

NUVEEN PREMIUM INCOME MUNICIPAL FUND INC  
Form N-CSRS  
July 09, 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 811-05570

Nuveen Premium Income Municipal Fund, Inc.  
(Exact name of registrant as specified in charter)

Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
(Address of principal executive offices) (Zip code)

Kevin J. McCarthy  
Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700

Date of fiscal year end: October 31

Date of reporting period: April 30, 2012

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

---

LIFE IS COMPLEX.

Nuveen makes things e-simple.

It only takes a minute to sign up for e-Reports. Once enrolled, you'll receive an e-mail as soon as your Nuveen Fund information is ready. No more waiting for delivery by regular mail. Just click on the link within the e-mail to see the report and save it on your computer if you wish.

Free e-Reports right to your e-mail!

[www.investordelivery.com](http://www.investordelivery.com)

If you receive your Nuveen Fund distributions and statements from your financial advisor or brokerage account.

OR

[www.nuveen.com/accountaccess](http://www.nuveen.com/accountaccess)

If you receive your Nuveen Fund distributions and statements directly from Nuveen.

---

Table of Contents

Chairman’s Letter to Shareholders	4
Portfolio Managers’ Comments	5
Fund Leverage and Other Information	8
Common Share Dividend and Price Information	10
Performance Overviews	12
Portfolios of Investments	15
Statement of Assets and Liabilities	60
Statement of Operations	61
Statement of Changes in Net Assets	62
Statement of Cash Flows	63
Financial Highlights	64
Notes to Financial Statements	70
Reinvest Automatically, Easily and Conveniently	80
Glossary of Terms Used in this Report	82
Additional Fund Information	87

---

Chairman's  
Letter to Shareholders

Dear Shareholders,

Investors have many reasons to remain cautious. The challenges in the Euro area are casting a shadow over global economies and financial markets. The political support for addressing fiscal issues is eroding as the economic and social impacts become more visible. At the same time, member nations appear unwilling to provide adequate financial support or to surrender sufficient sovereignty to strengthen the banks or unify the Euro area financial system. The gains made in reducing deficits, and the hard-won progress on winning popular acceptance of the need for economic austerity, are at risk. To their credit, European political leaders press on to find compromise solutions, but there is increasing concern that time will begin to run out.

In the U.S., strong corporate earnings have enabled the equity markets to withstand much of the downward pressures coming from weakening job creation, slower economic growth and political uncertainty. The Fed remains committed to low interest rates but has refrained from predicting another program of quantitative easing unless economic growth were to weaken significantly or the threat of recession appears on the horizon. Pre-election maneuvering has added to the already highly partisan atmosphere in the Congress. The end of the Bush-era tax cuts and implementation of the spending restrictions of the Budget Control Act of 2011, both scheduled to take place at year-end, loom closer.

During the last year, U.S. based investors have experienced a sharp decline and a strong recovery in the equity markets. The experienced investment teams at Nuveen keep their eye on a longer time horizon and use their practiced investment disciplines to negotiate through market peaks and valleys to achieve long-term goals for investors. Experienced professionals pursue investments that will weather short-term volatility and at the same time, seek opportunities that are created by markets that overreact to negative developments. Monitoring this process is an important consideration for the Fund Board as it oversees your Nuveen funds on your behalf.

As always, I encourage you to contact your financial consultant if you have any questions about your investment in a Nuveen Fund. On behalf of the other members of your Fund Board, we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

Robert P. Bremner  
Chairman of the Board  
June 20, 2012

4 Nuveen Investments

## Portfolio Managers' Comments

Nuveen Premium Income Municipal Fund, Inc. (NPI)  
Nuveen Premium Income Municipal Fund 2, Inc. (NPM)  
Nuveen Premium Income Municipal Fund 4, Inc. (NPT)

Portfolio managers Paul Brennan and Chris Drahn review key investment strategies and the six-month performance of these three national Funds. With 21 years of investment experience, including 15 years at Nuveen, Paul has managed NPI and NPM since 2006. Chris, who has 32 years of financial industry experience, assumed portfolio management responsibility for NPT in January 2011.

What key strategies were used to manage these Funds during the six-month reporting period ended April 30, 2012?

During this period, municipal bond prices generally rallied, amid strong demand despite yields that continued to be relatively low. The availability of municipal supply improved in recent months from 2011 levels, although the pattern of new issuance remained light compared with long-term historical trends. In addition, approximately half of the new bonds issued during this period came from borrowers that were calling existing debt and refinancing at lower rates.

In this environment, much of our investment activity was opportunistic. NPI and NPM found value in various sectors of the market, including health care, higher education and tax-supported bonds. In NPT, we took advantage of opportunities created by temporary market imbalances to purchase bonds in the intermediate part of the yield curve at attractive prices, specifically in the water revenue, electric revenue and tax-backed sectors where new issues were more plentiful. Although the pattern of issuance tended to be shorter on the yield curve during this period due to refunding activity, our focus generally remained on longer maturities in order to take advantage of attractive yields at the longer end of the municipal yield curve. The majority of our purchases were made in the mid-tier credit quality categories, bonds rated AA, A and BBB. Overall, we continued to take a bottom-up approach to discovering sectors that appeared undervalued as well as individual credits that had the potential to perform well over the long term.

Cash for new purchases during this period was generated primarily by the proceeds from called and maturing bonds. A sizeable number of bond calls and refundings provided a meaningful source of liquidity, which sometimes were reinvested in the new credits issued to replace the refunded bonds as a way of maintaining our exposure to those borrowers. Selling was minimal during this period, as the bonds in our portfolios generally offered higher yields than those available in the current marketplace.

Certain statements in this report are forward-looking statements. Discussions of specific investments are for illustration only and are not intended as recommendations of individual investments. The forward-looking statements and other views expressed herein are those of the portfolio managers as of the date of this report. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements, and the views expressed herein are subject to change at any time, due to numerous market and other factors. The Funds disclaim any obligation to update publicly or revise any forward-looking statements or views expressed herein.

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc., or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below investment grade ratings. Certain bonds backed by U.S. government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by a national rating agency.



As of April 30, 2012, all three of these Funds continued to use inverse floating rate securities. We employ inverse floaters for a variety of reasons, including duration management, income enhancement and total return enhancement.

How did the Funds perform during the six-month period ended April 30, 2012?

Individual results for these Funds, as well as relevant index and peer group information, are presented in the accompanying table.

Average Annual Total Returns on Common Share Net Asset Value\*  
For periods ended 4/30/12

Fund	6-Month	1-Year	5-Year	10-Year
NPI	9.68%	20.80%	5.81%	6.18%
NPM	9.05%	19.24%	6.27%	6.54%
NPT	10.49%	23.35%	6.70%	6.47%
Standard & Poor's (S&P) Municipal Bond Index**	5.70%	11.89%	5.26%	5.42%
Lipper General & Insured Leveraged Municipal Debt Funds Classification Average**	10.74%	23.04%	6.00%	6.68%

For the six months ended April 30, 2012, the cumulative returns on common share net asset value (NAV) for these three Funds exceeded the return for the Standard & Poor's (S&P) Municipal Bond Index. For the same period, the Funds trailed the average return for the Lipper General and Insured Leveraged Municipal Debt Funds Classification Average.

Key management factors that influenced the Funds' returns during this period included duration and yield curve positioning, credit exposure and sector allocation. The use of regulatory leverage also was an important positive factor affecting the Funds' performance. Leverage is discussed in more detail later in this report.

During this period, municipal bonds with longer maturities generally outperformed those with shorter maturities. Overall, credits at the longest end of the municipal yield curve posted the strongest returns, while bonds at the shortest end produced the weakest results. Among these three Funds, NPT was the most advantageously positioned in terms of duration and yield curve exposure, with overweightings in the longer segments of the yield curve that performed best. NPI and NPM were slightly less advantageously positioned, with durations a little short of their target. NPM, which had the shortest duration among the three Funds, was the most impacted by this positioning.

Credit exposure was an important factor in the Funds' performance during these six months, as lower quality bonds generally outperformed higher quality bonds. This outperformance was due in part to the greater demand for lower rated bonds as investors looked for investment vehicles offering higher yields. As investors became more comfortable taking on additional investment risk, credit spreads or the difference in yield spreads between U.S. Treasury securities and comparable investments such as municipal bonds, narrowed through a variety of rating categories. As a result of this spread compression, the performance of all three of these Funds were boosted by their strong

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares.

For additional information, see the individual Performance Overview for your Fund in this report.

\* Six-month returns are cumulative; all other returns are annualized.



\*\* Refer to Glossary of Terms Used in this Report for definitions. Indexes and Lipper averages are not available for direct investment.

6 Nuveen Investments

---

exposures to the lower rated credit spectrum, with NPT benefiting the most from significant overweight in bonds rated A and BBB and underweight in both AAA and AA credits.

Holdings that generally made positive contributions to the Funds' returns during this period included health care (including hospitals), transportation and education credits. All of these Funds, particularly NPT, were overweight in health care bonds, which enhanced their returns. Tobacco bonds backed by the 1998 master settlement agreement also were one of the top performing market segments during this period, as these bonds benefited from several developments in the market, including increased demand for higher yielding investments by investors who had become less risk-averse. In addition, based on recent data showing that cigarette sales had fallen less steeply than anticipated, the 46 states participating in the agreement stand to receive increased payments from the tobacco companies. NPI, NPM and NPT had allocations in the tobacco sector as of April 30, 2012.

In contrast, pre-refunded bonds, which are often backed by U.S. Treasury securities, were the poorest performing market segment during this period. The underperformance of these bonds can be attributed primarily to their shorter effective maturities and higher credit quality. As of April 30, 2012, NPM had the heaviest weighting in pre-refunded bonds among these three Funds, which detracted from its performance. General obligation (GO) and other tax-supported bonds as well as utilities and housing credits also lagged the performance of the general municipal market for this period. These Funds generally had relatively light exposures to housing, and NPI and NPT also benefited from being underweighted in state and local GOs.

Nuveen Investments

7

Fund Leverage and  
Other Information

## IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the returns of all these Funds relative to the comparative indexes was the Funds' use of leverage. The Funds use leverage because their managers believe that, over time, leveraging provides opportunities for additional income and total return for common shareholders. However, use of leverage also can expose common shareholders to additional volatility. For example, as the prices of securities held by a Fund decline, the negative impact of these valuation changes on common share net asset value and common shareholder total return is magnified by the use of leverage. Conversely, leverage may enhance common share returns during periods when the prices of securities held by a Fund generally are rising. Leverage made a positive contribution to the performance of these Funds over this reporting period.

## THE FUNDS' REGULATORY LEVERAGE

As of April 30, 2012, the Funds have issued and outstanding Variable Rate MuniFund Term Preferred (VMTP) Shares and Variable Rate Demand Preferred (VRDP) Shares as shown in the accompanying tables.

## VMTP Shares

Fund	Series	VMTP Shares Issued at Liquidation Value
NPI	2014	\$ 402,400,000

## VRDP Shares

Fund	VRDP Shares Issued at Liquidation Value
NPM	\$ 489,500,000
NPT	\$ 262,200,000

(Refer to Notes to Financial Statements, Footnote 1 – General Information and Significant Accounting Policies for further details on VMTP Shares and VRDP Shares.)

## RISK CONSIDERATIONS

Fund shares are not guaranteed or endorsed by any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation. Past performance is no guarantee of future results. Fund common shares are subject to a variety of risks, including:

**Investment and Market Risk.** An investment in common shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in common shares represents an indirect investment in the municipal securities owned by the Fund, which generally trade in the over-the-counter markets. Your common shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

**Price Risk.** Shares of closed-end investment companies like these Funds frequently trade at a discount to their NAV. Your common shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

**Leverage Risk.** Each Fund's use of leverage creates the possibility of higher volatility for the Fund's per share NAV, market price, distributions and returns. There is no assurance that a Fund's leveraging strategy will be successful.

**Tax Risk.** The tax treatment of Fund distributions may be affected by new IRS interpretations of the Internal Revenue Code and future changes in tax laws and regulations.

**Issuer Credit Risk.** This is the risk that a security in a Fund's portfolio will fail to make dividend or interest payments when due.

**Interest Rate Risk.** Fixed-income securities such as bonds, preferred, convertible and other debt securities will decline in value if market interest rates rise.

**Reinvestment Risk.** If market interest rates decline, income earned from a Fund's portfolio may be reinvested at rates below that of the original bond that generated the income.

**Call Risk or Prepayment Risk.** Issuers may exercise their option to prepay principal earlier than scheduled, forcing a Fund to reinvest in lower-yielding securities.

**Inverse Floater Risk.** The Funds may invest in inverse floaters. Due to their leveraged nature, these investments can greatly increase a Fund's exposure to interest rate risk and credit risk. In addition, investments in inverse floaters involve the risk that the Fund could lose more than its original principal investment.

Common Share Dividend  
and Price Information

DIVIDEND INFORMATION

The monthly dividends of all three Funds in this report remained stable throughout the six-month reporting period ended April 30, 2012.

All of the Funds in this report seek to pay stable dividends at rates that reflect each Fund's past results and projected future performance. During certain periods, each Fund may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it holds the excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid dividends in excess of its earnings, the excess constitutes negative UNII that is likewise reflected in the Fund's NAV. Each Fund will, over time, pay all of its net investment income as dividends to shareholders. As of April 30, 2012, all three Funds in this report had positive UNII balances, based upon our best estimate, for tax purposes and positive UNII balances for financial reporting purposes.

COMMON SHARE REPURCHASES AND PRICE INFORMATION

As of April 30, 2012, and since the inception of the Funds' repurchase programs, NPM has cumulatively repurchased and retired common shares as shown in the accompanying table. Since the inception of the Funds' repurchase programs, NPI and NPT have not repurchased any of their outstanding common shares.

Fund	Common Shares Repurchased and Retired	% of Outstanding Common Shares
NPM	422,900	0.6%

During the six-month reporting period, NPM did not repurchase any of its outstanding common shares.

As of April 30, 2012 and during the six-month reporting period, the Funds' share prices were trading at (-) discounts to their NAVs as shown in the accompanying table.

Fund	4/30/12 (-) Discount	Six-Month Average (-) Discount
NPI	(-)2.60%	(-)1.76%
NPM	(-)3.09%	(-)2.54%
NPT	(-)1.43%	(-)1.43%

Nuveen Investments

11

NPI  
Performance  
OVERVIEW

Nuveen Premium  
Income Municipal  
Fund, Inc.

as of April 30, 2012

## Fund Snapshot

Common Share Price	\$	14.59
Common Share Net Asset Value (NAV)	\$	14.98
Premium/(Discount) to NAV		-2.60%
Market Yield		6.29%
Taxable-Equivalent Yield <sup>1</sup>		8.74%
Net Assets Applicable to Common Shares (\$000)	\$	957,995

## Leverage

Regulatory Leverage	29.58%
Effective Leverage	36.37%

Average Annual Total Returns  
(Inception 7/18/88)

	On Share Price	On NAV
6-Month (Cumulative)	11.04%	9.68%
1-Year	22.30%	20.80%
5-Year	6.83%	5.81%
10-Year	6.79%	6.18%

States<sup>3</sup>

(as a % of total investments)

California	15.2%
Texas	9.7%
New York	9.5%
Illinois	8.4%
New Jersey	5.3%
Florida	4.8%
Louisiana	3.2%
Alabama	3.2%
Pennsylvania	3.1%
Minnesota	3.1%
Massachusetts	3.0%
South Carolina	3.0%
Wisconsin	2.5%
Michigan	2.5%
Washington	2.0%
Oklahoma	1.7%
Other	19.8%

Portfolio Composition<sup>3</sup>

(as a % of total investments)

Health Care	18.0%
-------------	-------

Tax Obligation/Limited	17.8%
Transportation	14.9%
U.S. Guaranteed	13.3%
Tax Obligation/General	11.7%
Water and Sewer	6.3%
Utilities	5.6%
Other	12.4%

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a federal income tax rate of 28%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.
- 2 Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below-investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by a national rating agency.
- 3 Holdings are subject to change.

12 Nuveen Investments



Edgar Filing: NUVEEN PREMIUM INCOME MUNICIPAL FUND INC - Form N-CSRS

NPM Nuveen Premium  
 Performance Income Municipal  
 OVERVIEW Fund 2, Inc.

as of April 30, 2012

Fund Snapshot

Common Share Price	\$	15.07
Common Share Net Asset Value (NAV)	\$	15.55
Premium/(Discount) to NAV		-3.09%
Market Yield		6.33%
Taxable-Equivalent Yield <sup>1</sup>		8.79%
Net Assets Applicable to Common Shares (\$000)	\$	1,099,329

Leverage

Regulatory Leverage	30.81%
Effective Leverage	36.92%

Average Annual Total Returns  
 (Inception 7/23/92)

	On Share Price	On NAV
6-Month (Cumulative)	9.00%	9.05%
1-Year	23.05%	19.24%
5-Year	7.28%	6.27%
10-Year	7.05%	6.54%

States<sup>4</sup>

(as a % of total investments)

Florida <sup>2</sup>	24.9%
California	9.6%
Illinois	9.2%
Texas	5.2%
Washington	5.2%
New York	4.6%
Nevada	4.5%
New Jersey	3.6%
Massachusetts	3.4%
Michigan	3.3%
Louisiana	3.3%
South Carolina	3.0%
Alabama	2.1%
Other	18.1%

Portfolio Composition<sup>4</sup>

(as a % of total investments)

Tax Obligation/Limited	19.3%
Health Care	17.5%
U.S. Guaranteed	15.6%
Tax Obligation/General	14.6%

Transportation	10.5%
Water and Sewer	7.0%
Education and Civic Organizations	4.8%
Other	10.7%

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a federal income tax rate of 28%. When comparing this Fund t