

BLACKROCK MUNICIPAL INCOME TRUST II
Form N-CSRS
May 05, 2010
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21126

Name of Fund: BlackRock Municipal Income Trust II (BLE)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: Anne F. Ackerley, Chief Executive Officer, BlackRock Municipal Income Trust II, 55 East 52nd 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: 02/28/2010

Item 1 Report to Stockholders

Semi-Annual Report

FEBRUARY 28, 2010 (UNAUDITED)

BlackRock Insured Municipal Income Trust (BYM)
BlackRock Insured Municipal Income Investment Trust (BAF)
BlackRock Municipal Bond Trust (BBK)
BlackRock Municipal Bond Investment Trust (BIE)
BlackRock Municipal Income Trust II (BLE)
BlackRock MuniHoldings Insured Investment Fund (MFL)
BlackRock MuniVest Fund, Inc. (MVF)

NOT FDIC INSURED
MAY LOSE VALUE
NO BANK GUARANTEE

Table of Contents

	Page
<u>Dear Shareholder</u>	3
Semi-Annual Report:	
<u>Trust Summaries</u>	4
<u>The Benefits and Risks of Leveraging</u>	11
<u>Derivative Financial Instruments</u>	11
Financial Statements:	
<u>Schedules of Investments</u>	12
<u>Statements of Assets and Liabilities</u>	39
<u>Statements of Operations</u>	40
<u>Statements of Changes in Net Assets</u>	41
<u>Statements of Cash Flows</u>	44
<u>Financial Highlights</u>	45
<u>Notes to Financial Statements</u>	52
<u>Officers and Trustees</u>	59
<u>Additional Information</u>	60

Dear Shareholder

The past year marked a pivotal turning point for global markets as the Great Recession that started in December 2007 began to recede and give way to recovery. The dramatic about-face could be attributed to a confluence of factors, most notably the extraordinary policy actions of global governments and central banks, a resurgence in corporate profits and growing signs of stability and healing in world economies.

After reaching a trough in early March 2009, stocks galloped higher as investors were lured back into the markets by depressed valuations, desire for higher yields and increasing confidence that all-out financial disaster had been averted. The result was a powerful upswing in global equities and other higher-risk assets through the end of 2009. More recently, the combination of mixed economic data, lingering deflation issues (especially in Europe) and proposed fees and levies on banks dampened investor conviction, resulting in a several-week bout of profit-taking. The selloff had a more pronounced negative effect on international and emerging market equities due primarily to concerns of higher interest rates in Asia and negative headlines out of Europe, particularly in Greece.

Generally speaking, investors' renewed affinity for risk was notable in the fixed income markets as well, where non-Treasury assets made a robust recovery. One of the major themes in 2009 was the reversal of the flight-to-quality trade. High yield, one of the most battered areas during the financial crisis, emerged as the strongest-performing fixed income sector in both the taxable and tax-exempt space. Despite weak fundamentals, the municipal market produced solid returns as technical conditions remained supportive of the asset class. Municipal bond mutual funds enjoyed strong inflows and tax-exempt issuance remained low thanks to the ever-increasing popularity of the Build America Bond program. Nevertheless, state and local fiscal woes and bankruptcy fears remain firmly in the spotlight, and bear close monitoring.

At the same time, yields on money market securities declined throughout the reporting period and remain near all-time lows, with the Federal Open Market Committee reiterating that economic circumstances are likely to necessitate an accommodative interest rate stance for an extended period. Investor assets in money market funds declined from the peak registered in early 2009, but remain above levels registered prior to the financial crisis that began in 2007.

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

Total Returns as of February 28, 2010	6-month	12-month
US equities (S&P 500 Index)	9.32%	53.62%
Small cap US equities (Russell 2000 Index)	10.59	63.95
International equities (MSCI Europe, Australasia, Far East Index)	0.72	54.58
3-month Treasury bill (BofA Merrill Lynch 3-Month Treasury Bill Index)	0.07	0.20
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	0.07	(1.54)
Taxable fixed income (Barclays Capital US Aggregate Bond Index)	3.19	9.32
Tax-exempt fixed income (Barclays Capital Municipal Bond Index)	4.13	9.98
High yield bonds (Barclays Capital US Corporate High Yield 2% Issuer Capped Index)	13.86	55.20

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

The market continues to show signs of improvement, but questions about the strength and sustainability of the recovery abound. 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, where you'll find the most recent issue of our award-winning *Shareholder*[®] magazine, as well as its quarterly companion newsletter, *Shareholder Perspectives*. As always, we thank you for

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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

THIS PAGE NOT PART OF YOUR FUND REPORT

3

Trust Summary as of February 28, 2010

BlackRock Insured Municipal Income Trust

Investment Objective

BlackRock Insured Municipal Income Trust (BYM) (the Trust) seeks to provide high current income exempt from regular federal income taxes. The Trust will invest at least 80% of its managed assets in municipal obligations that are insured as to the timely payment of both principal and interest.

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

Performance

For the six months ended February 28, 2010, the Trust returned 3.09% based on market price and 6.21% based on net asset value (NAV). For the same period, the closed-end Lipper Insured Municipal Debt Funds (Leveraged) category posted an average return of 8.13% on a market price basis and 6.47% on a NAV basis. All returns reflect reinvestment of dividends. The Trust moved from a premium to NAV to a discount, which accounts for the difference between performance based on price and performance based on NAV. The Trust's constructive duration during a period in which yields fell (prices increased) contributed to performance. Exposure to the long end of the yield curve also was favorable as the yield curve flattened. In addition, credit spreads generally tightened during the period, which was a positive due to our exposure to insured bonds with weaker underlying credits. On the other hand, the Trust's exposure to zero-coupon holdings detracted from results as these types of bonds generally underperformed during the period. Low exposure to the education sector also was a negative as that sector performed well. Lastly, exposure to municipal credits in California hindered performance as bonds sold by issuers in that state generally under-performed other states.

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.

Trust Information

Symbol on New York Stock Exchange (NYSE)	BYM
Initial Offering Date	October 31, 2002
Yield on Closing Market Price as of February 28, 2010 (\$13.70) ¹	6.00%
Tax Equivalent Yield ²	9.23%
Current Monthly Distribution per Common Share ³	\$0.0685
Current Annualized Distribution per Common Share ³	\$0.8220
Leverage as of February 28, 2010 ⁴	35%

¹ 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.

² Tax equivalent yield assumes the maximum federal tax rate of 35%.

³ A change in the distribution rate was declared on March 1, 2010. The Monthly Distribution per Common Share was increased to \$0.072. The Yield on Closing Market Price, Current Monthly Distribution per Common Share and Current Annualized

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Distribution per Common Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to change in the future.

- ⁴ Represents Auction Market Preferred Shares (Preferred Shares) and tender option bond trusts (TOBs) as a percentage of total managed assets, which is the total assets of the Trust, including any assets attributable to Preferred Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 11.

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

	2/28/10	8/31/09	Change	High	Low
Market Price	\$ 13.70	\$ 13.69	0.07%	\$ 14.48	\$ 12.78
Net Asset Value	\$ 13.97	\$ 13.55	3.10%	\$ 14.62	\$ 13.54

The following charts show the sector and credit quality allocations of the Trust's long-term investments:

Sector Allocations

	2/28/10	8/31/09
Utilities	25%	25%
Transportation	24	25
County/City/Special District/School District	21	19
State	14	15
Health	7	7
Tobacco	6	6
Education	2	2
Housing	1	1

Credit Quality Allocations⁵

	2/28/10	8/31/09
AAA/Aaa	56%	56%
AA/Aa	21	19
A	13	15
BBB/Baa	8	8
Not Rated ⁶	2	2

⁵ Using the higher of Standard & Poor's (S&P's) or Moody's Investors Service (Moody's) ratings.

⁶ The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of February 28, 2010 and August 31, 2009, the market value of these securities was \$10,733,100 representing 2% and \$10,859,100 representing 2%, respectively, of the Trust's long-term investments.

Trust Summary as of February 28, 2010

BlackRock Insured Municipal Income Investment Trust

Investment Objective

BlackRock Insured Municipal Income Investment Trust (BAF) (the Trust) seeks to provide current income exempt from regular federal income taxes, including the alternative minimum tax and Florida intangible personal property tax. The Trust will invest at least 80% of its managed assets in municipal obligations that are insured as to the timely payment of both principal and interest. The Trust may invest in municipal obligations regardless of geographic location.

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

Performance

For the six months ended February 28, 2010, the Trust returned 10.90% based on market price and 4.89% based on NAV. For the same period, the closed-end Lipper Insured Municipal Debt Funds (Leveraged) category posted an average return of 8.13% on a market price basis and 6.47% on a NAV basis. 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 Trust held a higher concentration in health care and housing bonds with maturities of 20 years and longer, which benefited performance as the municipal yield curve flattened during the last six months. On the downside, the lack of availability in the national insured market has made it difficult to fully transition the portfolio away from its holdings in Florida names. In addition, many of these issues have weaker underlying credits, thus reducing their liquidity at current market prices. As these Florida names have underperformed the national market, this has detracted from recent performance. The Trust's cash allocation (5% at period end) also hampered results as cash equivalents are currently trading at record-low yields and, consequently, detracted from income.

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Trust Information

Symbol on NYSE	BAF
Initial Offering Date	October 31, 2002
Yield on Closing Market Price as of February 28, 2010 (\$14.00) ¹	5.87%
Tax Equivalent Yield ²	9.03%
Current Monthly Distribution per Common Share ³	\$0.0685
Current Annualized Distribution per Common Share ³	\$0.8220
Leverage as of February 28, 2010 ⁴	36%

¹ 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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- ² Tax equivalent yield assumes the maximum federal tax rate of 35%.
- ³ A change in the distribution rate was declared on March 1, 2010. The Monthly Distribution per Common Share was increased to \$0.0735. The Yield on Closing Market Price, Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to change in the future.
- ⁴ Represents Preferred Shares and TOBs as a percentage of total managed assets, which is the total assets of the Trust, including any assets attributable to Preferred Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 11.

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

	2/28/10	8/31/09	Change	High	Low
Market Price	\$ 14.00	\$ 13.01	7.61%	\$ 14.13	\$ 12.67
Net Asset Value	\$ 14.31	\$ 14.06	1.78%	\$ 15.10	\$ 13.99

The following charts show the sector and credit quality allocations of the Trust's long-term investments:

Sector Allocations

	2/28/10	8/31/09
County/City/Special District/School District	43%	46%
Utilities	26	27
Health	12	10
State	10	9
Transportation	8	7
Housing	1	1

Credit Quality Allocations⁵

	2/28/10	8/31/09
AAA/Aaa	53%	44%
AA/Aa	28	29
A	14	20
Not Rated ⁶	5	7

⁵ Using the higher of S&P's or Moody's ratings.

⁶ The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of February 28, 2010 and August 31, 2009, the market value of these securities was \$8,649,540 representing 5% and \$7,552,594 representing 4%, respectively, of the Trust's long-term investments.

Trust Summary as of February 28, 2010

BlackRock Municipal Bond Trust

Investment Objective

BlackRock Municipal Bond Trust (BBK) (the Trust) seeks to provide current income exempt from regular federal income taxes. Under normal market conditions, the Trust will invest at least 80% of its managed assets in municipal bonds that are investment grade quality, or determined by the investment advisor to be of equivalent credit quality at time of purchase. The Trust may invest up to 20% of its total assets in municipal bonds that are rated, at the time of investment, Ba/BB or B by Moody's, S&P or Fitch or that are unrated but judged to be of comparable quality by BlackRock.

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

Performance

For the six months ended February 28, 2010, the Trust returned 8.01% based on market price and 10.31% based on NAV. For the same period, the closed-end Lipper General Municipal Debt Funds (Leveraged) category posted an average return of 9.67% on a market price basis and 8.84% on a NAV basis. All returns reflect reinvestment of dividends. The Trust's premium to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. Concentrations in lower-rated bonds and a focus on bonds with longer-dated maturities benefited Trust performance over the six months, as credit spreads continued to tighten and municipal rates declined across the yield curve. Within an overall context of being neutral to slightly long duration, we pursued opportunities to add positive convexity to the portfolio by adding discount-coupon bonds and greater call protection. This also proved advantageous as these bonds afforded the portfolio slightly greater capital appreciation as the market rallied. Moreover, in recognition that retail investors have become one of the prime drivers of municipal demand, we actively sought to diversify the portfolio into retail-attractive structures and names via the new-issue market; these purchases incrementally helped total return during the reporting period. On the other hand, the Trust's positions in zero-coupon bonds hindered performance as these issues have underperformed the broader municipal market. Also negatively affecting performance were the Trust's existing weighting in higher-coupon, cushion bonds, as well as its lack of exposure to education and essential service credits.

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Trust Information

Symbol on NYSE	BBK
Initial Offering Date	April 30, 2002
Yield on Closing Market Price as of February 28, 2010 (\$14.37) ¹	7.10%
Tax Equivalent Yield ²	10.92%
Current Monthly Distribution per Common Share ³	\$0.085
Current Annualized Distribution per Common Share ³	\$1.020
Leverage as of February 28, 2010 ⁴	37%

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- 1 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.
- 2 Tax equivalent yield assumes the maximum federal tax rate of 35%.
- 3 The distribution is not constant and is subject to change.
- 4 Represents Preferred Shares and TOBs as a percentage of total managed assets, which is the total assets of the Trust, including any assets attributable to Preferred Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 11.

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

	2/28/10	8/31/09	Change	High	Low
Market Price	\$ 14.37	\$ 13.80	4.13%	\$ 15.05	\$ 13.25
Net Asset Value	\$ 14.07	\$ 13.23	6.35%	\$ 14.48	\$ 13.23

The following charts show the sector and credit quality allocations of the Trust's long-term investments:

Sector Allocations

	2/28/10	8/31/09
Health	23%	31%
Housing	17	16
County/City/Special District/School District	13	13
State	12	10
Corporate	9	8
Utilities	8	7
Education	8	5
Transportation	7	7
Tobacco	3	3

Credit Quality Allocations⁵

	2/28/10	8/31/09
AAA/Aaa	27%	25%
AA/Aa	22	20
A	23	24
BBB/Baa	19	17
BB/Ba		1
B	4	4
Not Rated ⁶	5	9

⁵ Using the higher of S&P's or Moody's ratings.