

BLACKROCK INCOME TRUST INC

Form N-CSR

November 07, 2011

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: John M. Perlowski, 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: 08/31/2011

Date of reporting period: 08/31/2011

Item 1 – Report to Stockholders

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August 31, 2011

## 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

Market volatility has been extraordinary in recent months. Government debt and deficit issues in both the US and Europe have taken a toll on investor sentiment while weaker-than-expected US economic data raised concerns of another recession. Political instability and concerns that central banks have nearly exhausted their stimulus measures have further compounded investor uncertainty. Although markets remain volatile and conditions are highly uncertain, BlackRock remains focused on finding opportunities in this environment.

The pages that follow reflect your fund's reporting period ended August 31, 2011. Accordingly, the following discussion is intended to provide you with additional perspective on the performance of your investments during that period.

One year ago, the global economy appeared to solidly be in recovery mode and investors were optimistic given the anticipated second round of quantitative easing from the US Federal Reserve (the Fed). Stock markets rallied despite the ongoing sovereign debt crisis in Europe and inflationary pressures looming over emerging markets. Fixed income markets, however, saw yields move sharply upward (pushing prices down) especially on the long end of the historically steep yield curve. While high yield bonds benefited from the risk rally, most fixed income sectors declined in the fourth quarter. The tax-exempt municipal market faced additional headwinds as it became evident that the Build America Bond program would not be extended and municipal finance troubles abounded.

The new year brought spikes of volatility as political turmoil swept across the Middle East/North Africa region and as prices of oil and other commodities soared. Natural disasters in Japan disrupted industrial supply chains and concerns mounted over US debt and deficit issues. Equities generally performed well early in the year, however, as investors chose to focus on the continuing stream of strong corporate earnings and positive economic data. Credit markets were surprisingly resilient in this environment and yields regained relative stability in 2011. The tax-exempt market saw relief from its headwinds and steadily recovered from its fourth-quarter lows. Equities, commodities and high yield bonds outpaced higher-quality assets as investors increased their risk tolerance.

However, longer-term headwinds had been brewing. Inflationary pressures intensified in emerging economies, many of which were overheating, and the European debt crisis continued to escalate. Markets were met with a sharp reversal in May when political unrest in Greece pushed the nation closer to defaulting on its debt. This development rekindled fears about the broader debt crisis and its further contagion among peripheral European countries. Concurrently, it became evident that the pace of global economic growth had slowed as higher oil prices and supply chain disruptions finally showed up in economic data. By mid-summer, confidence in policymakers was tarnished as the prolonged US debt ceiling debate revealed the degree of polarization in Washington, DC. The downgrade of the US government's credit rating on August 5 was the catalyst for the recent turmoil in financial markets. Extreme volatility persisted as Europe's debt and banking crisis deepened and US economic data continued to weaken. Investors fled from riskier assets, pushing stock and high yield bond indices into negative territory for the six-month period ended August 31, while lower-risk investments including US Treasuries, municipal securities and investment grade corporate bonds posted gains. Twelve-month returns on all asset classes remained positive. Continued low short-term interest rates kept yields on money market securities near their all-time lows.

Sincerely,

**Rob Kapito**

President, BlackRock Advisors, LLC

*BlackRock remains focused on managing risk and finding opportunities in all market environments.*

**Rob Kapito**

President, BlackRock Advisors, LLC

**Total Returns as of August 31, 2011**

	<b>6-month</b>	<b>12-month</b>
US large cap equities (S&P 500 Index)	(7.23)%	18.50%

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US small cap equities (Russell 2000 Index)	(11.17)	22.19
International equities (MSCI Europe, Australasia, Far East Index)	(11.12)	10.01
Emerging market equities (MSCI Emerging Markets Index)	(5.11)	9.07
3-month Treasury bill (BofA Merrill Lynch 3-Month Treasury Bill Index)	0.08	0.15
US Treasury securities (BofA Merrill Lynch 10- Year US Treasury Index)	13.04	6.21
US investment grade bonds (Barclays Capital US Aggregate Bond Index)	5.49	4.62
Tax-exempt municipal bonds (Barclays Capital Municipal Bond Index)	6.39	2.66
US high yield bonds (Barclays Capital US Corporate High Yield 2% Issuer Capped Index)	(1.57)	8.32

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

THIS PAGE NOT PART OF YOUR FUND REPORT

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Trust Summary as of August 31, 2011

**BlackRock Core Bond Trust****Investment Objective**

**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.

**Portfolio Management Commentary****How did the Trust perform?**

For the 12 months ended August 31, 2011, the Trust returned (2.35)% based on market price and 4.02% 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 3.09% based on market price and 5.36% 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.

**What factors influenced performance?**

The largest individual factor impacting performance relative to its Lipper category competitors, many of which carry a lower average credit quality and/or a higher allocation to spread assets (those driven by movements in credit risk), is the Trust s high-quality bias. This bias hurt performance for the period as spread sectors and lower-quality risk assets generally outperformed US Treasuries and government-related assets for the 12-month period.

Early in reporting period, the Trust s exposure to non-government spread sectors, such as investment grade credit, non-agency residential mortgage-backed securities ( MBS ) and asset-backed securities ( ABS ) contributed positively to performance on an absolute basis. The Trust s allocation to high yield corporate credit and commercial mortgage-backed securities ( CMBS ) also had a positive impact. During the second half of the reporting period, the Trust s allocation to high-quality, government-related debt benefited performance, as did its longer duration (greater sensitivity to interest rates) and yield curve-flattening stance as interest rates rallied in the final month of the period.

The Trust uses interest rate derivatives, including futures contracts, options, swaps and swaptions, mainly for the purpose of managing risks relating to portfolio duration and yield curve positioning. The Trust also uses credit default swaps against both individual names and broad indices to manage credit risk in the portfolio. Credit default swaps against indices help to manage market risk as well. In addition, the Trust trades foreign currency exchange contracts and uses foreign currency derivatives to manage currency risk in the portfolio. Overall, derivative usage during period had a negative effect on performance.

**Describe recent portfolio activity.**

During the period, the Trust gradually reduced its exposure to non-agency residential MBS and CMBS. The proceeds from these transactions were rotated into more liquid corporate credit bonds that offer compelling carry yields (income) and strong fundamentals. Investment grade and high yield corporate bonds became the two largest credit spread sector allocations in the Trust. The Trust tactically managed its duration and yield curve positioning throughout the period.

**Describe portfolio positioning at period end.**

At period end, the Trust maintained a diversified exposure to non-government spread sectors, including investment grade credit, high yield corporate credit, CMBS, ABS and non-agency residential MBS. The Trust also held allocations to government-related sectors such

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as US Treasuries, agency debt and agency MBS. The Trust ended the period with leverage at 29% of its total managed assets.

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.

**BlackRock Core Bond Trust****Trust Information**

Symbol on New York Stock Exchange ( NYSE )	BHK
Initial Offering Date	November 27, 2001
Yield on Closing Market Price as of August 31, 2011 (\$12.69) <sup>1</sup>	6.34%
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, 2011 <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 rate is not constant and is subject to change.

<sup>3</sup> Represents reverse repurchase agreements 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 20.

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

	8/31/11	8/31/10	Change	High	Low
Market Price	\$ 12.69	\$ 13.92	(8.84)%	\$ 13.99	\$ 11.98
Net Asset Value	\$ 13.78	\$ 14.19	(2.89)%	\$ 14.30	\$ 13.19

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**

	8/31/11	8/31/10
Corporate Bonds	52%	38%
US Treasury Obligations	16	19
US Government Sponsored Agency Securities	13	23
Non-Agency Mortgage-Backed Securities	12	10
Asset-Backed Securities	4	5
Preferred Securities	1	1
Taxable Municipal Bonds	1	2
Foreign Agency Obligations	1	2

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

	8/31/11	8/31/10
AAA/Aaa <sup>5</sup>	40%	43%
AA/Aa	8	11



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A	17	17
BBB/Baa	16	11
BB/Ba	6	8
B	11	7
CCC/Caa	2	2
Not Rated		1

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

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

ANNUAL REPORT

AUGUST 31, 2011

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Trust Summary as of August 31, 2011

**BlackRock Corporate High Yield Fund V, Inc.****Investment Objective**

**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.

**Portfolio Management Commentary****How did the Trust perform?**

For the 12 months ended August 31, 2011, the Trust returned 10.79% based on market price and 10.29% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of 11.37% based on market price and 9.65% 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.

**What factors influenced performance?**

High yield bonds outperformed higher-quality fixed income assets by a sizeable margin during the period due to the high yield market s prevalence of solid technicals, strong credit fundamentals and substantial income in a low-interest-rate environment. More recently, however, these positives have been upstaged by escalating macroeconomic concerns, which continued to fuel investor uncertainty and risk aversion. Across the high yield credit spectrum, security selection in the mid- to lower-quality tiers benefited Trust performance, as did the Trust s exposure to non-rated credits (i.e., preferred securities, warrants). Among fixed income sectors, positive security selection in the electric, metals & mining and media non-cable sectors boosted gains. Allocations to equity-related instruments also aided performance.

Over the period, an underexposure to higher-quality securities hurt Trust performance. Higher-quality securities exhibit more interest rate sensitivity than their lower-quality counterparts, so they reacted positively to a rally in US Treasury rates touched off by higher market volatility and a resulting flight to quality. Within sectors, security selection in the independent energy, non-captive diversified and consumer service sectors impeded Trust gains. Another notable detractor was the Trust s allocation to senior secured bank loans, which underperformed high yield bonds over the period. The Trust pursued a higher-quality bias in bank loans over the last several months of the period.

**Describe recent portfolio activity.**

During the first half of the period, the Trust shifted its overall positioning from a more conservative stance to one that was more consistent with a gradually improving economy. As the US economic outlook worsened and the potential for contagion from the continued debt crisis in Europe increased, Trust positioning once again became more conservative. The Trust continued to purchase new issues, albeit cautiously, seeking more stable industries with companies offering good cash flows, earnings and revenue visibility, as well as attractive downside protection. More recently, the Trust has reduced exposure to riskier credits that typically require significant economic growth or expansion to realize a boost in valuations. While selling down higher-beta names (i.e., those with higher sensitivity to market volatility), the Trust began actively hedging its equity exposure by taking short positions in S&P 500® Index futures. Furthermore, the Trust increased exposure to names in the independent energy sector, while significantly reducing exposure to the wireless sector.

**Describe portfolio positioning at period end.**

At period end, the Trust held 79% of its total portfolio in corporate bonds, 13% in floating rate loan interests (bank loans), 3% in common stocks, 3% in other interests with the remainder in preferred stocks. The Trust's cash equivalent position was negligible for most of the period. The Trust ended the period with leverage at 25% of its total managed assets.

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.

**BlackRock Corporate High Yield Fund V, Inc.****Trust Information**

Symbol on NYSE	HYV
Initial Offering Date	November 30, 2001
Yield on Closing Market Price as of August 31, 2011 (\$11.55) <sup>1</sup>	8.83%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.085
Current Annualized Distribution per Common Share <sup>2</sup>	\$1.020
Leverage as of August 31, 2011 <sup>3</sup>	25%

<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 rate 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 20.

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

	8/31/11	8/31/10	Change	High	Low
Market Price	\$ 11.55	\$ 11.40	1.32%	\$ 12.58	\$ 10.10
Net Asset Value	\$ 11.71	\$ 11.61	0.86%	\$ 12.87	\$ 11.52

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**

	8/31/11	8/31/10
Corporate Bonds	79%	80%
Floating Rate Loan Interests	13	15
Common Stocks	3	2
Other Interests	3	2
Preferred Stocks	2	1

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

	8/31/11	8/31/10
BBB/Baa	7%	3%

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BB/Ba	34	35
B	45	46
CCC/Caa	11	11
CC/Ca		1
D	1	
Not Rated	2	4

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

Trust Summary as of August 31, 2011

**BlackRock Corporate High Yield Fund VI, Inc.**

### **Investment Objective**

**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.

### **Portfolio Management Commentary**

#### **How did the Trust perform?**

For the 12 months ended August 31, 2011, the Trust returned 9.09% based on market price and 9.95% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of 11.37% based on market price and 9.65% 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.

#### **What factors influenced performance?**

High yield bonds outperformed higher-quality fixed income assets by a sizeable margin during the period due to the high yield market s prevalence of solid technicals, strong credit fundamentals and substantial income in a low-interest-rate environment. More recently, however, these positives have been upstaged by escalating macroeconomic concerns, which continued to fuel investor uncertainty and risk aversion. Across the high yield credit spectrum, security selection in the mid- to lower-quality tiers benefited Trust performance, as did the Trust s exposure to non-rated credits (i.e., preferred securities, warrants). Among fixed income sectors, positive security selection in the electric, metals & mining and media non-cable sectors boosted gains. Allocations to equity-related instruments also aided performance.

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