

ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND  
Form N-CSR  
January 06, 2012

**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: 811-10573

**ALLIANCEBERNSTEIN NATIONAL MUNICIPAL**  
**INCOME FUND, INC.**

(Exact name of registrant as specified in charter)

**1345 Avenue of the Americas, New York, New York 10105**

(Address of principal executive offices) (Zip code)

**Joseph J. Mantineo**

**AllianceBernstein L.P.**

**1345 Avenue of the Americas**

**New York, New York 10105**

(Name and address of agent for service)

**Registrant's telephone number, including area code: (800) 221-5672**

Date of fiscal year end: October 31, 2011

Date of reporting period: October 31, 2011



**ITEM 1. REPORTS TO STOCKHOLDERS.**

ANNUAL REPORT

AllianceBernstein

National Municipal Income Fund

October 31, 2011

Annual Report

**Investment Products Offered**

**Are Not FDIC Insured  
May Lose Value  
Are Not Bank Guaranteed**

**Investors should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing.** For copies of our prospectus or summary prospectus, which contain this and other information, visit us online at [www.alliancebernstein.com](http://www.alliancebernstein.com) or contact your AllianceBernstein Investments representative. Please read the prospectus and/or summary prospectus carefully before investing.

This shareholder report must be preceded or accompanied by the Fund's prospectus for individuals who are not current shareholders of the Fund.

You may obtain a description of the Fund's proxy voting policies and procedures, and information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, without charge. Simply visit AllianceBernstein's website at [www.alliancebernstein.com](http://www.alliancebernstein.com), or go to the Securities and Exchange Commission's (the Commission's) website at [www.sec.gov](http://www.sec.gov), or call AllianceBernstein at (800) 227-4618.

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the Commission's website at [www.sec.gov](http://www.sec.gov). The Fund's Forms N-Q may also be reviewed and copied at the Commission's Public Reference Room in Washington, DC; information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. AllianceBernstein publishes full portfolio holdings for the Fund monthly at [www.alliancebernstein.com](http://www.alliancebernstein.com).

**AllianceBernstein Investments, Inc. (ABI)** is the distributor of the AllianceBernstein family of mutual funds. ABI is a member of FINRA and is an affiliate of AllianceBernstein L.P., the manager of the funds.

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December 19, 2011

## Annual Report

This report provides management's discussion of fund performance for AllianceBernstein National Municipal Income Fund (the Fund) for the annual reporting period ended October 31, 2011. The Fund is a closed-end fund that trades under the New York Stock Exchange symbol AFB.

## Investment Objective and Policies

This closed-end fund seeks to provide high current income exempt from regular federal income tax by investing substantially all of its net assets in municipal securities that pay interest that is exempt from federal income tax. The Fund will normally invest at least 80%, and normally substantially all, of its net assets in municipal securities paying interest that is exempt from regular federal income tax. The Fund also normally will invest at least 75% of its assets in investment-grade municipal securities or unrated municipal securities considered to be of comparable quality. The Fund may invest up to 25% of its net assets in municipal bonds rated below investment-grade and unrated municipal bonds considered to be of comparable quality as determined by the Fund's investment adviser, AllianceBernstein L.P. (the Adviser). The Fund intends to invest primarily in municipal securities that pay interest that is not subject to the federal Alternative Minimum Tax (AMT), but may invest without limit in municipal securities paying interest that is subject to the federal AMT. For more information regarding the Fund's risks, please see "A Word About Risk" on page 4 and "Note G Risks Involved in Investing

in the Fund" of the Notes to Financial Statements on page 33.

## Investment Results

The table on page 5 provides performance data for the Fund and its benchmark, the Barclays Capital Municipal Bond Index, for the six- and 12-month periods ended October 31, 2011.

The Fund outperformed its benchmark for the 12-month period ended October 31, 2011. Security selection detracted in the education and transportation sectors, while contributing in the power sector. Leverage was beneficial to the Fund's income since the cost of leverage remained significantly below the average earnings on the Fund's investments for the period. However, leverage, achieved through the usage of both auction rate preferred stock and tender option bonds (TOBs), detracted from the Fund's total return for the 12-month period, as it increased the Fund's overall interest rate sensitivity and interest rates for bonds other than the highest credit quality bonds generally rose.

For the six-month period ended October 31, 2011, the Fund outperformed its benchmark. Yield curve positioning was positive, while security selection detracted in the industrial and special tax sectors. Leverage, achieved through the usage of auction rate preferred stock and TOBs, was beneficial to income and total return as it increased the Fund's overall interest rate sensitivity, and interest rates generally declined.

Interest rate swaps were also used for hedging purposes and had no material impact on performance for the six- or 12-month periods.

The Municipal Bond Investment Team (the Team) continues to focus buying activity on revenue bonds, as the Team expects state and local governments to have to grapple with budget and pension fund shortfalls both in the present and in the years ahead.

### Market Review and Investment Strategy

Municipal bond markets drew strength from a very tight supply of issuance and continued improved tax collections, and having risen over the six-month period ended October 31, 2011, as investor panic concerning the perceived risk of defaults sweeping the nation appeared to have subsided. New municipal bond issuance fell sharply in the first nine months of 2011, to the lowest level in a decade. Mayors and governors were reluctant to commit to large capital expenditures while they were slashing their operating budgets. Nevertheless, the need to issue bonds to fund critical capital improvements grew, which points to the likelihood of increased issuance ahead.

The Team estimates that state tax revenues climbed to approximately 70% of their peak reached in September 2008 after the largest drop ever seen. For fiscal year 2012, revenues were conservatively projected by the states to increase by about 2% on average, a growth rate that the Team

expects may be exceeded. State and local tax collections are highly correlated with the rate of economic growth. Uncertainty surrounding the domestic economic outlook due to the deteriorating economic outlook for Europe, coupled with the fallout of the European debt crisis worked together during the summer to cloud the outlook for tax collections going forward.

While the change in the tax collections of state and local governments is highly uncertain at the moment, the Team does not envision a rash of defaults should tax collections be less than expected. Most state and local governments made progress this summer in addressing their budget shortfalls going forward. States and municipalities continued to face their most serious fiscal difficulties since the Great Depression, but, in general, substantial progress was made during the summer to balance their budgets, reducing the risk of widespread defaults.

The Fund may purchase municipal securities that are insured under policies issued by certain insurance companies. Historically, insured municipal securities typically received a higher credit rating, which meant that the issuer of the securities paid a lower interest rate. As a result of declines in the credit quality and associated downgrades of most fund insurers, insurance has less value than it did in the past. The market now values insured municipal securities primarily based on the credit quality of the issuer of the security with little value

given to the insurance feature. In purchasing such insured securities, the Adviser evaluates the risk and return of municipal securities through its own research. The ratings of most insurance companies have been downgraded and it is possible that some insurers may become insolvent. If an insurance company's rating is downgraded or the company becomes insolvent, the prices of municipal securities insured by the insurance company may decline. As of October 31, 2011, 42.51% of the Fund's total investments were in insured bonds and 7.03% of total investments were in insured prerefunded/escrowed to maturity bonds.

Since February 2008, auctions of the Fund's Auction Preferred Shares (the Preferred Shares) have had fewer buyers than sellers and, as a result, the auctions have failed. The failed auctions did not lower the credit quality of the Preferred Shares in the auction, but rather meant that a holder was

unable to sell the Preferred Shares, so that there was a loss of liquidity for the holders of the Preferred Shares. When an auction fails, the Preferred Shares pay preferred dividends at a formula based-maximum rate based on AA-commercial paper and short-term municipal bond rates. This interest rate has been and remains generally economical compared to the earnings of the Fund's investments. However, to the extent that the cost of this leverage increases in the future and earnings from the Fund's investments do not increase, the Fund's net investment returns may decline. The Team continues to explore other liquidity and leverage options, including as it has used in the past, tender option bonds; this may result in Preferred Shares being redeemed or repurchased in the future. The Fund is not required to redeem or repurchase any Preferred Shares, and the Team expects to continue to rely on the Preferred Shares for a portion of the Fund's leverage exposure.



## HISTORICAL PERFORMANCE

### An Important Note About the Value of Historical Performance

**The performance on the following page represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. All fees and expenses related to the operation of the Fund have been deducted. Performance assumes reinvestment of distributions and does not account for taxes.**

### AllianceBernstein National Municipal Income Fund Shareholder Information

The Fund's NYSE trading symbol is AFB. Weekly comparative net asset value (NAV) and market price information about the Fund is published each Saturday in *Barron's* and in other newspapers in a table called "Closed End Funds". Daily NAVS and market price information, and additional information regarding the Fund, is available at [www.alliancebernstein.com](http://www.alliancebernstein.com) and [www.nyse.com](http://www.nyse.com). For additional shareholder information regarding this Fund, please see page 51.

### Benchmark Disclosure

**The unmanaged Barclays Capital Municipal Bond Index does not reflect fees and expenses associated with the active management of a fund portfolio. The Barclays Capital Municipal Bond Index represents the performance of the long-term tax-exempt bond market consisting of investment grade bonds.** An investor cannot invest directly in an index, and its results are not indicative of the performance for any specific investment, including the Fund. In addition, the Index does not reflect the use of leverage, whereas the Fund utilizes leverage.

### A Word About Risk

Among the risks of investing in the Fund are changes in the general level of interest rates or changes in bond credit quality ratings. Changes in interest rates have a greater effect on bonds with longer maturities than on those with shorter maturities. Please note, as interest rates rise, existing bond prices fall and can cause the value of your investment in the Fund to decline. While the Fund invests principally in bonds and other fixed-income securities, in order to achieve its investment objectives, the Fund may at times use certain types of investment derivatives, such as options, futures, forwards and swaps. These instruments involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments. At the discretion of the Fund's Adviser, the Fund may invest up to 25% of its net assets in municipal bonds that are rated below investment grade (i.e., "junk bonds"). These securities involve greater volatility and risk than higher-quality fixed-income securities.

**Leverage Risks** The Fund uses financial leverage for investment purposes, which involves leverage risk. The Fund's outstanding Auction Rate Preferred Stock results in leverage. The Fund may also use other types of financial leverage, including TOBs, either in combination with, or in lieu of, the Auction Preferred Stock. The Fund utilizes leverage to seek to enhance the yield and NAV attributable to its Common Stock. These objectives may not be achieved in all interest rate environments. Leverage creates certain risks for holders of Common Stock, including the likelihood of greater volatility of the NAV and market price of the Common Stock. If income from the securities purchased from the funds made available by leverage is not sufficient to cover the cost of leverage, the Fund's return will be less than if leverage had not been used. As a result, the amounts available for distribution to Common Stockholders as dividends and other distributions will be reduced. During periods of rising short-term interest rates, the preferred dividends paid on the Auction Rate Preferred Stock or the interest paid on the floaters issued in connection with the Fund's TOB transactions would increase. In addition, the interest paid on inverse floaters held by the Fund, whether issued in connection with the Fund's TOB transactions or purchased in a secondary market transaction, would decrease. Under such circumstances, the Fund's income and distributions to Common Stockholders may decline, which would adversely affect the Fund's yield and possibly the market value of its shares.

*(Historical Performance continued on next page)*

**HISTORICAL PERFORMANCE**

*(continued from previous page)*

<b>THE FUND VS. ITS BENCHMARK</b>	<b>NAV Returns</b>	
<b>PERIODS ENDED OCTOBER 31, 2011</b>	6 Months	12 Months
AllianceBernstein National Municipal Income Fund (NAV)	9.54%	5.91%
Barclays Capital Municipal Index	5.56%	3.78%

*The Fund's Market Price per share on October 31, 2011 was \$13.92. The Fund's NAV Price per share on October 31, 2011 was \$14.26. For additional Financial Highlights, please see page 37.*

See Historical Performance and Benchmark disclosures on previous page.

Historical Performance

## PORTFOLIO SUMMARY

October 31, 2011 (unaudited)

### PORTFOLIO STATISTICS

Net Assets (\$mil): \$409.2

\* All data are as of October 31, 2011. The Fund's quality rating breakdown is expressed as a percentage of the Fund's total investments in municipal securities and may vary over time. The Fund also enters into derivative transactions, which may be used for hedging or investment purposes (see Portfolio of Investments section of the report for additional details). The quality ratings are determined by using the Standard & Poor's Ratings Services, Moody's Investors Services, Inc. and Fitch Ratings, Ltd. A measure of the quality and safety of a bond or portfolio, based on the issuer's financial condition. AAA is highest (best) and D is lowest (worst). If applicable, the pre-refunded category includes bonds which are secured by U.S. Government Securities and therefore have been deemed high-quality investment grade by the Adviser. If applicable, Not Applicable (N/A) includes non credit worthy investments; such as, equities, currency contracts, futures and options. If applicable, the Not Rated category includes bonds that are not rated by a Nationally Recognized Statistical Rating Organization.

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**PORTFOLIO OF INVESTMENTS**

October 31, 2011

	Principal Amount (000)	U.S. \$ Value
<b>MUNICIPAL OBLIGATIONS 168.2%</b>		
<b>Long-Term Municipal Bonds 168.2%</b>		
<b>Alabama 5.9%</b>		
Alabama Pub Sch & Clg Auth Series 2009 A 5.00%, 5/01/29 (Pre-refunded/ETM)	\$ 3,000	\$ 3,639,780
Huntsville AL Hlth Care Auth Series 02B 5.75%, 6/01/32 (Pre-refunded/ETM)	6,000	6,246,000
Jefferson Cnty AL LT Sch Wts Series 04A 5.25%, 1/01/18-1/01/23	3,100	2,931,508
Jefferson Cnty AL Swr FGIC Series 02 5.00%, 2/01/41 (Pre-refunded/ETM)	1,535	1,586,023
FGIC Series 02B 5.00%, 2/01/41 (Pre-refunded/ETM)	2,465	2,549,747
Marshall Cnty AL Hlth Care Auth Series 02A 5.75%, 1/01/32	2,500	2,505,050
Series 02D 5.75%, 1/01/32	3,000	3,006,060
Montgomery AL BMC Spl Care (Baptist Health Montgomery) Series 04C 5.125%, 11/15/24	1,500	1,497,855
		23,962,023
<b>Alaska 2.5%</b>		
Alaska Intl Arpt NPFGC Series 03B 5.00%, 10/01/26	2,000	2,034,540
Alaska Muni Bond Bank Auth NPFGC Series 04G 5.00%, 2/15/22 (Pre-refunded/ETM)	1,585	1,742,137
5.00%, 2/15/24 (Pre-refunded/ETM)	1,345	1,478,343
Four Dam Pool AK Elec Series 04 5.00%, 7/01/24 (Pre-refunded/ETM)	1,035	1,151,541
5.25%, 7/01/25 (Pre-refunded/ETM)	2,195	2,456,600
5.25%, 7/01/26 (Pre-refunded/ETM)	1,385	1,550,065
		10,413,226
<b>Arizona 1.7%</b>		
Arizona Cap Fac Fin Corp. (Arizona St Univ) Series 00 6.25%, 9/01/32	1,550	1,523,278

Portfolio of Investments

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	Principal Amount (000)	U.S. \$ Value
Phoenix AZ Civic Impt Corp. (Phoenix AZ Wastewater) NPFGC Series 04 5.00%, 7/01/23	\$ 1,250	\$ 1,352,438
Salt Verde Fin Corp. Gas (Citigroup, Inc.) 5.25%, 12/01/22-12/01/23	4,150	4,177,823
		7,053,539
<b>Arkansas 0.3%</b>		
Arkansas Dev Fin Auth SFMR Series 02A 5.30%, 7/01/34	1,275	1,275,969
<b>California 19.7%</b>		
California Econ Recovery (California Econ Rec Spl Tax) Series 2009A 5.25%, 7/01/21	4,860	5,531,944
California GO 5.00%, 2/01/32	2,450	2,487,019
5.25%, 4/01/30	20	20,091
Series 04 5.00%, 2/01/33	1,100	1,103,553
Chula Vista CA IDR (San Diego Gas & Elec Co.) Series 96A 5.30%, 7/01/21	4,000	4,256,400
Coachella Valley CA USD COP NPFGC Series 03 5.00%, 9/01/31	1,000	962,200
Coast CA CCD GO AGM Series 06B 5.00%, 8/01/23-8/01/24 <sup>(a)</sup>	11,370	12,378,982
Golden St Tobacco Sec CA RADIAN Series 03 5.50%, 6/01/43 (Pre-refunded/ETM)	2,250	2,422,867
XLCA Series 03B 5.50%, 6/01/33 (Pre-refunded/ETM)	3,000	3,230,490
Grossmont-Cuyamaca CCD CA GO AGC 5.00%, 8/01/22-8/01/23 <sup>(a)</sup>	4,480	4,988,079
Hartnell CA CCD GO NPFGC Series 03A 5.00%, 8/01/27 (Pre-refunded/ETM)	1,155	1,247,261
La Quinta CA Fin Auth (La Quinta CA Local Agy Pool) AMBAC Series 04A 5.25%, 9/01/24	2,000	2,022,860
Long Beach CA Bond Fin Auth (Aquarium of The Pacific) AMBAC Series 2001 5.00%, 11/01/26	1,460	1,428,362

	Principal Amount (000)	U.S. \$ Value
Los Angeles CA CCD GO Series F-1 5.00%, 8/01/28	\$ 5,800	\$ 6,189,006
Los Angeles CA Cmnty Redev Agy (Los Angeles CA CRA Bunker Hill) Series 04L 5.00%, 3/01/18	1,715	1,708,449
Los Angeles CA Dept Arpts (Los Angeles Intl Airport) Series 2009A 5.25%, 5/15/29	5,700	6,163,239
Los Angeles CA Regl Arpts Impt Corp. (Laxfuel Corp.) AMBAC Series 01 5.50%, 1/01/32	9,500	9,340,210
Los Angeles CA Wstwr Sys 5.00%, 6/01/26	7,000	7,772,030
Pomona CA COP AMBAC Series 03 5.50%, 6/01/34	3,000	3,017,910
San Bernardino Cnty CA COP Series 2009 5.25%, 8/01/26	1,455	1,482,689
San Rafael CA Elem SD GO AGM Series 03A 5.00%, 8/01/28 (Pre-refunded/ETM)	2,820	2,919,123
		80,672,764
<b>Colorado 4.6%</b>		
Colorado Edl & Cultural Facs Auth (Knowledge Quest Charter Sch) Series 05 6.50%, 5/01/36	480	415,536
Colorado Hlth Fac Auth (Evangelical Luth Good Sam Soc) 5.25%, 6/01/19-6/01/23	2,425	2,537,315
Colorado Hlth Fac Auth (Parkview Medical Center) Series 04 5.00%, 9/01/25	2,560	2,557,287
Denver CO Urban Renewal Auth (Stapleton) Series 2010B-1 5.00%, 12/01/25	6,865	7,202,346
Northwest Met Dist #3 CO 6.125%, 12/01/25	1,000	855,260
Park Creek Met Dist CO Series 05 5.25%, 12/01/25	3,000	2,991,000
5.50%, 12/01/30	890	878,581

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Portfolio of Investments

	Principal Amount (000)	U.S. \$ Value
Todd Creek Farms Met Dist #1 CO 6.125%, 12/01/22 <sup>(b)(c)</sup> Series 04	\$ 1,970	\$ 886,500
6.125%, 12/01/19 <sup>(b)</sup>	1,180	531,000
		18,854,825
<b>District of Columbia 0.9%</b>		
District of Columbia Tax Incr (Gallery Place Proj) AGM Series 02 5.40%, 7/01/31	3,500	3,554,880
<b>Florida 10.9%</b>		
Beacon Tradeport CDD FL Series 02B 7.25%, 5/01/33	4,930	4,948,832
Florida HFC MFHR (Westlake Apts) AGM Series 02-D1 5.40%, 3/01/42	8,780	8,781,756
Florida HFC MFHR (Westminster Apts) AGM Series 02E-1 5.40%, 4/01/42	3,000	3,001,020
Florida Ports Fin Commn (Florida St Trnsp Trust Fund) Series 2011A 5.00%, 10/01/25-10/01/27	4,205	4,583,604
Florida St Univ Fin Asst AMBAC Series 02 5.00%, 10/01/31	5,000	5,025,400
Miami Beach FL Hlth Fac Auth (Mt. Sinai Medical Center FL) 6.75%, 11/15/24	4,000	4,117,600
Miami-Dade Cnty FL Aviation (Miami-Dade Intl Airport) NPFGC-RE Series 02 5.375%, 10/01/32	6,040	6,045,255
Midtown Miami CDD FL Series 04A 6.00%, 5/01/24	2,175	2,104,552
Miromar Lakes CDD FL Series 00A 7.25%, 5/01/12	1,045	1,038,145
Orange Cnty FL Hlth Fac Auth Series 02 5.75%, 12/01/32 (Pre-refunded/ETM)	2,800	2,958,732
Univ of Central FL COP NPFGC-RE Series 04A 5.125%, 10/01/24	1,325	1,341,894



	Principal Amount (000)	U.S. \$ Value
Village CDD #5 FL Series 03A 6.00%, 5/01/22	\$ 535	\$ 538,558
		44,485,348
<b>Georgia 0.6%</b>		
Cartersville GA Dev Auth (Anheuser-Busch Cos., Inc.) Series 02 5.95%, 2/01/32	2,510	2,514,669
<b>Hawaii 2.3%</b>		
Hawaii Arpts Sys Series 2010A 5.00%, 7/01/34	5,000	5,119,700
Hawaii Dept Budget & Finance (Hawaiian Electric Co.) XLCA Series 03B 5.00%, 12/01/22	4,500	4,469,580
		9,589,280
<b>Illinois 14.5%</b>		
Bolingbrook IL GO FGIC Series 02A 5.375%, 1/01/38 (Pre-refunded/ETM)	5,000	5,041,650
Chicago IL GO AGM Series A 5.00%, 1/01/25	380	389,196
NPFGC-RE Series 00C 5.50%, 1/01/40	5,450	5,451,744
Chicago IL HFA SFMR (Chicago IL HFA) Series 02B 6.00%, 10/01/33	240	245,186
Chicago IL O Hare Intl Arpt (O Hare Intl Arpt) NPFGC Series A 5.375%, 1/01/32	15,000	14,998,950
XLCA Series 03B-1 5.25%, 1/01/34	4,860	4,903,060
Chicago IL Tax Increment (Diversey/Narragansett Proj) 7.46%, 2/15/26	1,830	1,830,677
Cook Cnty IL SD #29 GO AGM Series 04 5.00%, 12/01/20	2,000	2,087,280
Gilberts IL SSA #1 Series 03 6.00%, 3/01/28	2,679	2,368,182
Hampshire IL SSA 5.80%, 3/01/26 <sup>(b)</sup>	1,775	1,288,331

	Principal Amount (000)	U.S. \$ Value
Illinois Finance Auth (Illinois Institute of Technology) Series 06A 5.00%, 4/01/31	\$ 1,250	\$ 947,650
Illinois Finance Auth (Loyola Univ) XLCA Series 04A 5.00%, 7/01/24	1,495	1,537,637
Manhattan SSA #2004-1 IL Series 05 5.875%, 3/01/28	1,785	1,653,285
Metro Pier & Expo Auth IL Spl Tax NPFGC Series 02A 5.25%, 6/15/42	5,500	5,503,905
Univ of Illinois AGM Series 07A 5.25%, 10/01/26 <sup>(a)</sup>	10,800	11,232,972
		59,479,705
<b>Indiana 3.3%</b>		
Hendricks Cnty IN GO Series 04 5.50%, 7/15/21-7/15/22	2,150	2,225,837
Indiana HFA SFMR (Indiana HFA) Series 02 5.55%, 7/01/32	890	890,676
Indianapolis IN Loc Bond Bank NPFGC Series 2A 5.25%, 7/01/33 (Pre-refunded/ETM)	10,000	10,328,700
		13,445,213
<b>Iowa 0.1%</b>		
Coralville IA BANS Series 07C 5.00%, 6/01/18	260	281,793
Iowa Finance Auth SFMR (Iowa Finance Auth) Series 02 5.40%, 7/01/32	35	35,009
		316,802
<b>Kansas 0.3%</b>		
Lenexa KS Hlth Care Fac (Lakeview Village, Inc.) 5.25%, 5/15/22	1,395	1,258,513
<b>Louisiana 4.4%</b>		
Louisiana Agric Fin Auth (Louisiana Agric Fin Auth Lease) 5.25%, 9/15/17	4,270	4,455,660

	Principal Amount (000)	U.S. \$ Value
Louisiana HFA SFMR (Louisiana HFA) Series 02C 5.60%, 6/01/33	\$ 530	\$ 540,658
Louisiana Loc Govt Envrn Fac & CDA (Jefferson Parish LA) Series 2009A 5.00%, 4/01/26	535	566,891
New Orleans LA GO NPFGC 5.00%, 3/01/18	2,285	2,385,106
5.25%, 12/01/20 NPFGC Series 05 5.00%, 12/01/29	1,000	1,055,810
RADIAN Series A 5.00%, 12/01/22	2,700	2,708,775
	5,875	6,163,169
		17,876,069
<b>Massachusetts 1.8%</b>		
Massachusetts GO Series 02C 5.25%, 11/01/30 (Pre-refunded/ETM)	3,470	3,636,144
Massachusetts Hlth & Ed Facs Auth (Berkshire Health Sys) RADIAN Series 01E 5.70%, 10/01/25	2,000	2,002,380
Massachusetts Hlth & Ed Facs Auth (Cape Cod Healthcare) RADIAN Series 01C 5.25%, 11/15/31	2,100	1,951,488
		7,590,012
<b>Michigan 7.1%</b>		
Detroit MI Swr Disp NPFGC 5.25%, 7/01/22	5,000	5,251,500
Michigan Strategic Fund (Detroit Edison Co.) XLCA Series 02C 5.45%, 12/15/32	5,000	5,002,900
Plymouth MI Ed Ctr Charter Sch Series 05 5.125%, 11/01/23	2,140	1,889,320
Wayne State Univ MI Series 2009 5.00%, 11/15/29	16,500	17,107,035
		29,250,755
<b>Minnesota 0.3%</b>		
Shakopee MN Hlthcare Fac (St Francis Reg Medical Ctr) Series 04 5.10%, 9/01/25	1,200	1,206,816

Portfolio of Investments

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	Principal Amount (000)	U.S. \$ Value
<b>Mississippi 1.0%</b>		
Gulfport MS Hosp Fin Auth (Memorial Hosp At Gulfport) Series 01A 5.75%, 7/01/31	\$ 4,000	\$ 4,000,920
<b>Missouri 0.8%</b>		
Kansas City MO Spl Oblig (Kansas City MO Lease Dntn Arena) Series 08C 5.00%, 4/01/28	2,000	2,110,900
Missouri HDC SFMR (Missouri HDC) Series 02A-1 5.58%, 9/01/32	585	596,875
Riverside MO IDA (Riverside Horizons Proj) ACA Series 07A 5.00%, 5/01/27	600	604,008
		3,311,783
<b>Nevada 3.0%</b>		
Carson City NV Hosp (Carson Tahoe Hospital) RADIAN Series 03A 5.00%, 9/01/23	4,700	4,637,772
Reno NV Spl Tax NPFGC-RE Series 02 5.375%, 6/01/32 (Pre-refunded/ETM) 5.375%, 6/01/32	4,710 2,790	4,845,931 2,713,749
		12,197,452
<b>New Hampshire 1.2%</b>		
New Hampshire Hlth & Ed Fac Auth Series 02 6.125%, 7/01/31 (Pre-refunded/ETM)	4,200	4,282,026
New Hampshire Hlth & Ed Fac Auth (Covenant Health Sys) Series 04 5.375%, 7/01/24	820	834,457
		5,116,483
<b>New Jersey 1.3%</b>		
Morris-Union NJ Jt Comm COP RADIAN Series 04 5.00%, 5/01/24	5,095	5,006,806
New Jersey EDA (New Jersey Lease Sch Fac) Series 05 5.25%, 3/01/25	500	533,720
		5,540,526



	Principal Amount (000)	U.S. \$ Value
<b>New York 12.9%</b>		
New York NY GO 5.00%, 8/01/28 Series 04G	\$ 1,690	\$ 1,851,446
5.00%, 12/01/23 Series 06	1,600	1,733,584
5.00%, 6/01/22 New York NY Mun Wtr Fin Auth	1,160	1,293,191
5.00%, 6/15/26 New York NY Trnsl Fin Auth Series 2007B	5,000	5,629,500
5.00%, 11/01/24 New York St Dormitory Auth (New York St Pers Income Tax)	7,395	8,178,500
5.00%, 3/15/26 <sup>(a)</sup> New York St Envrn Fac Corp. (New York NY Mun Wtr Fin Auth)	7,000	7,615,160
5.00%, 6/15/24-6/15/27 <sup>(a)</sup> 5.00%, 6/15/27 New York St HFA (New York St Pers Income Tax)	7,000	7,704,550
NPFGC-RE Series 05A 5.00%, 9/15/25	5,000	5,577,500
Triborough Brdg & Tunl Auth NY 5.00%, 1/01/26	300	325,074
Ulster Cnty NY IDA (Kingston Regl Sr Lvg Corp.) 6.00%, 9/15/27	10,000	11,272,900
	1,775	1,441,087
		52,622,492
<b>North Carolina 1.0%</b>		
Charlotte NC Arpt (Charlotte Douglas Intl Arpt) NPFGC Series 04A	2,895	3,024,783
5.25%, 7/01/24 Iredell Cnty NC COP (Iredell Cnty Sch Proj) AGM Series 08		1,215,129
5.25%, 6/01/22	1,080	
		4,239,912
<b>North Dakota 0.7%</b>		
North Dakota HFA SFMR (North Dakota HFA) Series 02	555	555,178
5.65%, 1/01/34 Ward Cnty ND Hlth Care Fac (Trinity Health) Series 2006		2,131,174
5.125%, 7/01/18-7/01/20	2,075	
		2,686,352

	Principal Amount (000)	U.S. \$ Value
<b>Ohio 1.6%</b>		
Columbiana Cnty Port Auth OH (Apex Environmental LLC) Series 04A 7.125%, 8/01/25(b)(d)	\$ 1,840	\$ 1,512,848
Cuyahoga Cnty OH Port Auth (University Square Proj) Series 01 7.35%, 12/01/31	5,000	5,047,250
		6,560,098
<b>Oregon 2.6%</b>		
Forest Grove OR (Pacific Univ) RADIANT Series 05A 5.00%, 5/01/28	4,760	4,583,975
Oregon Dept of Admin Svcs (Oregon Lottery) Series 2011A 5.25%, 4/01/25	5,000	5,876,000
		10,459,975
<b>Pennsylvania 2.9%</b>		
Allegheny Cnty PA IDA (Residential Resources, Inc.) 5.00%, 9/01/21	500	467,115
Montgomery Cnty PA IDA (New Regional Medical Ctr) 5.25%, 8/01/33	3,495	3,664,473
Pennsylvania Econ Dev Fin Auth (30th St Station Pkg Garage PA) ACA Series 02 5.875%, 6/01/33	4,100	3,947,111
Pennsylvania Hgr Ed Fac Auth (Univ of Pennsylvania) 5.00%, 9/01/28	1,500	1,671,945
Philadelphia PA IDA (Leadership Learning Partners) Series 05A 5.25%, 7/01/24(b)	1,150	953,051
Wilkes-Barre PA Fin Auth (Wilkes Univ Proj) 5.00%, 3/01/22	990	1,022,155
		11,725,850
<b>Puerto Rico 2.3%</b>		
Puerto Rico GO 5.25%, 7/01/23 Series 01A	2,625	2,687,948
5.50%, 7/01/19 Series 03A	1,705	1,837,240
5.25%, 7/01/23	500	504,550



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	Principal Amount (000)	U.S. \$ Value
Puerto Rico Govt Dev Bank Series 06B 5.00%, 12/01/15	\$ 1,000	\$ 1,071,040
Puerto Rico Pub Bldgs Auth (Puerto Rico GO) Series N 5.50%, 7/01/22	3,370	3,500,722
		9,601,500
<b>Rhode Island 1.4%</b>		
Rhode Island Hlth Ed Bldg Corp. (Times 2 Academy RI) Series 04 5.00%, 12/15/24	5,845	5,883,226
<b>South Carolina 2.3%</b>		
Charleston SC Eld Excellence Fin Corp. (Charleston Cnty SC SD Lease) 5.25%, 12/01/30	2,000	2,080,920
Dorchester Cnty SC SD #2 Lease AGC 5.00%, 12/01/29	1,600	1,636,624
Newberry Inv IN Children SC (Newberry Cnty SC SD Lease) AGC Series 05 5.00%, 12/01/27	5,450	5,580,854
		9,298,398
<b>Tennessee 2.5%</b>		
Sullivan Cnty TN Hlth & Hfb (Wellmont Hlth Sys Proj) Series 06C 5.00%, 9/01/22	1,760	1,793,880
5.25%, 9/01/26	725	736,673
Tennessee Ed Fndg Corp. (Tennessee Ed Fndg Stud Ln) Series 97A 6.20%, 12/01/21	7,705	7,724,108
		10,254,661
<b>Texas 34.5%</b>		
Alvin TX ISD GO Series 2004B 5.00%, 2/15/28	960	1,057,661
Bexar Cnty TX HFC MFHR (Doral Club & Sutton House Apts) NPFGC Series 01A 5.55%, 10/01/36	13,750	11,498,437
Bexar Cnty TX Hlth Fac Dev (Army Retirement Residence) 5.00%, 7/01/27	525	499,758
Camino Real Regl Mob Auth TX 5.00%, 2/15/22	480	480,024

Portfolio of Investments

	Principal Amount (000)	U.S. \$ Value
Series 2008		
5.00%, 8/15/21	\$ 1,210	\$ 1,210,145
Dallas Fort Worth TX Intl Arprt		
NPFGC-RE Series 01		
5.50%, 11/01/35	5,290	5,290,582
NPFGC Series 03A		
5.25%, 11/01/25	2,000	2,030,600
Dallas TX ISD GO		
6.00%, 2/15/28	2,500	2,903,150
Dripping Springs TX ISD GO		
5.125%, 2/15/28+	5,715	6,233,979
Fort Bend TX ISD GO		
Series 2009		
5.00%, 2/15/27	7,560	8,653,100
Frisco TX GO		
NPFGC-RE		
5.00%, 2/15/23	3,220	3,528,476
Garza Cnty Pub Fac Corp.		
(Garza Cnty TX Lease Corr Fac)		
5.50%, 10/01/19	865	868,849
Gulf Coast Wtr Auth TX		
(Anheuser-Busch Cos., Inc.)		
Series 02		
5.90%, 4/01/36	9,000	9,031,680
Harris City TX Toll Road		
AGM Series 02		
5.125%, 8/15/32 (Pre-refunded/ETM)+	7,500	7,784,700
Harris Cnty TX Met Trnsp Auth		
5.00%, 11/01/26	4,000	4,480,840
Hidalgo Cnty TX Hlth Fac Svcs		
(Mission Hospital, Inc.)		
Series 05		
5.00%, 8/15/14-8/15/19	1,090	1,120,608
Houston TX Util Sys		
Series 2011D		
5.00%, 11/15/25-11/15/26	8,500	9,626,625
Lewisville TX Spl AD #2		
ACA Series 05		
6.00%, 10/01/25	1,100	1,137,400
Lower Colorado River Auth TX		
5.00%, 5/15/31 (Pre-refunded/ETM)	45	48,176
5.25%, 5/15/25 (Pre-refunded/ETM)	70	75,207
AMBAC		
5.25%, 5/15/25	1,605	1,647,516
AMBAC Series 03		
5.25%, 5/15/25 (Pre-refunded/ETM)	125	134,298
NPFGC		
5.00%, 5/15/31 (Pre-refunded/ETM)	30	32,117
5.00%, 5/15/31	1,415	1,433,084
NPFGC Series 02A		
5.00%, 5/15/31 (Pre-refunded/ETM)	10	10,706

	Principal Amount (000)	U.S. \$ Value
Matagorda Cnty TX Nav Dist (Centerpoint Energy Houston) Series 04 5.60%, 3/01/27	\$ 2,000	\$ 2,044,820
San Antonio TX Arprt Sys (San Antonio TX Intl Airport) NPFGC-RE Series 02A 5.25%, 7/01/27	5,250	5,259,397
Seguin Hgr Ed Fac Corp. TX (Texas Lutheran Univ) Series 04 5.25%, 9/01/28-9/01/33	2,250	2,196,088
Texas GO Series 02A 5.50%, 8/01/41	9,470	9,545,476
Series 05 5.00%, 4/01/28	8,000	8,506,880
Texas Private Acvty Bond Srvc Trnsp Corp. (NTE Mobility Partners LLC Project) 6.875%, 12/31/39	1,720	1,835,240
Texas Trnsp Comm Series 07 5.00%, 4/01/23 <sup>(a)</sup>	20,600	23,146,572
Univ of Texas Series A 5.25%, 8/15/22	6,825	7,896,866
		141,249,057
<b>Utah 0.4%</b>		
Utah Hsg Corp. MFHR (Bluffs Apts) Series 02A 5.60%, 7/20/30	1,480	1,498,781
<b>Virginia 2.1%</b>		
Fauquier Cnty VA IDA (Fauquier Hospital Obl Grp) RADIAN Series 02 5.25%, 10/01/31	8,500	8,549,640
<b>Washington 7.0%</b>		
Energy Northwest WA (Bonneville Power Admin) Series 2011A 5.00%, 7/01/23	5,250	6,086,587
FYI Properties (Washington St Lease Dept Info Svc Proj) 5.125%, 6/01/28	5,200	5,505,812
Series 2009 5.00%, 6/01/27	3,885	4,108,077

	Principal Amount (000)	U.S. \$ Value
King Cnty WA Swr AGM Series 02A 5.25%, 1/01/32 (Pre-refunded/ETM)	\$ 3,000	\$ 3,024,390
Twenty Fifth Ave Ppty WA (Univ of WA Dorm 25th Ave) NPFGC Series 02 5.25%, 6/01/33	9,750	9,769,305
		28,494,171
<b>Wisconsin 5.5%</b>		
Wisconsin GO (Wisconsin SRF) Series 03 5.00%, 11/01/26	3,700	3,842,931
Wisconsin Hlth & Ed Fac Auth (Ministry Health Care, Inc.) NPFGC Series 02A 5.25%, 2/15/32	13,615	13,633,925
Wisconsin Hsg & Econ Dev Auth SFMR (Wisconsin Hsg & Econ Dev Auth) NPFGC Series A 5.60%, 5/01/33	4,840	4,847,889
		22,324,745
<b>Total Investments 168.2%</b> (cost \$674,951,910)		688,416,430
Other assets less liabilities (9.0%)		(36,996,872)
Preferred Shares at liquidation value (59.2%)		(242,225,000)
<b>Net Assets Applicable to Common Shareholders 100.0%</b>		<b>\$ 409,194,558</b>

**INTEREST RATE SWAP TRANSACTIONS (see Note C)**

Swap Counterparty	Notional Amount (000)	Termination Date	Rate Type		Unrealized Appreciation/ (Depreciation)
			Payments made by the Portfolio	Payments received by the Portfolio	
Goldman Sachs Bank USA	\$ 47,500	12/15/11	1.828%	SIFMA*	\$ (199,363)
Merrill Lynch Capital Services, Inc.	3,000	7/30/26	4.090%	SIFMA*	(687,420)
Merrill Lynch Capital Services, Inc.	6,500	8/9/26	4.063%	SIFMA*	(1,519,393)
Merrill Lynch Capital Services, Inc.	7,100	11/15/26	4.378%	SIFMA*	(1,978,622)
					\$ (4,384,798)

\* *Variable interest rate based on the Securities Industry & Financial Markets Association (SIFMA) Municipal Swap Index.*

(a) *Security represents the underlying municipal obligation of an inverse floating rate obligation held by the Fund (see Note H).*

(b) *Illiquid security.*

(c) *Security is in default and is non-income producing.*

(d) *Fair valued.*

(e) *Portfolio percentages are calculated based on net assets applicable to common shareholders.*

+ *An Amount of \$4,176,912 has been segregated to collateralize open interest rate swap agreements for the National Municipal Income Fund. As of October 31, 2011, the Fund held 71.5% of net assets in insured bonds (of this amount 16.5% represents the Fund's holding in pre-refunded or escrowed to maturity bonds). 23.8% of the Fund's insured bonds were insured by NPMFGC.*

*Glossary:*

*ACA ACA Financial Guaranty Corporation*

*AD Assessment District*

*AGC Assured Guaranty Corporation*

*AGM Assured Guaranty Municipal*

*AMBAC Ambac Assurance Corporation*

*BAN Bond Anticipation Note*

*CCD Community College District*

*CDA Community Development Authority*

*CDD Community Development District*

*COP Certificate of Participation*

*CRA Community Redevelopment Agency*

*EDA Economic Development Agency*

*ETM Escrowed to Maturity*

*FGIC Financial Guaranty Insurance Company*

*GO General Obligation*

*HDC Housing Development Corporation*

*HFA Housing Finance Authority*

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*HFC Housing Finance Corporation*

*IDA Industrial Development Authority/Agency*

*IDR Industrial Development Revenue Bond*

*ISD Independent School District*

*MFHR Multi-Family Housing Revenue*

*NPFGC National Public Finance Guarantee Corporation*

*NPFGC-RE National Public Finance Guarantee Corporation Reinsuring FGIC*

*RADIAN Radian Asset Assurance Inc.*

*SD School District*

*SFMR Single Family Mortgage Revenue*

*SRF State Revolving Fund*

*SSA Special Services Area*

*USD Unified School District*

*XLCA XL Capital Assurance Inc.*

*See notes to financial statements.*

**Portfolio of Investments**

**ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND 21**

**STATEMENT OF ASSETS & LIABILITIES**

October 31, 2011

<b>Assets</b>	
Investments in securities, at value (cost \$674,951,910)	\$ 688,416,430
Interest receivable	10,504,196
Receivable for investment securities sold	1,356,590
<b>Total assets</b>	<b>700,277,216</b>
<b>Liabilities</b>	
Due to custodian	1,276,074
Payable for floating rate notes issued*	42,770,000
Unrealized depreciation on interest rate swap contracts	4,384,798
Advisory fee payable	283,872
Dividends payable - preferred shares	8,219
Accrued expenses	134,695
<b>Total liabilities</b>	<b>48,857,658</b>
<b>Preferred Shares, at Liquidation Value</b>	
Preferred Shares, \$.001 par value per share; 11,400 shares authorized, 9,689 shares issued and outstanding at \$25,000 per share liquidation preference	242,225,000
<b>Net Assets Applicable to Common Shareholders</b>	<b>\$ 409,194,558</b>
<b>Composition of Net Assets Applicable to Common Shareholders</b>	
Common stock, \$.001 par value per share; 1,999,988,600 shares authorized, 28,697,204 shares issued and outstanding	\$ 28,697
Additional paid-in capital	407,514,224
Undistributed net investment income	3,543,100
Accumulated net realized loss on investment transactions	(10,971,185)
Net unrealized appreciation on investments	9,079,722
<b>Net Assets Applicable to Common Shareholders</b>	<b>\$ 409,194,558</b>
<b>Net Asset Value Applicable to Common Shareholders</b> (based on 28,697,204 common shares outstanding)	<b>\$ 14.26</b>

\* Represents short-term floating rate certificates issued by tender option bond trusts (see Note H).  
See notes to financial statements.



**STATEMENT OF OPERATIONS**

Year Ended October 31, 2011

**Investment Income**

Interest	\$	34,411,133	
Dividends - Affiliated issuers		1,323	\$ 34,412,456

**Expenses**

Advisory fee (see Note B)	3,492,976
Preferred Shares-auction agent's fees	147,383
Custodian	167,277
Directors' fees and expenses	49,142
Printing	42,242
Audit	39,391
Registration fees	25,427
Legal	22,670
Transfer agency	9,939
Miscellaneous	75,781
<b>Total expenses before interest expense and fees</b>	<b>4,072,228</b>
Interest expense and fees	364,658

<b>Total expenses</b>	<b>4,436,886</b>
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Net investment income	29,975,570
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**Realized and Unrealized Loss on Investment Transactions**

Net realized loss on:	
Investment transactions	(4,344,170)
Swap contracts	(1,639,807)
Net change in unrealized appreciation/depreciation of:	
Investments	(1,619,641)
Swap contracts	(174,010)
<b>Net loss on investment transactions</b>	<b>(7,777,628)</b>

**Dividends to Preferred Shareholders from**

Net investment income	(788,537)
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<b>Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations</b>	<b>\$ 21,409,405</b>
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See notes to financial statements.

**STATEMENT OF CHANGES IN NET ASSETS****APPLICABLE TO COMMON SHAREHOLDERS**

	<b>Year Ended October 31, 2011</b>	<b>Year Ended October 31, 2010</b>
<b>Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations</b>		
Net investment income	\$ 29,975,570	\$ 30,799,579
Net realized loss on investment transactions	(5,983,977)	(8,121,795)
Net change in unrealized appreciation/depreciation of investments	(1,793,651)	26,844,650
<b>Dividends to Preferred Shareholders from</b>		
Net investment income	(788,537)	(980,201)
Net increase in net assets applicable to Common Shareholders resulting from operations	21,409,405	48,542,233
<b>Dividends to Common Shareholders from</b>		
Net investment income	(26,688,401)	(26,619,537)
<b>Common Stock Transactions</b>		
Reinvestment of dividends resulting in the issuance of Common Stock	0	382,904
Sale of Common Stock	(684)	10,640
Total increase (decrease)	(5,279,680)	22,316,240
<b>Net Assets Applicable to Common Shareholders</b>		
Beginning of period	414,474,238	392,157,998
End of period (including undistributed net investment income of \$3,543,100 and \$2,684,275, respectively)	<b>\$ 409,194,558</b>	<b>\$ 414,474,238</b>

*See notes to financial statements.*

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## NOTES TO FINANCIAL STATEMENTS

October 31, 2011

### NOTE A

#### Significant Accounting Policies

AllianceBernstein National Municipal Income Fund, Inc. (the Fund) was incorporated in the State of Maryland on November 9, 2001 and is registered under the Investment Company Act of 1940 as a diversified, closed-end management investment company. The financial statements have been prepared in conformity with U.S. generally accepted accounting principles ( U.S. GAAP ) which require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund.

#### 1. Security Valuation

Portfolio securities are valued at their current market value determined on the basis of market quotations or, if market quotations are not readily available or are deemed unreliable, at fair value as determined in accordance with procedures established by and under the general supervision of the Fund's Board of Directors.

In general, the market value of securities which are readily available and deemed reliable are determined as follows: Securities listed on a national securities exchange (other than securities listed on the NASDAQ Stock Market, Inc. ( NASDAQ )) or on a foreign securities exchange are valued at the last sale price at the close of the exchange or foreign securities exchange. If there has been no sale on such day, the securities are valued at the mean of the closing bid and ask prices on such day. Securities listed on more than one exchange are valued by reference to the principal exchange on which the securities are traded; securities listed only on NASDAQ are valued in accordance with the NASDAQ Official Closing Price; listed or over the counter market ( OTC ) put or call options are valued at the mid level between the current bid and ask prices. If either a current bid or current ask price is unavailable, AllianceBernstein L.P. (the Adviser) will have discretion to determine the best valuation (e.g. last trade price); open futures contracts and options thereon are valued using the closing settlement price or, in the absence of such a price, the most recent quoted bid price. If there are no quotations available for the day of valuation, the last available closing settlement price is used; U.S. government securities and other debt instruments having 60 days or less remaining until maturity are valued at amortized cost if their original maturity was 60 days or less; or by amortizing their fair value as of the 61st day prior to maturity if their original term to maturity exceeded 60 days; fixed-income securities, including mortgage backed and asset backed securities, may be valued on the basis of prices provided by a pricing service or at a price obtained from one or more of the major broker/dealers. In cases where broker/dealer quotes are obtained, the Adviser may establish procedures whereby changes in market yields or spreads are used

to adjust, on a daily basis, a recently obtained quoted price on a security; and swaps and other derivatives are valued daily, primarily using independent pricing services, independent pricing models using market inputs, as well as third party broker-dealers or counterparties, which are approved by the Board of Directors. Investments in money market funds are valued at their net asset value each day.

Securities for which market quotations are not readily available (including restricted securities) or are deemed unreliable are valued at fair value. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, analysis of the issuer's financial statements or other available documents. In addition, the Fund may use fair value pricing for securities primarily traded in non-U.S. markets because most foreign markets close well before the Fund values its securities at 4:00 p.m., Eastern Time. The earlier close of these foreign markets gives rise to the possibility that significant events, including broad market moves, may have occurred in the interim and may materially affect the value of those securities.

## **2. Fair Value Measurements**

In accordance with U.S. GAAP regarding fair value measurements, fair value is defined as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The U.S. GAAP disclosure requirements establish a framework for measuring fair value, and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. Each investment is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

Level 1 quoted prices in active markets for identical investments

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

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

The following table summarizes the valuation of the Fund's investments by the above fair value hierarchy levels as of October 31, 2011:

<b>Investments in Securities:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Long-Term Municipal Bonds	\$ 0	\$ 658,140,308	\$ 30,276,122	\$ 688,416,430
Total Investments in Securities	0	658,140,308	30,276,122	688,416,430
<b>Other Financial Instruments*:</b>				
<b>Assets</b>				
	0	0	0	0
<b>Liabilities:</b>				
Interest Rate Swap Contracts	0	0	(4,384,798)	(4,384,798)
<b>Total</b>	<b>\$ 0</b>	<b>\$ 658,140,308</b>	<b>\$ 25,891,324</b>	<b>\$ 684,031,632</b>

\* Other financial instruments are derivative instruments, such as futures, forwards and swap contracts, which are valued at the unrealized appreciation/depreciation on the instrument.

Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value. The transfers between levels of the fair value hierarchy assumes the financial instrument was transferred at the beginning of the reporting period.

	<b>Long-Term Municipal Bonds</b>	<b>Interest Rate Swap Contracts</b>	<b>Total</b>
<b>Balance as of 10/31/10</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Accrued discounts/(premiums)	(44,503)	0	(44,503)
Realized gain (loss)	(382)	(1,448,570)	(1,448,952)
Change in unrealized appreciation/depreciation	(948,166)	(369,860)	(1,318,026)
Purchases	0	0	0
Sales	(322,000)	0	(322,000)
Settlements	0	1,448,570	1,448,570
Transfers in to Level 3	31,591,173	(4,014,938)	27,576,235
Transfers out of Level 3	0	0	0
<b>Balance as of 10/31/11</b>	<b>\$ 30,276,122</b>	<b>\$ (4,384,798)</b>	<b>\$ 25,891,324</b>
Net change in unrealized appreciation/depreciation from Investments held as of 10/31/11*	\$ (948,166)	\$ (369,860)	\$ (1,318,026)

\* The unrealized appreciation/depreciation is included in net change in unrealized appreciation/depreciation of investments in the accompanying statement of operations.

### 3. Taxes

It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its investment company taxable income and net realized gains, if any, to shareholders. Therefore, no provisions for federal income or excise taxes are required.

In accordance with U.S. GAAP requirements regarding accounting for uncertainties in income taxes, management has analyzed the Fund's tax positions taken or expected to be taken on federal and state income tax returns for all open tax years (the current and the prior three tax years) and has concluded that no provision for income tax is required in the Fund's financial statements.



**4. Investment Income and Investment Transactions**

Dividend income is recorded on the ex-dividend date or as soon as the Fund is informed of the dividend. Interest income is accrued daily. Investment transactions are accounted for on the date the securities are purchased or sold. Investment gains or losses are determined on the identified cost basis. The Fund amortizes premiums and accretes original issue discounts and market discounts as adjustments to interest income.

**5. Dividends and Distributions**

Dividends and distributions to shareholders, if any, are recorded on the ex-dividend date. Income dividends and capital gains distributions are determined in accordance with federal tax regulations and may differ from those determined in accordance with U.S. GAAP. To the extent these differences are permanent, such amounts are reclassified within the capital accounts based on their federal tax basis treatment; temporary differences do not require such reclassification.

**NOTE B****Advisory, Administrative Fees and Other Transactions with Affiliates**

Under the terms of an investment advisory agreement, the Fund pays the Adviser an advisory fee at an annual rate of .55% of the Fund's average daily net assets applicable to common and preferred shareholders. Such fee is accrued daily and paid monthly.

Under the terms of the Shareholder Inquiry Agency Agreement with AllianceBernstein Investor Services, Inc. ( ABIS ), a wholly-owned subsidiary of the Adviser, the Fund reimburses ABIS for costs relating to servicing phone inquiries on behalf of the Fund. During the year ended October 31, 2011, the Fund reimbursed ABIS \$135 for such costs.

The Fund may invest in the AllianceBernstein Fixed-Income Shares, Inc. Government STIF Portfolio ( Government STIF Portfolio ), an open-end management investment company managed by the Adviser. The Government STIF Portfolio is offered as a cash management option to mutual funds and other institutional accounts of the Adviser, and is not available for direct purchase by members of the public. The Government STIF Portfolio pays no investment management fees but does bear its own expenses. A summary of the Fund's transactions in shares of the Government STIF Portfolio for the year ended October 31, 2011 is as follows:

Market Value October 31, 2010 (000)	Purchases at Cost (000)	Sales Proceeds (000)	Market Value October 31, 2011 (000)	Dividend Income (000)
\$ 0	\$ 34,642	\$ 34,642	\$ 0	\$ 1

**NOTE C****Investment Transactions**

Purchases and sales of investment securities (excluding short-term investments) for the year ended October 31, 2011 were as follows:

	<b>Purchases</b>	<b>Sales</b>
Investment securities (excluding		
U.S. government securities)	\$ 60,234,415	\$ 61,405,641
U.S. government securities	0	0

The cost of investments for federal income tax purposes, gross unrealized appreciation and unrealized depreciation (excluding swap transactions) are as follows:

Cost	\$ 632,524,457
Gross unrealized appreciation	\$ 21,920,055
Gross unrealized depreciation	(8,831,449)
Net unrealized appreciation	\$ 13,088,606,

**1. Derivative Financial Instruments**

The Fund may use derivatives to earn income and enhance returns, to hedge or adjust the risk profile of its portfolio, to replace more traditional direct investments, or to obtain exposure to otherwise inaccessible markets.

The principal type of derivatives utilized by the Fund, as well as the methods in which they may be used are:

**Swap Agreements**

The Fund may enter into swaps to hedge its exposure to interest rates or credit risk. A swap is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In addition, collateral may be pledged or received by the Fund in accordance with the terms of the respective swap agreements to provide value and recourse to the Fund or its counterparties in the event of default, bankruptcy or insolvency by one of the parties to the swap agreement.

Risks may arise as a result of the failure of the counterparty to the swap contract to comply with the terms of the swap contract. The loss incurred by the failure of a counterparty is generally limited to the net interim payment to be received by the Fund, and/or the termination value at the end of the contract. Therefore, the Fund considers the creditworthiness of each counterparty to a swap contract in evaluating potential counterparty risk. This risk is mitigated by having a netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the



counterparty. Additionally, risks may arise from unanticipated movements in interest rates or in the value of the underlying securities. The Fund accrues for the interim payments on swap contracts on a daily basis, with the net amount recorded within unrealized appreciation/depreciation of swap contracts on the statement of assets and liabilities, where applicable. Once the interim payments are settled in cash, the net amount is recorded as realized gain/(loss) on swaps on the statement of operations, in addition to any realized gain/(loss) recorded upon the termination of swap contracts. Fluctuations in the value of swap contracts are recorded as a component of net change in unrealized appreciation/depreciation of swap contracts on the statement of operations.

*Interest Rate Swaps:*

The Fund is subject to interest rate risk exposure in the normal course of pursuing its investment objectives. Because the Fund holds fixed rate bonds, the value of these bonds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, the Fund may enter into interest rate swap contracts. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional amount. The Fund may elect to pay a fixed rate and receive a floating rate, or, receive a fixed rate and pay a floating rate on a notional amount.

In addition, a Fund may also enter into interest rate swap transactions to preserve a return or spread on a particular investment or portion of its portfolio, or protecting against an increase in the price of securities the Fund anticipates purchasing at a later date. Interest rate swaps involve the exchange by a Fund with another party of their respective commitments to pay or receive interest (*e.g.*, an exchange of floating rate payments for fixed rate payments) computed based on a contractually-based principal (or notional) amount. Interest rate swaps are entered into on a net basis (*i.e.*, the two payment streams are netted out, with the Fund receiving or paying, as the case may be, only the net amount of the two payments).

During the year ended October 31, 2011, the Fund held interest rate swap contracts for hedging purposes.

Documentation governing the Fund's swap transactions may contain provisions for early termination of a swap in the event the net assets of the Fund decline below specific levels set forth in the documentation ( net asset contingent features ). If these levels are triggered, the Fund's counterparty has the right to terminate the swap and require the Fund to pay or receive a settlement amount in connection with the terminated swap transaction. As of October 31, 2011, the Fund had interest rate swap contracts in liability positions with net asset contingent features. The fair value of such contracts amounted to \$4,384,798 at October 31, 2011.

At October 31, 2011, the Fund had entered into the following derivatives:

Derivative Type	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Interest rate contracts			Unrealized depreciation on interest rate swap contracts	\$ 4,384,798
Total				\$ 4,384,798

The effect of derivative instruments on the statement of operations for the year ended October 31, 2011:

Derivative Type	Location of Gain or (Loss) on Derivatives	Realized Gain or (Loss) on Derivatives	Change in Unrealized Appreciation or (Depreciation)
Interest rate contracts	Net realized gain (loss) on swap contracts; Net change in unrealized appreciation/depreciation of swap contracts	\$ (1,639,807)	\$ (174,010)
Total		\$ (1,639,807)	\$ (174,010)

For the year ended October 31, 2011, the average monthly notional amount of interest rate swaps was \$67,753,846.

**NOTE D**

**Common Stock**

There are 28,697,204 shares of common stock outstanding at October 31, 2011. During the year ended October 31, 2011, the Fund did not issue any shares in connection with the Fund's dividend reinvestment plan. During the year ended October 31, 2010, the Fund issued 27,407 shares in connection with the Fund's dividend reinvestment plan; residual shares of common stock held by the Fund were sold in the amount of \$10,640. The value for such residual shares sold as reported in the statement of changes in net assets in 2010 was subsequently revised by \$(684) to reflect the actual amount received in 2011.

**NOTE E**

**Preferred Shares**

The Fund has 11,400 shares authorized, and 9,689 shares issued and outstanding of Auction Preferred Stock (the Preferred Shares), consisting of 2,677 shares each of Series M, Series W and Series TH, and also 1,658 shares of Series T. The Preferred Shares have a liquidation value of \$25,000 per share plus accumulated, unpaid dividends. The dividend rate on the Preferred Shares may

change every 7 days as set by the auction agent for Series M, T, W and TH. Due to the recent failed auctions, the dividend rate is the maximum rate set by the terms of the Preferred Shares, which is based on AA commercial paper rates and short-term municipal bond rates. The dividend rate on Series M is 0.23% effective through November 7, 2011. Series T is 0.23% effective through November 1, 2011, Series W is 0.23% effective through November 2, 2011 and Series TH is 0.23% effective through November 3, 2011.

At certain times, the Preferred Shares are redeemable by the Fund, in whole or in part, at \$25,000 per share plus accumulated, unpaid dividends. The Fund voluntarily may redeem the Preferred Shares in certain circumstances.

The Fund is not required to redeem any of its Preferred Shares and expects to continue to rely on the Preferred Shares for a portion of its leverage exposure. The Fund may also pursue other liquidity solutions for the Preferred Shares.

The Preferred Shareholders, voting as a separate class, have the right to elect at least two Directors at all times and to elect a majority of the Directors in the event two years' dividends on the Preferred Shares are unpaid. In each case, the remaining Directors will be elected by the Common Shareholders and Preferred Shareholders voting together as a single class. The Preferred Shareholders will vote as a separate class on certain other matters as required under the Fund's Charter, the Investment Company Act of 1940 and Maryland law.

#### NOTE F

##### Distributions to Common Shareholders

The tax character of distributions paid during the fiscal years ended October 31, 2011 and October 31, 2010 were as follows:

	2011	2010
Distributions paid from:		
Ordinary income	\$ 47,671	\$ 136,588
Tax-exempt income	26,640,730	26,482,949
Total distributions paid	\$ 26,688,401	\$ 26,619,537

As of October 31, 2011, the components of accumulated earnings/(deficit) on a tax basis were as follows:

Undistributed tax-exempt income	\$ 3,326,872
Accumulated capital and other losses	(10,627,001) <sup>(a)</sup>
Unrealized appreciation/(depreciation)	8,959,985 <sup>(b)</sup>
Total accumulated earnings/(deficit)	\$ 1,659,856 <sup>(c)</sup>

<sup>(a)</sup> On October 31, 2011, the Fund had a net capital loss carryforward of \$10,627,001 of which \$10,206 expires in the year 2012, \$979,235 expires in the year 2017, \$5,292,453 expires in the year 2018, and \$4,345,107 expires in the year 2019. To the extent future capital gains are offset by capital loss carryforwards, such gains will not be distributed.

*During the fiscal year ended October 31, 2011, \$5,569,671 of capital loss carryforwards expired.*

*(b) The differences between book-basis and tax-basis unrealized appreciation/(depreciation) are attributed primarily to the tax treatment of swap income, the tax deferral of losses on wash sales and the tax treatment of tender option bonds.*

*(c) The difference between book-basis and tax-basis components accumulated earnings/(deficit) is attributable primarily to dividends payable.*

During the current fiscal year, permanent differences primarily due to the tax treatment of swap income and the expiration of capital loss carryforwards resulted in a net decrease in undistributed net investment income, a net decrease in accumulated net realized loss on investment transactions, and a net decrease to additional paid-in capital. These reclassifications had no effect on net assets.

## NOTE G

### Risks Involved in Investing in the Fund

*Interest Rate Risk and Credit Risk* Interest rate risk is the risk that changes in interest rates will affect the value of the Fund's investments in fixed-income debt securities such as bonds or notes. Increases in interest rates may cause the value of the Fund's investments to decline. Credit risk is the risk that the issuer or guarantor of a debt security, or the counterparty to a derivative contract, will be unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The degree of risk for a particular security may be reflected in its credit risk rating. Credit risk is greater for medium quality and lower-rated securities. Lower-rated debt securities and similar unrated securities (commonly known as "junk bonds") have speculative elements or are predominantly speculative risks.

*Municipal Market Risk* This is the risk that special factors may adversely affect the value of municipal securities and have a significant effect on the yield or value of the Fund's investments in municipal securities. These factors include economic conditions, political or legislative changes, uncertainties related to the tax status of municipal securities, or the rights of investors in these securities. To the extent that the Fund invests more of its assets in a particular state's municipal securities, the Portfolio may be vulnerable to events adversely affecting that state, including economic, political and regulatory occurrences, court decisions, terrorism and catastrophic natural disasters, such as hurricanes or earthquakes. The Fund's investments in certain municipal securities with principal and interest payments that are made from the revenues of a specific project or facility, and not general tax revenues, may have increased risks. Factors affecting the project or facility, such as local business or economic conditions, could have a significant effect on the project's ability to make payments of principal and interest on these securities.

*Derivatives Risk* The Fund may enter into derivative transactions such as forwards, options, futures and swaps. Derivatives may be illiquid, difficult to price,

and leveraged so that small changes may produce disproportionate losses for the Fund, and subject to counterparty risk to a greater degree than more traditional investments. Derivatives may result in significant losses, including losses that are far greater than the value of the derivatives reflected in the statement of assets and liabilities.

*Financing and Related Transactions; Leverage and Other Risks* The Fund utilizes leverage to seek to enhance the yield and net asset value attributable to its Common Stock. These objectives may not be achieved in all interest rate environments. Leverage creates certain risks for holders of Common Stock, including the likelihood of greater volatility of the net asset value and market price of the Common Stock. If income from the securities purchased from the funds made available by leverage is not sufficient to cover the cost of leverage, the Fund's return will be less than if leverage had not been used. As a result, the amounts available for distribution to Common Stockholders as dividends and other distributions will be reduced. During periods of rising short-term interest rates, the interest paid on the Preferred Shares or floaters in tender option bond transactions would increase, which may adversely affect the Fund's income and distribution to Common Stockholders. A decline in distributions would adversely affect the Fund's yield and possibly the market value of its shares. If rising short-term rates coincide with a period of rising long-term rates, the value of the long-term municipal bonds purchased with the proceeds of leverage would decline, adversely affecting the net asset value attributable to the Fund's Common Stock and possibly the market value of the shares.

The Fund's outstanding Preferred Shares results in leverage. The Fund may also use other types of financial leverage, including tender option bond transactions, either in combination with, or in lieu of, the Preferred Shares. In a tender option bond transaction, the Fund may transfer a highly rated fixed-rate municipal security to a broker, which, in turn, deposits the bond into a special purpose vehicle (typically, a trust) usually sponsored by the broker. The Fund receives cash and a residual interest security (sometimes referred to as an "inverse floater") issued by the trust in return. The trust simultaneously issues securities, which pay an interest rate that is reset each week based on an index of high-grade short-term seven-day demand notes. These securities, sometimes referred to as "floaters", are bought by third parties, including tax-exempt money market funds, and can be tendered by these holders to a liquidity provider at par, unless certain events occur. The Fund continues to earn all the interest from the transferred bond less the amount of interest paid on the floaters and the expenses of the trust, which include payments to the trustee and the liquidity provider and organizational costs. The Fund also uses the cash received from the transaction for investment purposes or to retire other forms of leverage. Under certain circumstances, the trust may be terminated and collapsed, either by the Fund or upon the occurrence of certain events, such as a downgrade in the credit quality of the underlying bond, or in the event holders of the floaters tender their

securities to the liquidity provider. See Note H to the Financial Statements Floating Rate Notes Issued in Connection with Securities Held for more information about tender option bond transactions.

The Fund may also purchase inverse floaters from a tender option bond trust in a secondary market transaction without first owning the underlying bond. The income received from an inverse floater varies inversely with the short-term interest rate paid on the floaters issued by the trust. The prices of inverse floaters are subject to greater volatility than the prices of fixed-income securities that are not inverse floaters. Investments in inverse floaters may amplify the risks of leverage. If short-term interest rates rise, the interest payable on the floaters would increase and income from the inverse floaters decrease, resulting in decreased amounts of income available for distribution to Common Stockholders.

The use of derivative instruments by the Fund, such as forwards, futures, options and swaps, may also result in a form of leverage.

*Indemnification Risk* In the ordinary course of business, the Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these indemnification provisions and expects the risk of loss thereunder to be remote. Therefore, the Fund has not accrued any liability in connection with these indemnification provisions.

## NOTE H

### Floating Rate Notes Issued in Connection with Securities Held

The Fund may engage in tender option bond transactions in which the Fund may transfer a fixed rate bond (Fixed Rate Bond) to a broker for cash. The broker deposits the fixed rate bond into a Special Purpose Vehicle (the SPV, which is generally organized as a trust), organized by the broker. The Fund buys a residual interest in the assets and cash flows of the SPV, often referred to as an inverse floating rate obligation (Inverse Floater). The SPV also issues floating rate notes (Floating Rate Notes) which are sold to third parties. The Floating Rate Notes pay interest at rates that generally reset weekly and their holders have the option to tender their notes to a liquidity provider for redemption at par. The Inverse Floater held by the Fund gives the Fund the right (1) to cause the holders of the Floating Rate Notes to tender their notes at par, and (2) to have the trustee transfer the Fixed Rate Bond held by the SPV to the Fund, thereby collapsing the SPV. The SPV may also be collapsed in certain other circumstances. In accordance with U.S. GAAP requirements regarding accounting for transfers and servicing of financial assets and extinguishments of liabilities, the Fund accounts for the transaction described above as a secured borrowing by including the Fixed Rate Bond in its portfolio of investments and the Floating Rate Notes as a liability under the caption Payable for floating rate notes issued in its statement of assets and liabilities. Interest expense related to

the Fund's liability with respect to Floating Rate Notes is recorded as incurred. The interest expense is also included in the Fund's expense ratio. At October 31, 2011, the amount of the Fund's Floating Rate Notes outstanding was \$42,770,000 and the related interest rate was 0.14% to 0.17%.

The Fund may also purchase Inverse Floaters in the secondary market without first owning the underlying bond. Such an Inverse Floater is included in the Fund's portfolio of investments but is not required to be treated as a secured borrowing and reflected in the Fund's financial statements as a secured borrowing.

#### **NOTE I**

##### **Recent Accounting Pronouncement**

In May 2011, the Financial Accounting Standards Board ( FASB ) issued an Accounting Standards Update ( ASU ) to develop common requirements for measuring fair value and for disclosing information about fair value measurements in U.S. GAAP and International Financial Reporting Standards ( IFRS ). The amendments are intended to improve the comparability of fair value measurements presented and disclosed in the financial statements prepared in accordance with U.S. GAAP and IFRS. The ASU is effective during interim or annual periods beginning after December 15, 2011. At this time, management is evaluating the implication of this ASU and its impact on the financial statements has not been determined.

#### **NOTE J**

##### **Subsequent Events**

Management has evaluated subsequent events for possible recognition or disclosure in the financial statements through the date the financial statements are issued. Management has determined that there are no material events that would require disclosure in the Fund's financial statements through this date.

## FINANCIAL HIGHLIGHTS

### Selected Data For A Share Of Common Stock Outstanding Throughout Each Period

	2011	2010	Year Ended October 31, 2009	2008	2007
Net asset value, beginning of period	\$ 14.44	\$ 13.68	\$ 11.76	\$ 15.05	\$ 15.58
<b>Income From Investment Operations</b>					
Net investment income <sup>(a)</sup>	1.04	1.07	1.08 <sup>(b)</sup>	1.08 <sup>(b)</sup>	1.11 <sup>(b)</sup>
Net realized and unrealized gain (loss) on investment transactions	(.26)	.65	1.79	(3.22)	(.49)
Dividends to preferred shareholders from net investment income (common stock equivalent basis)	(.03)	(.03)	(.08)	(.36)	(.36)
Net increase (decrease) in net asset value from operations	.75	1.69	2.79	(2.50)	.26
<b>Less: Dividends to Common Shareholders from</b>					
Net investment income	(.93)	(.93)	(.87)	(.79)	(.79)
Net asset value, end of period	<b>\$ 14.26</b>	<b>\$ 14.44</b>	<b>\$ 13.68</b>	<b>\$ 11.76</b>	<b>\$ 15.05</b>
Market value, end of period	<b>\$ 13.92</b>	<b>\$ 14.38</b>	<b>\$ 13.60</b>	<b>\$ 10.95</b>	<b>\$ 14.08</b>
Discount, end of period	(2.38)%	(.42)%	(.58)%	(6.89)%	(6.45)%
<b>Total Return</b>					
Total investment return based on: <sup>(c)</sup>					
Market value	3.82 %	12.99 %	33.78 %	(17.38)%	(1.61)%
Net asset value	5.91 %	12.80 %	25.30 %	(16.99)%	1.87 %
<b>Ratios/Supplemental Data</b>					
Net assets applicable to common shareholders, end of period (000 s omitted)					
	\$409,195	\$414,474	\$392,158	\$336,979	\$431,381
Preferred Shares, at liquidation value (\$25,000 per share) (000 s omitted)					
	\$242,225	\$242,225	\$242,225	\$242,225	\$285,000
Ratio to average net assets applicable to common shareholders of:					
Expenses, net of waivers <sup>(d)</sup>	1.13 %	1.13 %	1.29 %	1.25 %	1.08 % <sup>(e)</sup>
Expenses, net of waivers, excluding interest expense <sup>(d)</sup>	1.04 %	1.03 %	1.15 %	1.12 %	1.30 % <sup>(e)</sup>
Expenses, before waivers <sup>(d)</sup>	1.13 %	1.13 %	1.31 %	1.36 %	1.30 % <sup>(e)</sup>
Expenses, before waivers, excluding interest expense <sup>(d)</sup>	1.04 %	1.03 %	1.17 %	1.23 %	1.30 % <sup>(e)</sup>
Net investment income, before Preferred Shares dividends <sup>(d)</sup>	7.63 %	7.65 %	8.74 % <sup>(b)</sup>	7.65 % <sup>(b)</sup>	7.29 % <sup>(b)(e)</sup>
Preferred Shares dividends	.20 %	.24 %	.62 %	2.56 %	2.37 %
Net investment income, net of Preferred Shares dividends	7.43 %	7.41 %	8.12 % <sup>(b)</sup>	5.09 % <sup>(b)</sup>	4.92 % <sup>(b)(e)</sup>
Portfolio turnover rate	10 %	7 %	7 %	16 %	8 %
Asset coverage ratio	269 %	271 %	262 %	239 %	251 %

See footnote summary on page 38.



- (a) *Based on average shares outstanding.*
- (b) *Net of fees waived by the Adviser.*
- (c) *Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods. Total investment return calculated for a period of less than one year is not annualized.*
- (d) *These expense and net investment income ratios do not reflect the effect of dividend payments to preferred shareholders.*
- (e) *The ratio includes expenses attributable to costs of proxy solicitation.*

*See notes to financial statements.*

## REPORT OF INDEPENDENT REGISTERED

## PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of AllianceBernstein National Municipal Income Fund, Inc.

We have audited the accompanying statement of assets and liabilities of AllianceBernstein National Municipal Income Fund, Inc. (the Fund), including the portfolio of investments, as of October 31, 2011, and the related statement of operations for the year then ended, the statement of changes in net assets applicable to common shareholders for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2011 by correspondence with the custodian and others, or by other appropriate auditing procedures where replies from others were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of AllianceBernstein National Municipal Income Fund, Inc. at October 31, 2011, the results of its operations for the year then ended, the changes in its net assets applicable to common shareholders for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

New York, New York

December 29, 2011

Report of Independent Registered Public Accounting Firm

ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND 39

**2011 FEDERAL TAX INFORMATION**

(unaudited)

For Federal income tax purposes, the following information is furnished with respect to the distributions paid by the Fund during the taxable year ended October 31, 2011.

The Fund designates \$27,427,859 as exempt-interest dividends for the year ended October 31, 2011.

Shareholders should not use the above information to prepare their income tax returns. The information necessary to complete your income tax returns will be included with your Form 1099-DIV which will be sent to you separately in January 2012.

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## ADDITIONAL INFORMATION

(unaudited)

Shareholders whose shares are registered in their own names can elect to participate in the Dividend Reinvestment Plan (the Plan), pursuant to which dividends and capital gain distributions to shareholders will be paid in or reinvested in additional shares of the Fund (the Dividend Shares). Computershare Trust Company NA, (the Agent) will act as agent for participants under the Plan. Shareholders whose shares are held in the name of broker or nominee should contact such broker or nominee to determine whether or how they may participate in the Plan.

If the Board declares an income distribution or determines to make a capital gain distribution payable either in shares or in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in shares of Common Stock of the Fund valued as follows:

- (i) If the shares of Common Stock are trading at net asset value or at a premium above net asset value at the time of valuation, the Fund will issue new shares at the greater of net asset value or 95% of the then current market price.
- (ii) If the shares of Common Stock are trading at a discount from net asset value at the time of valuation, the Agent will receive the dividend or distribution in cash and apply it to the purchase of the Fund's shares of Common Stock in the open market on the New York Stock Exchange or elsewhere, for the participants' accounts. Such purchases will be made on or shortly after the payment date for such dividend or distribution and in no event more than 30 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with Federal securities laws. If, before the Agent has completed its purchases, the market price exceeds the net asset value of a share of Common Stock, the average purchase price per share paid by the Agent may exceed the net asset value of the Fund's shares of Common Stock, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund.

The Agent will maintain all shareholders' accounts in the Plan and furnish written confirmation of all transactions in the account, including information needed by shareholders for tax records. Shares in the account of each Plan participant will be held by the Agent in non-certificate form in the name of the participant, and each shareholder's proxy will include those shares purchased or received pursuant to the Plan.

There will be no charges with respect to shares issued directly by the Fund to satisfy the dividend reinvestment requirements. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Agent's open market purchases of shares.

## BOARD OF DIRECTORS

**William H. Foulk, Jr.,**<sup>(1)</sup> *Chairman*

**John H. Dobkin**<sup>(1)</sup>

**Michael J. Downey**<sup>(1)</sup>

**D. James Guzy**<sup>(1)</sup>

**Nancy P. Jacklin**<sup>(1)</sup>

## OFFICERS

**Philip L. Kirstein,**  
Senior Vice President and Independent Compliance Officer

**Robert (Guy) B. Davidson III,**<sup>(2)</sup>

Senior Vice President

**Douglas J. Peebles,**  
Senior Vice President

**Robert M. Keith,** *President and Chief Executive Officer*

**Garry L. Moody**<sup>(1)</sup>

**Marshall C. Turner, Jr.**<sup>(1)</sup>

**Earl D. Weiner**<sup>(1)</sup>

**Michael G. Brooks,**<sup>(2)</sup> Vice President

**Fred S. Cohen,**<sup>(2)</sup> Vice President

**Terrance T. Hults,**<sup>(2)</sup> Vice President

**Emilie D. Wrapp,** Secretary

**Joseph J. Mantineo,** Treasurer and Chief Financial Officer

**Phyllis J. Clarke,** Controller

## Custodian and Accounting Agent

State Street Bank and Trust Company

One Lincoln Street

Boston, MA 02111

## Legal Counsel

Seward & Kissel LLP

One Battery Park Plaza

New York, NY 10004

## Preferred Shares:

**Dividend Paying Agent, Transfer**

**Agent and Registrar**

## Independent Registered Public

### Accounting Firm

Ernst & Young LLP

5 Times Square

New York, NY 10036

### Common Stock:

**Dividend Paying Agent, Transfer**

**Agent and Registrar**

Computershare Trust Company, N.A.

P.O. Box 43010

Providence, RI 02940-3010

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The Bank of New York

101 Barclay Street - 7W

New York, NY 10286

*(1) Member of the Audit Committee, the Governance and Nominating Committee and the Independent Directors Committee. Mr. Foulk is the sole member of the Fair Value Pricing Committee*

*(2) The day-to-day management of, and investment decisions for, the Fund's portfolio are made by the Municipal Bond Investment Team. The investment professionals with the most significant responsibility for the day-to-day management of the Fund's portfolio are: Michael G. Brooks, Fred S. Cohen, Robert Guy B. Davidson III and Terrance T. Hults.*

*Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase at market prices from time-to-time shares of its Common Stock in the open market.*

*This report, including the financial statements therein, is transmitted to the shareholders of AllianceBernstein National Municipal Income Fund for their information. This is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in the report.*

*Annual Certifications As required, on April 27, 2011, the Fund submitted to the New York Stock Exchange ( NYSE ) the annual certification of the Fund's Chief Executive Officer certifying that he is not aware of any violation of the NYSE's Corporate Governance listing standards. The Fund also has included the certifications of the Fund's Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to the Fund's Form N-CSR filed with the Securities and Exchange Commission for the period.*

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Board of Directors

**MANAGEMENT OF THE FUND**

**Board of Directors Information**

The business and affairs of the Fund are managed under the direction of the Board of Directors. Certain information concerning the Fund's Directors is set forth below.

NAME, ADDRESS*, AGE (YEAR FIRST ELECTED**)	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS AND OTHER RELEVANT QUALIFICATIONS***	PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR	OTHER DIRECTORSHIPS HELD BY DIRECTOR IN THE PAST FIVE YEARS
<b>INTERESTED DIRECTOR</b> Robert M. Keith, 51 (2010)	Senior Vice President of AllianceBernstein L.P. (the Adviser) and the head of AllianceBernstein Investments, Inc. (ABI) since July 2008; Director of ABI and President of the AllianceBernstein Mutual Funds. Previously, he served as Executive Managing Director of ABI from December 2006 to June 2008. Prior to joining ABI in 2006, Executive Managing Director of Bernstein Global Wealth Management, and prior thereto, Senior Managing Director and Global Head of Client Service and Sales of the Adviser's institutional investment management business since 2004. Prior thereto, Managing Director and Head of North American Client Service and Sales in the Adviser's institutional investment management business, with which he had been associated since prior to 2004.	102	None

**PRINCIPAL**

<b>NAME, ADDRESS*, AGE (YEAR FIRST ELECTED**) DISINTERESTED DIRECTORS</b>	<b>OCCUPATION(S) DURING PAST FIVE YEARS AND OTHER RELEVANT QUALIFICATIONS***</b>	<b>PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR</b>	<b>OTHER DIRECTORSHIPS HELD BY DIRECTOR IN THE PAST FIVE YEARS</b>
<i>Chairman of the Board</i>	Investment Adviser and an Independent Consultant since prior to 2006. Previously, he was Senior Manager of Barrett Associates, Inc., a registered investment adviser. He was formerly Deputy Comptroller and Chief Investment Officer of the State of New York and, prior thereto, Chief Investment Officer of the New York Bank for Savings. He has served as a director or trustee of various AllianceBernstein Funds since 1983 and has been Chairman of the AllianceBernstein Funds and of the Independent Directors Committee of such Funds since 2003. He is also active in a number of mutual fund related organizations and committees.	102	None
William H. Foulk, Jr., #, ##  79  (2001)	Independent Consultant since prior to 2006. Formerly, President of Save Venice, Inc. (preservation organization) from 2001-2002; Senior Advisor from June 1999-June 2000 and President of Historic Hudson Valley (historic preservation) from December 1989-May 1999. Previously, Director of the National Academy of Design. He has served as a director or trustee of various AllianceBernstein Funds since 1992, and as Chairman of the Audit Committees of a number of such Funds from 2001-2008.	102	None



**PRINCIPAL**

NAME, ADDRESS*, AGE (YEAR FIRST ELECTED**)	OCCUPATION(S) DURING PAST FIVE YEARS AND OTHER RELEVANT QUALIFICATIONS***	PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR	OTHER DIRECTORSHIPS HELD BY DIRECTOR IN THE PAST FIVE YEARS
<b>DISINTERESTED DIRECTORS</b> (continued) Michael J. Downey, # 67 (2005)	Private Investor since prior to 2006. Formerly, managing partner of Lexington Capital, LLC (investment advisory firm) from December 1997 until December 2003. From 1987 until 1993, Chairman and CEO of Prudential Mutual Fund Management, director of the Prudential Mutual funds and member of the Executive Committee of Prudential Securities, Inc. He has served as a director or trustee of the AllianceBernstein Funds since 2005 and is a director of two other registered investment companies (and Chairman of one of them).	102	Asia Pacific Fund, Inc. and The Merger Fund since prior to 2006, and Prospect Acquisition Corp. (financial services) since 2007 until 2009
D. James Guzy, # 75 (2005)	Chairman of the Board of PLX Technology (semi-conductors) and of SRC Computers Inc., with which he has been associated since prior to 2006. He was formerly a director of Intel Corporation (semi-conductors) from 1969 until 2008 and served as Chairman of the Finance Committee of such company for several years until May 2008. He has served as a director or trustee of one or more of the AllianceBernstein Funds since 1982.	102	Cirrus Logic Corporation (semi-conductors), and PLX Technology (semi-conductors) since prior to 2006 and Intel Corporation (semi-conductors) since prior to 2006 until 2008

<p style="text-align: center;"><b>NAME, ADDRESS*, AGE (YEAR FIRST ELECTED**)</b></p>	<p style="text-align: center;"><b>PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS AND OTHER RELEVANT QUALIFICATIONS***</b></p>	<p style="text-align: center;"><b>PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR</b></p>	<p style="text-align: center;"><b>OTHER DIRECTORSHIPS HELD BY DIRECTOR IN THE PAST FIVE YEARS</b></p>
<p><b>DISINTERESTED DIRECTORS (continued)</b> Nancy P. Jacklin, # 63 (2006)</p>	<p>Professorial Lecturer at the Johns Hopkins School of Advanced International Studies since 2008. Formerly, U.S. Executive Director of the International Monetary Fund (December 2002-May 2006); Partner, Clifford Chance (1992-2002); Sector Counsel, International Banking and Finance, and Associate General Counsel, Citicorp (1985-1992); Assistant General Counsel (International), Federal Reserve Board of Governors (1982-1985); and Attorney Advisor, U.S. Department of the Treasury (1973-1982). Member of the Bar of the District of Columbia and of New York; member of the Council on Foreign Relations. She has served as a director or trustee of the AllianceBernstein Funds since 2006.</p>	<p style="text-align: center;">102</p>	<p style="text-align: center;">None</p>

**PRINCIPAL**

<b>NAME, ADDRESS*, AGE (YEAR FIRST ELECTED**) DISINTERESTED DIRECTORS</b>	<b>OCCUPATION(S) DURING PAST FIVE YEARS AND OTHER RELEVANT QUALIFICATIONS***</b>	<b>PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR</b>	<b>OTHER DIRECTORSHIPS HELD BY DIRECTOR IN THE PAST FIVE YEARS</b>
Garry L. Moody, #  59  (2008)	Independent Consultant. Formerly, Partner, Deloitte & Touche LLP, (1995-2008) where he held a number of senior positions, including Vice Chairman, and U.S. and Global Investment Management Practice Managing Partner; President, Fidelity Accounting and Custody Services Company (1993-1995); and Partner, Ernst & Young LLP (1975-1993), where he served as the National Director of Mutual Fund Tax Services. He is also a member of the Governing Council of the Independent Directors Council (IDC), organization of independent directors of mutual funds. He has served as a director or trustee, and as Chairman of the Audit Committee, of most of the AllianceBernstein Funds since 2008.	102	None

Management of the Fund

**PRINCIPAL**

NAME, ADDRESS*, AGE (YEAR FIRST ELECTED**)	OCCUPATION(S) DURING PAST FIVE YEARS AND OTHER RELEVANT QUALIFICATIONS***	PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR	OTHER DIRECTORSHIPS HELD BY DIRECTOR IN THE PAST FIVE YEARS
<b>DISINTERESTED DIRECTORS</b>			
<b>(continued)</b>			
Marshall C. Turner, Jr., #  70  (2005)	Private Investor since prior to 2006. Interim CEO of MEMC Electronic Materials, Inc. (semi-conductor and solar cell substrates) since November 2008 until March 2009. He was Chairman and CEO of Dupont Photomasks, Inc. (components of semi-conductor manufacturing), 2003-2005, and President and CEO, 2005-2006, after the company was acquired and renamed Toppan Photomasks, Inc. He has extensive experience in venture capital investing including prior service as general partner of three institutional venture capital partnerships, and serves on the boards of a number of education and science-related non-profit organizations. He has served as a director or trustee of one or more of the AllianceBernstein Funds since 1992.	102	Xilinx, Inc. (programmable logic semi-conductors) and MEMC Electronic Materials, Inc. (semi-conductor and solar cell substrates) since prior to 2006
Earl D. Weiner, #  72  (2007)	Of Counsel, and Partner prior to January 2007, of the law firm Sullivan & Cromwell LLP and member of ABA Federal Regulation of Securities Committee Task Force to draft editions of the Fund Director's Guidebook. He also serves as a director or trustee of various non-profit organizations and has served as Chairman or Vice Chairman of a number of them. He has served as a director or trustee of the AllianceBernstein Funds since 2007 and is Chairman of the Governance and Nominating Committees of most of the Funds.	102	None

\* *The address for each of the Fund's disinterested Directors is c/o AllianceBernstein L.P., Attention: Philip L. Kirstein, 1345 Avenue of the Americas, New York, NY 10105.*

\*\* *There is no stated term of office for the Fund's Directors.*

\*\*\* *The information above includes each Director's principal occupation during the last five years and other information relating to the experience, attributes and skills relevant to each Director's qualifications to serve as a Director, which led to the conclusion that each Director should serve as a Director for the Fund.*

*Mr. Keith is an interested person of the Fund, as defined in the 1940 Act due to his position as a Senior Vice President of the Adviser.*

# *Member of the Audit Committee, the Governance and Nominating Committee and the Independent Directors Committee.*

## *Member of the Fair Value Pricing Committee.*

**Management of the Fund**

**ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND 49**

**Officer Information**

Certain information concerning the Fund's Officers is listed below.

<b>NAME, ADDRESS* AND AGE</b>	<b>POSITION(S) HELD WITH FUND</b>	<b>PRINCIPAL OCCUPATION DURING PAST FIVE YEARS</b>
Robert M. Keith 51	President and Chief Executive Officer	See above.
Philip L. Kirstein 66	Senior Vice President and Independent Compliance Officer	Senior Vice President and Independent Compliance Officer of the AllianceBernstein Funds, with which he has been associated since October 2004. Prior thereto, he was Of Counsel to Kirkpatrick & Lockhart, LLP from October 2003 to October 2004, and General Counsel of Merrill Lynch Investment Managers, L.P. since prior to March 2003.
Robert B. (Guy) Davidson III 50	Senior Vice President	Senior Vice President of the Adviser,** with which he has been associated since prior to 2006.
Douglas J. Peebles 46	Senior Vice President	Senior Vice President of the Adviser,** with which he has been associated since prior to 2006.
Michael G. Brooks 63	Vice President	Senior Vice President of the Adviser,** with which he has been associated since prior to 2006.
Fred S. Cohen 53	Vice President	Senior Vice President of the Adviser,** with which he has been associated since prior to 2006.
Terrance T. Hults 45	Vice President	Senior Vice President of the Adviser,** with which he has been associated since prior to 2006.
Emilie D. Wrapp 56	Secretary	Senior Vice President, Assistant General Counsel and Assistant Secretary of ABI,** with which she has been associated since prior to 2006.
Joseph J. Mantineo 52	Treasurer and Chief Financial Officer	Senior Vice President of AllianceBernstein Investor Services, Inc. ( ABIS ),** with which he has been associated since prior to 2006.
Phyllis J. Clarke 50	Controller	Vice President of ABIS,** with which she has been associated since prior to 2006.

\* The address for each of the Fund's Officers is 1345 Avenue of the Americas, New York, NY 10105.

\*\* The Adviser, ABI and ABIS are affiliates of the Fund.

## SUMMARY OF GENERAL INFORMATION

### Shareholder Information

The Fund's NYSE trading symbol is AFB. Weekly comparative net asset value (NAV) and market price information about the Fund is published each Monday in *The Wall Street Journal* and each Saturday in *Barron's* and other newspapers in a table called Closed-End Bond Funds. Daily net asset value and market price information, and additional information regarding the Fund, is available at [www.alliancebernstein.com](http://www.alliancebernstein.com).

### Dividend Reinvestment Plan

Pursuant to the Fund's Dividend Reinvestment Plan, shareholders whose shares are registered in their own names may elect to have all distributions reinvested automatically in additional shares of the Fund by ComputerShare Trust Company, N.A., as agent under the Plan. Shareholders whose shares are held in the name of the broker or nominee should contact the broker or nominee for details. All Distributions to investors who elect not to participate in the Plan will be paid by check mailed directly to the record holder by or under the direction of ComputerShare Trust Company, N.A.

For questions concerning shareholder account information, or if you would like a brochure describing the Dividend Reinvestment Plan, please call Computershare Trust Company at (800) 219-4218.

**THIS PAGE IS NOT PART OF THE SHAREHOLDER REPORT OR THE FINANCIAL STATEMENTS**

**ALLIANCEBERNSTEIN FAMILY OF FUNDS**

**Wealth Strategies Funds**

Balanced Wealth Strategy

Conservative Wealth Strategy

Wealth Appreciation Strategy

Tax-Managed Balanced Wealth Strategy

Tax-Managed Conservative Wealth Strategy

Tax-Managed Wealth Appreciation Strategy

**Asset Allocation/Multi-Asset**

Emerging Markets Multi-Asset

International Portfolio

Real Asset Strategy

Tax-Managed International Portfolio

**Growth Funds**

**Domestic**

Growth Fund

Large Cap Growth Fund

Small Cap Growth Portfolio

Small/Mid Cap Growth Fund

U.S. Strategic Research Portfolio

**Global & International**

Global Thematic Growth Fund

Greater China 97 Fund

International Discovery Equity Portfolio

International Focus 40 Portfolio

International Growth Fund

**Value Funds**



**Domestic**

Core Opportunities Fund

Equity Income Fund

Growth & Income Fund

Small/Mid Cap Value Fund

Value Fund

**Global & International**

Global Real Estate Investment Fund

Global Value Fund

International Value Fund

**Taxable Bond Funds**

Bond Inflation Strategy

Global Bond Fund

High Income Fund

Intermediate Bond Portfolio

Short Duration Portfolio

Unconstrained Bond Fund\*

**Municipal Bond Funds**

Arizona

National

California

New Jersey

High Income

New York

Massachusetts

Ohio

Michigan

Pennsylvania

Minnesota

Virginia

Municipal Bond

Inflation Strategy

**Intermediate Municipal Bond Funds**

Intermediate California

Intermediate Diversified

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Intermediate New York

## Closed-End Funds

Alliance California Municipal Income Fund

Alliance New York Municipal Income Fund

AllianceBernstein Global High Income Fund

AllianceBernstein Income Fund

AllianceBernstein National Municipal Income Fund

## Alternatives

Market Neutral Strategy-Global

Market Neutral Strategy-U.S.

## Balanced

Balanced Shares

## Retirement Strategies Funds

2000 Retirement Strategy	2020 Retirement Strategy	2040 Retirement Strategy
2005 Retirement Strategy	2025 Retirement Strategy	2045 Retirement Strategy
2010 Retirement Strategy	2030 Retirement Strategy	2050 Retirement Strategy
2015 Retirement Strategy	2035 Retirement Strategy	2055 Retirement Strategy

We also offer Exchange Reserves,\*\* which serves as the money market fund exchange vehicle for the AllianceBernstein mutual funds.

**You should consider the investment objectives, risks, charges and expenses of any AllianceBernstein fund/portfolio carefully before investing. For free copies of our prospectuses, which contain this and other information, visit us online at [www.alliancebernstein.com](http://www.alliancebernstein.com) or contact your financial advisor. Please read the prospectus carefully before investing.**

\* Prior to February 3, 2011, Unconstrained Bond Fund was named Diversified Yield Fund.

**\*\* An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.**

**Privacy Notice (This information is not part of the Shareholder Report.)**

AllianceBernstein L.P., the AllianceBernstein Family of Funds and AllianceBernstein Investments, Inc. (collectively, AllianceBernstein or we ) understand the importance of maintaining the confidentiality of our clients' nonpublic personal information. Nonpublic personal information is personally identifiable financial information about our clients who are natural persons. To provide financial products and services to our clients, we may collect information about clients from sources, including: (1) account documentation, including applications or other forms, which may contain information such as a client's name, address, phone number, social security number, assets, income, and other household information, (2) clients' transactions with us and others, such as account balances and transactions history, and (3) information from visitors to our websites provided through online forms, site visitorship data, and online information collecting devices known as cookies.

It is our policy not to disclose nonpublic personal information about our clients (or former clients) except to our affiliates, or to others as permitted or required by law. From time to time, AllianceBernstein may disclose nonpublic personal information that we collect about our clients (or former clients), as described above, to non-affiliated third parties, including those that perform processing or servicing functions and those that provide marketing services for us or on our behalf under a joint marketing agreement that requires the third party provider to adhere to AllianceBernstein's privacy policy. We have policies and procedures to safeguard nonpublic personal information about our clients (and former clients) that include restricting access to such nonpublic personal information and maintaining physical, electronic and procedural safeguards, that comply with applicable standards, to safeguard such nonpublic personal information.

**ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND**

1345 Avenue of the Americas

New York, NY 10105

800.221.5672

**ABNMIF-0151-1011**

**ITEM 2. CODE OF ETHICS.**

(a) The registrant has adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer. A copy of the registrant's code of ethics is filed herewith as Exhibit 12(a)(1).

(b) During the period covered by this report, no material amendments were made to the provisions of the code of ethics adopted in 2(a) above.

(c) During the period covered by this report, no implicit or explicit waivers to the provisions of the code of ethics adopted in 2(a) above were granted.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.**

The registrant's Board of Directors has determined that independent directors Garry L. Moody and William H. Foulk, Jr. qualify as audit committee financial experts.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

(a) - (c) The following table sets forth the aggregate fees billed by the independent registered public accounting firm Ernst & Young LLP, for the Fund's last two fiscal years for professional services rendered for: (i) the audit of the Fund's annual financial statements included in the Fund's annual report to stockholders; (ii) assurance and related services that are reasonably related to the performance of the audit of the Fund's financial statements and are not reported under (i), which include advice and education related to accounting and auditing issues and quarterly press release review (for those Funds which issue press releases), and preferred stock maintenance testing (for those Funds that issue preferred stock); and (iii) tax compliance, tax advice and tax return preparation.

		Audit Fees	Audit - Related Fees	Tax Fees
AB National Muni Income	2010	\$ 32,500	\$ 8,000	\$ 11,924
	2011	\$ 32,500	\$ 8,295	\$ 12,467

(d) Not applicable.

(e) (1) Beginning with audit and non-audit service contracts entered into on or after May 6, 2003, the Fund's Audit Committee policies and procedures require the pre-approval of all audit and non-audit services provided to the Fund by the Fund's independent registered public accounting firm. The Fund's Audit Committee policies and procedures also require pre-approval of all audit and non-audit services provided to the Adviser and Service Affiliates to the extent that these services are directly related to the operations or financial reporting of the Fund.

(e) (2) All of the amounts for Audit Fees, Audit-Related Fees and Tax Fees in the table under Item 4 (a) - (c) are for services pre-approved by the Fund's Audit Committee.

(f) Not applicable.

(g) The following table sets forth the aggregate non-audit services provided to the Fund, the Fund's Adviser and entities that control, are controlled by or under common control with the Adviser that provide ongoing services to the Fund, which include preparing an annual internal control report pursuant to Statement on Auditing Standards No. 70 (Service Affiliates):

		<b>All Fees for Non-Audit Services Provided to the Portfolio, the Adviser and Service Affiliates</b>	<b>Pre-approved by the Audit Committee (Portion Comprised of Audit Related Fees) (Portion Comprised of Tax Fees)</b>
AB National Muni Income	2010	\$ 712,104	\$ 147,639
			\$ (135,715)
			\$ (11,924)
	2011	\$ 696,428	\$ 20,762
			\$ (8,295)
			\$ (12,467)

(h) The Audit Committee of the Fund has considered whether the provision of any non-audit services not pre-approved by the Audit Committee provided by the Fund's independent registered public accounting firm to the Adviser and Service Affiliates is compatible with maintaining the auditor's independence.

**ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.**

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The audit committee members are as follows:

Garry L. Moody	D. James Guzy
John H. Dobkin	Nancy P. Jacklin
Michael J. Downey	Marshall C. Turner, Jr.
William H. Foulk, Jr.	Earl D. Weiner

**ITEM 6. SCHEDULE OF INVESTMENTS.**

Please see Schedule of Investments contained in the Report to Shareholders included under Item 1 of this Form N-CSR.

**ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.**

**Statement of Policies and Procedures for**

**Proxy Voting**

**1. Introduction**

As a registered investment adviser, AllianceBernstein L.P. ( **AllianceBernstein** , **we** **or** **us** ) has a fiduciary duty to act solely in the best interests of our clients. We recognize that this duty requires us to vote client securities in a timely manner and make voting decisions that are intended to maximize long-term shareholder value. Generally, our clients' objective is to maximize the financial return of their portfolios within appropriate risk parameters. We have long recognized that environmental, social and governance ( **ESG** ) issues can impact the performance of investment portfolios. Accordingly, we have sought to integrate ESG factors into our investment process to the extent that the integration of such factors is consistent with our fiduciary duty to help our clients achieve their investment objectives and protect their economic interests. Our Statement of Policy Regarding Responsible Investment ( **RI Policy** ) is attached to this Statement as an Exhibit.

We consider ourselves shareholder advocates and take this responsibility very seriously. Consistent with our commitments, we will disclose our clients' voting records only to them and as required by mutual fund vote disclosure regulations. In addition, our proxy committees may, after careful consideration, choose to respond to surveys so long as doing so does not compromise confidential voting.

This statement is intended to comply with Rule 206(4)-6 of the Investment Advisers Act of 1940. It sets forth our policies and procedures for voting proxies for our discretionary investment advisory clients, including investment companies registered under the Investment Company Act of 1940. This statement applies to AllianceBernstein's investment groups investing on behalf of clients in both U.S. and non-U.S. securities.

**2. Proxy Policies**

Our proxy voting policies are principle-based rather than rules-based. We adhere to a core set of principles that are described in this Statement and in our Proxy Voting Manual. We assess each proxy proposal in light of those principles. Our proxy voting litmus test will always be

what we view as most likely to maximize long-term shareholder value. We believe that authority and accountability for setting and executing corporate policies, goals and compensation should generally rest with the board of directors and senior management. In return, we support strong investor rights that allow shareholders to hold directors and management accountable if they fail to act in the best interests of shareholders. In addition, if we determine that ESG issues that arise with respect to an issuer's past, current or anticipated behaviors are, or are reasonably likely to become, material to its future earnings, we address these concerns in our proxy voting and engagement.

This statement is designed to be responsive to the wide range of proxy voting subjects that can have a significant effect on the investment value of the securities held in our clients' accounts. These policies are not exhaustive due to the variety of proxy voting issues that we may be required to consider. AllianceBernstein reserves the right to depart from these guidelines in order to make voting decisions that are in our clients' best interests. In reviewing proxy issues, we will apply the following general policies:

### **2.1. Corporate Governance**

We recognize the importance of good corporate governance in our proxy voting policies and engagement practices in ensuring that management and the board of directors fulfill their obligations to shareholders. We favor proposals promoting transparency and accountability within a company. We support the appointment of a majority of independent directors on key committees and generally support separating the positions of chairman and chief executive officer, except in cases where a company has sufficient counter-balancing governance in place. Because we believe that good corporate governance requires shareholders to have a meaningful voice in the affairs of the company, we generally will support shareholder proposals which request that companies amend their by-laws to provide that director nominees be elected by an affirmative vote of a majority of the votes cast. Furthermore, we have written to the SEC in support of shareholder access to corporate proxy statements under specified conditions with the goal of serving the best interests of all shareholders.

### **2.2. Elections of Directors**

Unless there is a proxy fight for seats on the Board or we determine that there are other compelling reasons for withholding votes for directors, we will vote in favor of the



management proposed slate of directors. That said, we believe that directors have a duty to respond to shareholder actions that have received significant shareholder support. Therefore, we may withhold votes for directors (or vote against directors in non-U.S. markets) who fail to act on key issues such as failure to implement proposals to declassify boards, failure to implement a majority vote requirement, failure to submit a rights plan to a shareholder vote or failure to act on tender offers where a majority of shareholders have tendered their shares. (We may vote against directors under these circumstances if the company has adopted a majority voting policy because, if a company has adopted such a policy, withholding votes from directors is not possible.) In addition, we will withhold votes for directors who fail to attend at least seventy-five percent of board meetings within a given year without a reasonable excuse, and we may abstain or vote against directors of non-U.S. issuers where there is insufficient information about the nominees disclosed in the proxy statement. Also, we will generally not withhold votes for directors who meet the definition of independence promulgated by the primary exchange on which the company's shares are traded or set forth in the code we determine to be best practice in the country where the subject company is domiciled. Finally, because we believe that cumulative voting in single shareholder class structures provides a disproportionately large voice to minority shareholders in the affairs of a company, we will generally vote against such proposals and vote for management proposals seeking to eliminate cumulative voting. However, in dual class structures (such as A&B shares) where the shareholders with a majority economic interest have a minority voting interest, we will generally vote in favor of cumulative voting.

### 2.3. Appointment of Auditors

AllianceBernstein believes that the company is in the best position to choose its auditors, so we will generally support management's recommendation. However, we recognize that there are inherent conflicts when a company's independent auditor performs substantial non-audit services for the company. The Sarbanes-Oxley Act of 2002 prohibits certain categories of services by auditors to U.S. issuers, making this issue less prevalent in the U.S. Nevertheless, in reviewing a proposed auditor, we will consider the fees paid for non-audit services relative to total fees and whether there are other reasons for us to question the independence or performance of the auditors.

**2.4. Changes in Legal and Capital Structure**

Changes in a company's charter, articles of incorporation or by-laws are often technical and administrative in nature. Absent a compelling reason to the contrary, AllianceBernstein will cast its votes in accordance with management's recommendations on such proposals. However, we will review and analyze on a case-by-case basis any non-routine proposals that are likely to affect the structure and operation of the company or have a material economic effect on the company. For example, we will generally support proposals to increase authorized common stock when it is necessary to implement a stock split, aid in a restructuring or acquisition, or provide a sufficient number of shares for an employee savings plan, stock option plan or executive compensation plan. However, a satisfactory explanation of a company's intentions must be disclosed in the proxy statement for proposals requesting an increase of greater than 100% of the shares outstanding. We will oppose increases in authorized common stock where there is evidence that the shares will be used to implement a poison pill or another form of anti-takeover device. We will support shareholder proposals that seek to eliminate dual class voting structures.

**2.5. Corporate Restructurings, Mergers and Acquisitions**

AllianceBernstein believes proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, we will analyze such proposals on a case-by-case basis, weighing heavily the views of our research analysts that cover the company and our investment professionals managing the portfolios in which the stock is held.

**2.6. Proposals Affecting Shareholder Rights**

AllianceBernstein believes that certain fundamental rights of shareholders must be protected. We will generally vote in favor of proposals that give shareholders a greater voice in the affairs of the company and oppose any measure that seeks to limit those rights. However, when analyzing such proposals we will weigh the financial impact of the proposal against the impairment of shareholder rights.

### 2.7. Anti-Takeover Measures

AllianceBernstein believes that measures that impede corporate transactions (such as takeovers) or entrench management not only infringe on the rights of shareholders but may also have a detrimental effect on the value of the company. Therefore, we will generally oppose proposals, regardless of whether they are advanced by management or shareholders, when their purpose or effect is to entrench management or excessively or inappropriately dilute shareholder ownership. Conversely, we support proposals that would restrict or otherwise eliminate anti-takeover or anti-shareholder measures that have already been adopted by corporate issuers. For example, we will support shareholder proposals that seek to require the company to submit a shareholder rights plan to a shareholder vote. We will evaluate, on a case-by-case basis, proposals to completely redeem or eliminate such plans. Furthermore, we will generally oppose proposals put forward by management (including the authorization of blank check preferred stock, classified boards and supermajority vote requirements) that appear to be anti-shareholder or intended as management entrenchment mechanisms.

### 2.8. Executive Compensation

AllianceBernstein believes that company management and the compensation committee of the board of directors should, within reason, be given latitude to determine the types and mix of compensation and benefits offered to company employees. Whether proposed by a shareholder or management, we will review proposals relating to executive compensation plans on a case-by-case basis to ensure that the long-term interests of management and shareholders are properly aligned. In general, we will analyze the proposed plan to ensure that shareholder equity will not be excessively diluted taking into account shares available for grant under the proposed plan as well as other existing plans. We generally will oppose plans that allow stock options to be granted with below market value exercise prices on the date of issuance or permit re-pricing of underwater stock options without shareholder approval. Other factors such as the company's performance and industry practice will generally be factored into our analysis. In markets where remuneration reports are not required for all companies, we will generally support shareholder proposals asking the board to adopt a policy (*i.e.*, say on pay) that the company's shareholders be given the opportunity to vote on an advisory resolution to approve the compensation committee's report. Although say on pay votes are by nature only broad indications of shareholder views, they do lead to

more compensation-related dialogue between management and shareholders and help ensure that management and shareholders meet their common objective: maximizing the value of the company. In markets where votes to approve remuneration reports are required, we review the reports on a case-by-case basis. With respect to companies that have received governmental assistance through government programs such as TARP, we will generally oppose shareholder proposals that seek to impose greater executive compensation restrictions on subject companies than are required under the applicable program because such restrictions could create a competitive disadvantage for the subject company. We believe the U.S. Securities and Exchange Commission ( SEC ) took appropriate steps to ensure more complete and transparent disclosure of executive compensation when it issued modified executive compensation and corporate governance disclosure rules in 2006 and February 2010. Therefore, while we will consider them on a case-by-case basis, we generally vote against shareholder proposals seeking additional disclosure of executive and director compensation, including proposals that seek to specify the measurement of performance-based compensation, if the company is subject to SEC rules. Finally, we will support requiring a shareholder vote on management proposals to provide severance packages that exceed 2.99 times the sum of an executive officer's base salary plus bonus that are triggered by a change in control. Finally, we will support shareholder proposals requiring a company to expense compensatory employee stock options (to the extent the jurisdiction in which the company operates does not already require it) because we view this form of compensation as a significant corporate expense that should be appropriately accounted for.

## 2.9. ESG

We are appointed by our clients as an investment manager with a fiduciary responsibility to help them achieve their investment objectives over the long term. Generally, our clients' objective is to maximize the financial return of their portfolios within appropriate risk parameters. We have long recognized that ESG issues can impact the performance of investment portfolios. Accordingly, we have sought to integrate ESG factors into our investment and proxy voting processes to the extent that the integration of such factors is consistent with our fiduciary duty to help our clients achieve their investment objectives and protect their economic interests. For additional information regarding our approach to incorporating ESG issues in our investment and decision-making processes, please refer to our RI Policy, which is attached to this Statement as an Exhibit.

Shareholder proposals relating to environmental, social (including political) and governance issues often raise complex and controversial issues that may have both a financial and non-financial effect on the company. And while we recognize that the effect of certain policies on a company may be difficult to quantify, we believe it is clear that they do affect the company's long-term performance. Our position in evaluating these proposals is founded on the principle that we are a fiduciary. As such, we carefully consider any factors that we believe could affect a company's long-term investment performance (including ESG issues) in the course of our extensive fundamental, company-specific research and engagement, which we rely on in making our investment and proxy voting decisions. Maximizing long-term shareholder value is our overriding concern in considering these matters, so we consider the impact of these proposals on the future earnings of the company. In so doing, we will balance the assumed cost to a company of implementing one or more shareholder proposals against the positive effects we believe implementing the proposal may have on long-term shareholder value.

### 3. Proxy Voting Procedures

#### 3.1. Proxy Voting Committees

Our growth and value investment groups have formed separate proxy voting committees ( **Proxy Committees** ) to establish general proxy policies for AllianceBernstein and consider specific proxy voting matters as necessary. These Proxy Committees periodically review these policies and new types of corporate governance issues, and decide how we should vote on proposals not covered by these policies. When a proxy vote cannot be clearly decided by an application of our stated policy, the appropriate Proxy Committee will evaluate the proposal. In addition, the Proxy Committees, in conjunction with the analyst that covers the company, may contact corporate management, interested shareholder groups and others as necessary to discuss proxy issues. Members of the Proxy Committees include senior investment personnel and representatives of the Legal and Compliance Department.

Different investment philosophies may occasionally result in different conclusions being drawn regarding certain proposals and, in turn, may result in the Proxy Committees

making different voting decisions on the same proposal for value and growth holdings. Nevertheless, the Proxy Committees always vote proxies with the goal of maximizing the value of the securities in client portfolios.

It is the responsibility of the Proxy Committees to evaluate and maintain proxy voting procedures and guidelines, to evaluate proposals and issues not covered by these guidelines, to evaluate proxies where we face a potential conflict of interest (as discussed below), to consider changes in policy and to review the Proxy Voting Statement and the Proxy Voting Manual no less frequently than annually. In addition, the Proxy Committees meet as necessary to address special situations.

### **3.2. Engagement**

In evaluating proxy issues and determining our votes, we welcome and seek out the points of view of various parties. Internally, the Proxy Committees may consult chief investment officers, directors of research, research analysts across our value and growth equity platforms, portfolio managers in whose managed accounts a stock is held and/or other Investment Policy Group members. Externally, the Proxy Committees may consult company management, company directors, interest groups, shareholder activists and research providers. If we believe an ESG issue is, or is reasonably likely to become, material, we engage a company's management to discuss the relevant issues.

Our engagement with companies and interest groups continues to expand as we have had more such meetings in the past few years.

### **3.3. Conflicts of Interest**

AllianceBernstein recognizes that there may be a potential conflict of interest when we vote a proxy solicited by an issuer whose retirement plan we manage or administer, who distributes AllianceBernstein-sponsored mutual funds, or with whom we have, or one of our employees has, a business or personal relationship that may affect (or may be reasonably viewed as affecting) how we vote on the issuer's proxy. Similarly, AllianceBernstein may have a potentially material conflict of interest when deciding how to vote on a proposal sponsored or supported by a shareholder group that is a client. We believe that centralized management of proxy voting, oversight by the proxy voting

committees and adherence to these policies ensures that proxies are voted based solely on our clients' best interests. Additionally, we have implemented procedures to ensure that our votes are not the product of a material conflict of interest, including: (i) on an annual basis, the Proxy Committees taking reasonable steps to evaluate (A) the nature of AllianceBernstein's and our employees' material business and personal relationships (and those of our affiliates) with any company whose equity securities are held in client accounts and (B) any client that has sponsored or has a material interest in a proposal upon which we will be eligible to vote; (ii) requiring anyone involved in the decision making process to disclose to the chairman of the appropriate Proxy Committee any potential conflict that he or she is aware of (including personal relationships) and any contact that he or she has had with any interested party regarding a proxy vote; (iii) prohibiting employees involved in the decision making process or vote administration from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties; and (iv) where a material conflict of interests exists, reviewing our proposed vote by applying a series of objective tests and, where necessary, considering the views of third party research services to ensure that our voting decision is consistent with our clients' best interests.

Because under certain circumstances AllianceBernstein considers the recommendation of third party research services, the Proxy Committees takes reasonable steps to verify that any third party research service is, in fact, independent taking into account all of the relevant facts and circumstances. This includes reviewing the third party research service's conflict management procedures and ascertaining, among other things, whether the third party research service (i) has the capacity and competency to adequately analyze proxy issues, and (ii) can make recommendations in an impartial manner and in the best interests of our clients.

#### **3.4. Proxies of Certain Non-U.S. Issuers**

Proxy voting in certain countries requires share blocking. Shareholders wishing to vote their proxies must deposit their shares shortly before the date of the meeting with a designated depository. During this blocking period, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the clients' custodian banks. Absent compelling reasons to the contrary, AllianceBernstein believes that the benefit to the client of exercising the vote is outweighed by the cost of voting (*i.e.*, not being able to sell the shares during this period). Accordingly, if share blocking is required we generally choose not to vote those shares.

AllianceBernstein seeks to vote all proxies for securities held in client accounts for which we have proxy voting authority. However, in non-US markets administrative issues beyond our control may at times prevent AllianceBernstein from voting such proxies. For example, AllianceBernstein may receive meeting notices after the cut-off date for voting or without sufficient time to fully consider the proxy. As another example, certain markets require periodic renewals of powers of attorney that local agents must have from our clients prior to implementing AllianceBernstein's voting instructions.

### 3.5. Loaned Securities

Many clients of AllianceBernstein have entered into securities lending arrangements with agent lenders to generate additional revenue. AllianceBernstein will not be able to vote securities that are on loan under these types of arrangements. However, under rare circumstances, for voting issues that may have a significant impact on the investment, we may request that clients recall securities that are on loan if we determine that the benefit of voting outweighs the costs and lost revenue to the client or fund and the administrative burden of retrieving the securities.

### 3.6. Proxy Voting Records

Clients may obtain information about how we voted proxies on their behalf by contacting their AllianceBernstein administrative representative. Alternatively, clients may make a written request for proxy voting information to: Mark R. Manley, Senior Vice President & Chief Compliance Officer, AllianceBernstein L.P., 1345 Avenue of the Americas, New York, NY 10105.

[ALTERNATIVE LANGUAGE FOR U.S. MUTUAL FUNDS]

You may obtain information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, without charge. Simply visit AllianceBernstein's web site at [www.alliancebernstein.com](http://www.alliancebernstein.com), go to the Securities and Exchange Commission's web site at [www.sec.gov](http://www.sec.gov) or call AllianceBernstein at (800) 227-4618.

**Exhibit**

## **Statement of Policy Regarding**

### **Responsible Investment**

#### **Principles for Responsible Investment,**

#### **ESG, and Socially Responsible Investment**

### **1. Introduction**

AllianceBernstein L.P. ( **AllianceBernstein** or **we** ) is appointed by our clients as an investment manager with a fiduciary responsibility to help them achieve their investment objectives over the long term. Generally, our clients' objective is to maximize the financial return of their portfolios within appropriate risk parameters. AllianceBernstein has long recognized that environmental, social and governance ( **ESG** ) issues can impact the performance of investment portfolios. Accordingly, we have sought to integrate ESG factors into our investment process to the extent that the integration of such factors is consistent with our fiduciary duty to help our clients achieve their investment objectives and protect their economic interests.

Our policy draws a distinction between how the Principles for Responsible Investment ( **PRI** or **Principles** ), and Socially Responsible Investing ( **SRI** ) incorporate ESG factors. PRI is based on the premise that, because ESG issues can affect investment performance, appropriate consideration of ESG issues and engagement regarding them is firmly within the bounds of a mainstream investment manager's fiduciary duties to its clients. Furthermore, PRI is intended to be applied only in ways that are consistent with those mainstream fiduciary duties.

SRI, which refers to a spectrum of investment strategies that seek to integrate ethical, moral, sustainability and other non-financial factors into the investment process, generally involves exclusion and/or divestment, as well as investment guidelines that restrict investments. AllianceBernstein may accept such guideline restrictions upon client request.



## 2. Approach to ESG

Our long-standing policy has been to include ESG factors in our extensive fundamental research and consider them carefully when we believe they are material to our forecasts and investment decisions. If we determine that these aspects of an issuer's past, current or anticipated behavior are material to its future expected returns, we address these concerns in our forecasts, research reviews, investment decisions and engagement. In addition, we have well-developed proxy voting policies that incorporate ESG issues and engagement.

## 3. Commitment to the PRI

In recent years, we have gained greater clarity on how the PRI initiative, based on information from PRI Advisory Council members and from other signatories, provides a framework for incorporating ESG factors into investment research and decision-making. Furthermore, our industry has become, over time, more aware of the importance of ESG factors. We acknowledge these developments and seek to refine what has been our process in this area.

After careful consideration, we determined that becoming a PRI signatory would enhance our current ESG practices and align with our fiduciary duties to our clients as a mainstream investment manager. Accordingly, we became a signatory, effective November 1, 2011.

In signing the PRI, AllianceBernstein as an investment manager publicly commits to adopt and implement all six Principles, where consistent with our fiduciary responsibilities, and to make progress over time on implementation of the Principles.

The six Principles are:

1. We will incorporate ESG issues into investment research and decision-making processes. AllianceBernstein Examples: ESG issues are included in the research analysis process. In some cases, external service providers of ESG-related tools are utilized; we have conducted proxy voting training and will have continued and expanded training for investment professionals to incorporate ESG issues into investment analysis and decision-making processes across our firm.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

AllianceBernstein Examples: We are active owners through our proxy voting process (for additional information, please refer to our *Statement of Policies and Procedures for Proxy Voting Manual*); we engage issuers on ESG matters in our investment research process (we define engagement as discussions with management about ESG issues when they are, or we believe they are reasonably likely to become, material).

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

AllianceBernstein Examples: Generally, we support transparency regarding ESG issues when we conclude the disclosure is reasonable. Similarly, in proxy voting, we will support shareholder initiatives and resolutions promoting ESG disclosure when we conclude the disclosure is reasonable.

4. We will promote acceptance and implementation of the Principles within the investment industry.

AllianceBernstein Examples: By signing the PRI, we have taken an important first step in promoting acceptance and implementation of the six Principles within our industry.

5. We will work together to enhance our effectiveness in implementing the Principles.

AllianceBernstein Examples: We will engage with clients and participate in forums with other PRI signatories to better understand how the PRI are applied in our respective businesses. As a PRI signatory, we have access to information, tools and other signatories to help ensure that we are effective in our endeavors to implement the PRI.

6. We will report on our activities and progress towards implementing the Principles.

AllianceBernstein Examples: We will respond to the 2012 PRI questionnaire and disclose PRI scores from the questionnaire in response to inquiries from clients and in requests for proposals; we will provide examples as requested concerning active ownership activities (voting, engagement or policy dialogue).

**4. RI Committee**

Our firm's RI Committee provides AllianceBernstein stakeholders, including employees, clients, prospects, consultants and service providers alike, with a resource within our firm on which they can rely for information regarding our approach to ESG issues and how those issues are incorporated in different ways by the PRI and SRI. Additionally, the RI Committee is responsible for assisting AllianceBernstein personnel to further implement our firm's RI policies and practices, and, over time, to make progress on implementing all six Principles.

The RI Committee has a diverse membership, including senior representatives from investments, distribution/sales and legal. The Committee is chaired by John Phillips, a Senior Portfolio Manager in Value Equities and the Chairman of the Proxy Voting Committee for Bernstein.

If you have questions or desire additional information about this Policy, we encourage you to contact the RI Committee at [RIinquiries@alliancebernstein.com](mailto:RIinquiries@alliancebernstein.com) or reach out to a Committee member:

Erin Bigley: SVP-Fixed Income, New York

Alex Chaloff: SVP-Private Client, Los Angeles

Steve Cheetham: SVP-Value, London

James Crawford: SVP-Value, Australia

Kathy Fisher: SVP-Private Client, New York

Linda Giuliano: SVP-Equities, New York

David Lesser: VP-Legal, New York

Jason Ley: SVP-Growth, Chicago

Mark Manley: SVP-Legal, New York

Takuji Oya: VP-Growth, Japan

John Phillips: SVP-Value, New York

Guy Prochilo: SVP-Institutional Investments, New York

Liz Smith: SVP-Institutional Investments, New York

Chris Toub: SVP-Equities, New York

Willem Van Gijzen: VP-Institutional Investments, Netherlands

**ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.**

The day-to-day management of, and investment decisions for, the Fund's portfolio are made by the Municipal Bond Investment Team. While all members of the teams work jointly to determine the majority of the investment strategy including security selection for the Fund, Messrs. Michael G. Brooks, Fred S. Cohen, Robert B. Davidson III and Terrance T. Hults are primarily responsible for the day-to-day management of the Fund's portfolio.

(a)(1) The following table sets forth when each person became involved in the management of the Fund, and each person's principal occupation during the past five years:

<b>Employee; Year; Title</b>	<b>Principal Occupation During the Past Five (5) Years</b>
Michael G. Brooks; since October 2005 Senior Vice President of AllianceBernstein L.P. ( AB )	Senior Vice President of AB with which he has been associated in a substantially similar capacity to his current position since prior to 2005.
Fred S. Cohen; since October 2005 Senior Vice President of AB	Senior Vice President of AB, with which he has been associated in a substantially similar capacity to his current position since prior to 2005.
Robert B. Davidson III; since April 2002 Senior Vice President of AB	Senior Vice President of AB with which he has been associated in a substantially similar capacity to his current position since prior to 2005.
Terrance T. Hults; since December 2001 Senior Vice President of AB	Senior Vice President of AB with which he has been associated in a substantially similar capacity to his current position since prior to 2005.

(a)(2) The following tables provide information regarding registered investment companies other than the Fund, other pooled investment vehicles and other accounts over which the Fund's portfolio managers also have day-to-day management responsibilities. The tables provide the numbers of such accounts, the total assets in such accounts and the number of accounts and total assets whose fees are based on performance. The information is provided as of the Fund's fiscal year ended October 31, 2011.

REGISTERED INVESTMENT COMPANIES

(excluding the Fund)

	Total Number of Registered Investment Companies Managed	Total Assets of Registered Investment Companies Managed	Number of Registered Investment Companies Managed with Performance- based Fees	Total Assets of Registered Investment Companies Managed with Performance-based Fees
Portfolio Manager				
Michael G. Brooks	27	\$ 15,705,000,000	None	None
Fred S. Cohen	27	\$ 15,705,000,000	None	None
Robert B. Davidson III	27	\$ 15,705,000,000	None	None
Terrance T. Hults	27	\$ 15,705,000,000	None	None

POOLED INVESTMENT VEHICLES

	Total Number of Pooled Investment Vehicles Managed	Total Assets of Pooled Investment Vehicles Managed	Number of Pooled Investment Vehicles Managed with Performance-based Fees	Total Assets of Pooled Investment Vehicles Managed with Performance- based Fees
Portfolio Manager				
Michael G. Brooks	1	14,000,000	None	None
Fred S. Cohen	1	14,000,000	None	None
Robert B. Davidson III	1	14,000,000	None	None
Terrance T. Hults	1	14,000,000	None	None

## OTHER ACCOUNTS

	Total Number of Other Accounts Managed	Total Assets of Other Accounts Managed	Number of Other Accounts Managed with Performance- based Fees	Total Assets of Other Accounts with Performance- based Fees
Portfolio Manager				
Michael G. Brooks	1,764	\$ 13,114,000,000	2	\$138,000,000
Fred S. Cohen	1,764	\$ 13,114,000,000	2	\$138,000,000
Robert B. Davidson III	1,764	\$ 13,114,000,000	2	\$138,000,000
Terrance T. Hults	1,764	\$ 13,114,000,000	2	\$138,000,000

Investment Professional Conflict of Interest Disclosure

As an investment adviser and fiduciary, AllianceBernstein (the Adviser) owes its clients and shareholders an undivided duty of loyalty. We recognize that conflicts of interest are inherent in our business and accordingly have developed policies and procedures (including oversight monitoring) reasonably designed to detect, manage and mitigate the effects of actual or potential conflicts of interest in the area of employee personal trading, managing multiple accounts for multiple clients, including AllianceBernstein Mutual Funds, and allocating investment opportunities. Investment professionals, including portfolio managers and research analysts, are subject to the above-mentioned policies and oversight monitoring to ensure that all clients are treated equitably. We place the interests of our clients first and expect all of our employees to meet their fiduciary duties.

Employee Personal Trading. The Adviser has adopted a Code of Business Conduct and Ethics that is designed to detect and prevent conflicts of interest when investment professionals and other personnel of the Adviser own, buy or sell securities which may be owned by, or bought or sold for, clients. Personal securities transactions by an employee may raise a potential conflict of interest when an employee owns or trades in a security that is owned or considered for purchase or sale by a client, or recommended for purchase or sale by an employee to a client. Subject to the reporting requirements and other limitations of its Code of Business Conduct and Ethics, the Adviser permits its employees to engage in personal securities transactions, and also allows them to acquire investments in the AllianceBernstein Mutual Funds through direct purchase and/or notionally in connection with deferred incentive compensation awards. The Adviser's Code of Ethics and Business Conduct Ethics require disclosure of all personal accounts and maintenance of brokerage accounts with designated broker-dealers (except transactions in open-end mutual funds) approved by the Adviser. The Code of Business Conduct and Ethics also requires preclearance of all securities transactions (except transactions in mutual funds) and imposes a 90-day holding period for securities purchased by employees to discourage short-term trading.

Managing Multiple Accounts for Multiple Clients. The Adviser has compliance policies and oversight monitoring in place to address conflicts of interest relating to the management of multiple accounts for multiple clients. Conflicts of interest may arise when an investment professional has responsibilities for the investments of more than one account because the investment professional may be unable to devote equal time and attention to each account. The investment professional or investment professional teams for each client may have responsibilities for managing all or a portion of the investments of multiple accounts with a common investment strategy, including other registered investment companies, unregistered investment vehicles, such as hedge funds, pension plans, separate accounts, collective trusts and charitable foundations. Among other things, the Adviser's policies and procedures provide for the prompt dissemination to investment professionals of initial or changed investment recommendations by analysts so that investment professionals are better able to develop investment strategies for all accounts they manage. In addition, investment decisions by investment professionals are reviewed for the purpose of maintaining uniformity among similar accounts and ensuring that accounts are treated equitably. No investment professional who manages client accounts carrying performance fees is compensated directly or specifically for the performance of those accounts. Investment professional compensation reflects a broad contribution in multiple dimensions to long-term investment success for our clients and is not tied specifically to the performance of any particular client's account, nor is it directly tied to the level or change in level of assets under management.

Allocating Investment Opportunities. The Adviser has policies and procedures intended to address conflicts of interest relating to the allocation of investment opportunities. These policies and procedures are designed to ensure that information relevant to investment decisions is disseminated promptly within its portfolio management teams and investment opportunities are allocated equitably among different clients. The investment professionals at the Adviser routinely are required to select and allocate investment opportunities among accounts. Fund holdings, position sizes, and industry and sector exposures tend to be similar across similar accounts, which minimize the potential for conflicts of interest relating to the allocation of investment opportunities. Nevertheless, investment opportunities may be allocated differently among accounts due to the particular characteristics of an account, such as size of the account, cash position, tax status, risk tolerance and investment restrictions or for other reasons.

The Adviser's procedures are also designed to prevent potential conflicts of interest that may arise when the Adviser has a particular financial incentive, such as a performance-based management fee, relating to an account. An investment professional may perceive that he or she has an incentive to devote more time to developing and analyzing investment strategies and opportunities or allocating securities preferentially to accounts for which the Adviser could share in investment gains.

To address these conflicts of interest, the Adviser's policies and procedures require, among other things, the prompt dissemination to investment professionals of any initial or changed investment recommendations by analysts; the aggregation of orders to facilitate best execution for all accounts; price averaging for all aggregated orders; objective allocation for limited investment opportunities (*e.g.*, on a rotational basis) to ensure fair and equitable allocation among accounts; and limitations on short sales of securities. These procedures also require documentation and review of justifications for any decisions to make investments only for select accounts or in a manner disproportionate to the size of the account.

(a)(3) Portfolio Manager Compensation

The Adviser's compensation program for investment professionals is designed to be competitive and effective in order to attract and retain the highest caliber employees. The compensation program for investment professionals is designed to reflect their ability to generate long-term investment success for our clients, including shareholders of the AllianceBernstein Mutual Funds. Investment professionals do not receive any direct compensation based upon the investment returns of any individual client account, nor is compensation tied directly to the level or change in level of assets under management. Investment professionals' annual compensation is comprised of the following:

(i) Fixed base salary: The base salary is a fixed cash amount within a similar range for all senior investment professionals. The base salary does not change significantly from year-to-year and hence, is not particularly sensitive to performance.

(ii) Discretionary incentive compensation in the form of an annual cash bonus: The Adviser's overall profitability determines the total amount of incentive compensation available to investment professionals. This portion of compensation is determined subjectively based on qualitative and quantitative factors. In evaluating this component of an investment professional's compensation, the Adviser considers the contribution to his/her team or discipline as it relates to that team's overall contribution to the long-term investment success, business results and strategy of the Adviser. Quantitative factors considered include, among other things, relative investment performance (*e.g.*, by comparison to competitor or peer group funds or similar styles of investments, and appropriate, broad-based or specific market indices), and consistency of performance. There are no specific formulas used to determine this part of an investment professional's compensation and the compensation is not tied to any pre-determined or specified level of performance. The Adviser also considers qualitative factors such as the complexity and risk of investment strategies involved in the style or type of assets managed by the investment professional; success of marketing/business development efforts and client servicing; seniority/length of service with the firm; management and supervisory responsibilities; and fulfillment of the Adviser's leadership criteria.

(iii) Discretionary incentive compensation in the form of awards under the Adviser's Partners Compensation Plan (deferred awards): The Adviser's overall profitability determines the total amount of deferred awards available to investment professionals. The deferred awards are allocated among investment professionals based on criteria similar to those used to determine the annual cash bonus. There is no fixed formula for determining these amounts. Deferred awards, for which, prior to 2009, there were various investment options, vest over a four-year period and are generally forfeited if the employee resigns or the Adviser terminates his/her employment. Prior to 2009, investment options under the deferred awards plan included many of the same AllianceBernstein Mutual Funds offered to mutual fund investors. Since 2009, deferred awards have been in the form of restricted grants of the Adviser's Master Limited Partnership Units. In 2011, award recipients will have the ability to invest a portion of their awards (no more than half up to a certain cap) in deferred cash.

(iv) Contributions under the Adviser's Profit Sharing/401(k) Plan: The contributions are based on the Adviser's overall profitability. The amount and allocation of the contributions are determined at the sole discretion of the Adviser.

(v) Compensation under the Adviser's Special Option Program: Under this program, certain investment professionals may be permitted to allocate a portion of their deferred awards to options to buy the Adviser's publicly-traded equity securities, and to receive a two-for-one match of such allocated amount. The determination of who may be eligible to participate in the Special Option Program is made at the sole discretion of the Adviser.

(a)(4) The dollar range of the Fund's equity securities owned directly or beneficially by the Fund's portfolio managers as of the Fund's fiscal year ended October 31, 2011 is set forth below:

	DOLLAR RANGE OF EQUITY SECURITIES IN THE FUND
Michael G. Brooks	None
Fred S. Cohen	None
Robert B. Davidson III	None
Terrance T. Hulst	None



**ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.**

There have been no purchases of equity securities by the Fund or by affiliated parties for the reporting period.

**ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund's Board of Directors since the Fund last provided disclosure in response to this item.

**ITEM 11. CONTROLS AND PROCEDURES.**

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3 (c) under the Investment Company Act of 1940, as amended) are effective at the reasonable assurance level based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no changes in the registrant's internal controls over financial reporting that occurred during the second fiscal quarter of the period that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**ITEM 12. EXHIBITS.**

The following exhibits are attached to this Form N-CSR:

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
12 (a) (1)	Code of Ethics that is subject to the disclosure of Item 2 hereof
12 (b) (1)	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12 (b) (2)	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12 (c)	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): AllianceBernstein National Municipal Income Fund, Inc.

By: /s/ Robert M. Keith  
Robert M. Keith  
President

Date: December 22, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Robert M. Keith  
Robert M. Keith  
President

Date: December 22, 2011

By: /s/ Joseph J. Mantineo  
Joseph J. Mantineo  
Treasurer and Chief Financial Officer

Date: December 22, 2011