1%
BBB/Baa	3%	5
BB/Ba	36	27
B	47	41
CCC/Caa	11	25
Not Rated	3	1

- <sup>4</sup> Using the higher of S&P's or Moody's ratings.

Trust Summary as of August 31, 2010

BlackRock High Income Shares

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**Trust Overview**


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**BlackRock High Income Shares (HIS) (the Trust )** investment objective is to provide the highest current income attainable consistent with reasonable risk as determined by the Trust's investment adviser, through investment in a professionally managed, diversified portfolio of high yield, high risk fixed income securities (commonly referred to as "junk bonds"). The Trust's secondary objective is to provide capital appreciation, but only when consistent with its primary objective. The Trust seeks to achieve its objectives by investing primarily in high yield, high risk debt instruments rated in the medium to lower categories by nationally recognized rating services (BBB or lower by S&P or Baa or lower by Moody's) or non-rated securities, which, in the investment adviser's opinion, are of comparable quality. Under normal market conditions, the average maturity of the Trust's portfolio is between eight and twelve years. The Trust may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Trust's investment objectives will be achieved.

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**Performance**


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For the 12 months ended August 31, 2010, the Trust returned 35.52% based on market price and 28.95% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of 34.35% based on market price and 26.92% based on NAV. All returns reflect reinvestment of dividends. The Trust's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The high yield sector outperformed most other sectors of the fixed income market. We focused on sectors and companies with relatively stable cash flows and the ability to generate steady income. Outside of this focus, we invested in a few special situations and recovery stories, most notably in the automotive sector, which contributed to the Trust's outperformance versus its peer group. The Trust's underweight in higher quality speculative grade names and overweight in lower quality credits benefited performance. Toward the end of the period, we moved to an underweight position in lower quality names, which have recently become expensive relative to higher quality names. During the period, the Trust maintained leverage at an average amount between 15% to 20% of its total managed assets, which detracted from relative performance versus competitors that maintained higher leverage, as would be expected when markets are advancing. Exposure to floating rate loan interests also detracted (despite favorable security selection within the sector) as the bank loan sector underperformed the high yield sector during the period.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

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**Trust Information**


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Symbol on NYSE	HIS
Initial Offering Date	August 10, 1988
Yield on Closing Market Price as of August 31, 2010 (\$2.09) <sup>1</sup>	8.15%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.0142
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.1704
Leverage as of August 31, 2010 <sup>3</sup>	17%

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- <sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.
- <sup>2</sup> The distribution is not constant and is subject to change.
- <sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Trust's market price and NAV per share:

	8/31/10	8/31/09	Change	High	Low
Market Price	\$ 2.09	\$ 1.68	24.40%	\$ 2.15	\$ 1.65
Net Asset Value	\$ 2.19	\$ 1.85	18.38%	\$ 2.24	\$ 1.85

The following charts show the portfolio composition of the Trust's long-term investments and credit quality allocations of the Trust's corporate bond investments:

### Portfolio Composition

	8/31/10	8/31/09
Corporate Bonds	84%	85%
Floating Rate Loan Interests	13	13
Preferred Securities	2	1
Common Stock	1	1

### Credit Quality Allocations<sup>4</sup>

	8/31/10	8/31/09
BBB/Baa	3%	4%
BB/Ba	35	33
B	46	32
CCC/Caa	11	24
C		2
D		1
Not Rated	5	4

- <sup>4</sup> Using the higher of S&P's or Moody's ratings.

Trust Summary as of August 31, 2010

BlackRock High Yield Trust

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**Trust Overview**


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**BlackRock High Yield Trust s (BHY) (the Trust )** investment objective is to provide high current income. The Trust s secondary investment objective is to provide capital appreciation. The Trust seeks to achieve its objectives by investing, under normal market conditions, at least 80% of its assets in high-risk, high yield bonds and other such securities, such as preferred stocks, which are rated below investment grade. The Trust may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Trust s investment objectives will be achieved.

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**Performance**


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For the 12 months ended August 31, 2010, the Trust returned 19.76% based on market price and 25.70% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of 34.35% based on market price and 26.92% based on NAV. All returns reflect reinvestment of dividends. The Trust moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The high yield sector outperformed most other sectors of the fixed income market, as the number of defaults declined and investors became less risk-averse and gravitated to higher yielding investments in the low yield environment. During the period, the Trust maintained leverage at an average amount between 15% to 20% of its total managed assets, which detracted from relative performance versus competitors that maintained higher leverage, as would be expected when markets are advancing. The Trust s exposure to floating rate loan interests also detracted from performance (despite favorable security selection within the sector) as the bank loan sector underperformed the high yield sector during the period. Given our outlook for a continued slow economic environment, we began to focus more on sectors and companies with relatively stable cash flows and the ability to generate steady income, and less on companies which require growth before they can achieve a steady income. Outside of this focus, we invested in a few special situations and recovery stories, most notably in the automotive sector. These investments benefited performance relative to the Trust s peer group for the period. The Trust s underweight position in higher quality speculative grade names and overweight in lower quality credits benefited performance during the period. Toward the end of the period, we moved to an underweight position in lower quality names, which we believe will benefit the Trust going forward as lower quality issues have recently become expensive relative to higher quality names.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

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**Trust Information**


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Symbol on NYSE	BHY
Initial Offering Date	December 23, 1998
Yield on Closing Market Price as of August 31, 2010 (\$6.44) <sup>1</sup>	8.11%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.0435
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.5220
Leverage as of August 31, 2010 <sup>3</sup>	16%

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## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-CSR

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- <sup>2</sup> The distribution is not constant and is subject to change.
- <sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Trust's market price and NAV per share:

	8/31/10	8/31/09	Change	High	Low
Market Price	\$ 6.44	\$ 5.84	10.27%	\$ 6.80	\$ 5.58
Net Asset Value	\$ 6.69	\$ 5.78	15.74%	\$ 6.85	\$ 5.77

The following charts show the portfolio composition of the Trust's long-term investments and credit quality allocations of the Trust's corporate bond investments:

### Portfolio Composition

	8/31/10	8/31/09
Corporate Bonds	84%	86%
Floating Rate Loan Interests	13	13
Other Interests	1	
Common Stocks	1	1
Preferred Securities	1	

### Credit Quality Allocations<sup>4</sup>

	8/31/10	8/31/09
BBB/Baa	3%	4%
BB/Ba	38	38
B	42	29
CCC/Caa	12	24
CC/Ca		1
D		1
Not Rated	5	3

- <sup>4</sup> Using the higher of S&P's or Moody's ratings.

Trust Summary as of August 31, 2010

BlackRock Income Opportunity Trust, Inc.

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**Trust Overview**


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**BlackRock Income Opportunity Trust, Inc. s (BNA) (the Trust )** investment objective is to provide current income and capital appreciation. The Trust seeks to achieve its investment objective by investing at least 75% of its assets in bonds that are investment grade quality at the time of investment. The Trust s investments will include a broad range of bonds, including corporate bonds, US government and agency securities and mortgage-related securities. The Trust may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Trust s investment objective will be achieved.

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**Performance**


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For the 12 months ended August 31, 2010, the Trust returned 18.69% based on market price and 19.83% based on NAV. For the same period, the closed-end Lipper Corporate Debt Funds BBB-Rated category posted an average return of 22.14% based on market price and 19.62% based on NAV. All returns reflect reinvestment of dividends. The Trust s discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Trust benefited from its allocation to securitized sectors, including commercial MBS, agency and non-agency MBS, and asset-backed securities. The Trust s higher duration (greater sensitivity to interest rates) relative to its peers contributed to performance as interest rates declined in the latter part of the period. The Trust s underweight in high yield corporate issues detracted from performance as risk assets rebounded sharply during the period and outperformed investment-grade credit. Rising interest rates during the first half of the period were detrimental to the Trust due to its higher duration.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

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**Trust Information**


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Symbol on NYSE	BNA
Initial Offering Date	December 20, 1991
Yield on Closing Market Price as of August 31, 2010 (\$10.56) <sup>1</sup>	5.80%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.051
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.612
Leverage as of August 31, 2010 <sup>3</sup>	29%

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution is not constant and is subject to change.

<sup>3</sup> Represents reverse repurchase agreements, treasury roll transactions and TALF loan outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Trust s market price and NAV per share:



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	8/31/10	8/31/09	Change	High	Low
Market Price	\$ 10.56	\$ 9.65	9.43%	\$ 10.68	\$ 9.10
Net Asset Value	\$ 11.07	\$ 10.02	10.48%	\$ 11.08	\$ 9.79

The following charts show the portfolio composition of the Trust's long-term investments and credit quality allocations of the Trust's corporate bond and US Government securities:

**Portfolio Composition**

	8/31/10	8/31/09
Corporate Bonds	38%	36%
U.S. Government Sponsored Agency Securities	23	21
U.S. Treasury Obligations	18	14
Non-Agency Mortgage-Backed Securities	12	19
Asset-Backed Securities	4	4
Taxable Municipal Bonds	2	2
Foreign Agency Obligations	2	2
Preferred Securities	1	2

**Credit Quality Allocations<sup>4</sup>**

	8/31/10	8/31/09
AAA/Aaa <sup>5</sup>	41%	43%
Aa/Aa	11	9
A	20	17
BBB/Baa	12	12
BB/Ba	9	8
B	6	5
CCC/Caa	1	5
Not Rated		1

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

<sup>5</sup> Includes US Government Sponsored Agency Securities which are deemed AAA/Aaa by the investment advisor.