

EATON VANCE MUNICIPAL BOND FUND
Form N-CSR
November 27, 2018

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: 811-21142

Eaton Vance Municipal Bond Fund
(Exact Name of Registrant as Specified in Charter)

Two International Place, Boston, Massachusetts 02110
(Address of Principal Executive Offices)

Maureen A. Gemma

Two International Place, Boston, Massachusetts 02110

(Name and Address of Agent for Services)

(617) 482-8260

(Registrant's Telephone Number)

September 30

Date of Fiscal Year End

September 30, 2018

Date of Reporting Period

Item 1. Reports to Stockholders

Eaton Vance

Municipal Bond Funds

Annual Report

September 30, 2018

Municipal (EIM)

California (EVM)

New York (ENX)

Commodity Futures Trading Commission Registration. Effective December 31, 2012, the Commodity Futures Trading Commission (CFTC) adopted certain regulatory changes that subject registered investment companies and advisers to regulation by the CFTC if a fund invests more than a prescribed level of its assets in certain CFTC-regulated instruments (including futures, certain options and swap agreements) or markets itself as providing investment exposure to such instruments. Each Fund has claimed an exclusion from the definition of the term commodity pool operator under the Commodity Exchange Act. Accordingly, neither the Funds nor the adviser with respect to the operation of the Funds is subject to CFTC regulation. Because of its management of other strategies, each Fund s adviser is registered with the CFTC as a commodity pool operator and a commodity trading advisor.

Fund shares are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution. Shares are subject to investment risks, including possible loss of principal invested.

Annual Report September 30, 2018

Eaton Vance

Municipal Bond Funds

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Management's Discussion of Fund Performance

Economic and Market Conditions

The fiscal year that began October 1, 2017 was characterized by a flattening of the municipal bond yield curve. Long-term interest rates drifted downward in the first month of the period despite the U.S. Federal Reserve Board (the Fed) rate hikes the previous March and June 2017 that put upward pressure on short-term rates.

In November and December 2017, however, the municipal market experienced considerable volatility after the GOP-controlled House and Senate released and then passed new tax legislation. The most significant change to the municipal market was the elimination of an issuer's ability to refinance debt prior to its call date through the issuance of advanced refunding bonds which accounted for just under 20% of new issuance over the past 10 years. As a result, December 2017 witnessed the largest-ever one-month issuance of new municipal debt, as issuers rushed to beat the December 31, 2017 deadline. Investors sold short maturity bonds to buy new-issue longer maturity bonds in anticipation of lower supply going forward. The net result was rising prices on longer-term debt that drove more flattening of the yield curve in December 2017.

But as the new year began, bond prices reversed direction. Signs of increasing inflation, higher wage growth, and fears that the new tax legislation might overheat the economy pushed interest rates up and caused longer-term bond prices to decline.

Upward pressure on short-term rates continued in March and June 2018 as the Fed delivered its first two rate hikes of the year. At the long end of the curve, however, fluctuating perceptions of geopolitical risk were a primary driver of rates from April through the end of August 2018. Investors toggled between concern that the U.S. was initiating a global trade war and optimism about economic growth and a potential detente between the U.S. and North Korea. Meanwhile, ongoing lower yields for German and Japanese bonds, compared with U.S. Treasuries, weighed on longer-term U.S. yields. In September 2018, however, the Fed hiked rates again and both U.S. Treasury and municipal rates rose across the curve. The net result for the period was a continued flattening of the yield curve, as the spread between two-year and 10-year rates narrowed significantly.

For the 12-month period, the Bloomberg Barclays Municipal Bond Index (the Index),² a broad measure of the asset class, returned 0.35%. For the period as a whole, the municipal bond yield curve flattened. Rates for AAA-rated⁷ bonds rose across the curve, but rate increases were greater at the short end of the curve than the long end. On a total return basis, longer maturities in general outperformed shorter maturities, and lower-rated bonds generally

outperformed higher-rated issues. Across most of the curve, municipal bonds generally outperformed U.S. Treasuries.

Fund Performance

For the fiscal year ended September 30, 2018, Municipal Bond Fund, California Municipal Bond Fund and New York Municipal Bond Fund shares at net asset value (NAV) underperformed the 0.35% return of the Funds' benchmark, the Index.

The Funds' overall strategy is to invest primarily in higher-quality bonds (rated A or higher). In managing the Funds, management employs leverage through Residual Interest Bond financing⁶ to seek to enhance the Funds' tax-exempt income. The use of leverage has the effect of achieving additional exposure to the municipal market, thus magnifying a fund's exposure to its underlying investments in both up and down market environments. During this period of rising rates and falling bond prices, the leverage amplified the relatively minor declines in the price of bonds held by the Funds and generated additional tax-exempt bond income, enhancing the dividend of the Funds.

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Management hedges to various degrees against the greater potential risk of volatility caused by the use of leverage and investing in bonds at the long end of the yield curve, by using Treasury futures and/or interest rate swaps. As a risk management tactic within the Funds' overall strategy, interest rate hedging is intended to moderate performance on both the upside and the downside of the market. So in a period when municipal and Treasury bonds generally declined in price, the hedging strategy mitigated a portion of that decline and was thus a contributor to relative results versus the unhedged Index for the Municipal Bond Fund. The California and New York Municipal Bond Funds did not employ a hedging strategy during the period.

Security selection in insured Puerto Rico bonds contributed to performance relative to the Index for all three Funds. This was due to strong performance of Puerto Rico's debt in the second half of the period, as ongoing bankruptcy negotiations led to anticipation that bondholders recoveries could exceed those originally anticipated by the market. The Funds' insured Puerto Rico holdings were insured by various municipal bond insurers. It should be noted that most uninsured bonds issued by the Commonwealth of Puerto Rico and its various conduit issuers were no longer included in the Index. As Puerto Rico continued to deal with an ongoing fiscal crisis, bonds issued by its various legal entities were impacted by a number of factors throughout the period, including monetary default. As the period ended, Puerto Rico continued to negotiate with creditors and address its current debt structure under the Puerto Rico Oversight, Management, and Economic Stability Act passed by the U.S. Congress.

See Endnotes and Additional Disclosures in this report.

Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value (NAV) or market price (as applicable) with all distributions reinvested and include management fees and other expenses. Fund performance at market price will differ from its results at NAV due to factors such as changing perceptions about the Fund, market conditions, fluctuations in supply and demand for Fund shares, or changes in Fund distributions. Investment return and principal value will fluctuate so that shares, when sold, may be worth more or less than their original cost. Performance less than or equal to one year is cumulative. Performance is for the stated time period only; due to market volatility, current Fund performance may be lower or higher than the quoted return. For performance as of the most recent month-end, please refer to eatonvance.com.

Eaton Vance

Municipal Bond Funds

September 30, 2018

[Management's Discussion of Fund Performance](#) continued

Fund Specific Results

Eaton Vance Municipal Bond Fund shares at NAV returned 1.09%, underperforming the 0.35% return of the Index. The main detractors from performance versus the Index included the Fund's holdings in residual interest bonds; an overweight, relative to the Index, in prerefunded, or escrowed bonds; and security selection in New York bonds. The chief contributors to performance relative to the Index were security selection in insured Puerto Rico bonds, as noted earlier; security selection in the special tax sector; and the Fund's hedging strategy.

Eaton Vance California Municipal Bond Fund shares at NAV returned 0.79%, underperforming the 0.35% return of the Index. The Fund's holdings in residual interest bonds, an overweight in prerefunded bonds, and security selection in the health care sector, which was the best-performing sector in the Index during the period, all detracted from performance versus the Index. In contrast, security selection in insured Puerto Rico bonds contributed to performance relative to the Index, as did security selection in AAA-rated bonds and an overweight in bonds with 17 years or more remaining to maturity.

Eaton Vance New York Municipal Bond Fund shares at NAV returned 1.50%, underperforming the 0.35% return of the Index. Key detractors from performance versus the Index included the Fund's holdings in residual interest bonds, security selection in the industrial development revenue sector, and security selection and an overweight in the special tax sector. Primary contributors to performance relative to the Index included security selection in the health care sector, security selection in insured Puerto Rico bonds, and an overweight in low duration,⁹ currently callable bonds.

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Eaton Vance

Municipal Bond Fund

September 30, 2018

Performance^{2,3}

Portfolio Manager Cynthia J. Clemson

% Average Annual Total Returns	Inception Date	One Year	Five Years	Ten Years
Fund at NAV	08/30/2002	1.09%	6.82%	8.10%
Fund at Market Price		4.50	5.65	6.81
Bloomberg Barclays Municipal Bond Index		0.35%	3.54%	4.75%
Bloomberg Barclays Long (22+) Year Municipal Bond Index		1.07	5.43	6.33

% Premium/Discount to NAV⁴

10.90%

Distributions⁵

Total Distributions per share for the period	\$ 0.588
Distribution Rate at NAV	4.14%
Taxable-Equivalent Distribution Rate at NAV	6.99%
Distribution Rate at Market Price	4.64%
Taxable-Equivalent Distribution Rate at Market Price	7.84%

% Total Leverage⁶

Residual Interest Bond (RIB) Financing 40.44%

Fund Profile

Credit Quality (% of total investments)^{7,8}

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Eaton Vance

California Municipal Bond Fund

September 30, 2018

Performance^{2,3}

Portfolio Manager Craig R. Brandon, CFA

% Average Annual Total Returns	Inception Date	One Year	Five Years	Ten Years
Fund at NAV	08/30/2002	0.79%	5.99%	6.64%
Fund at Market Price		13.26	4.73	5.07
Bloomberg Barclays Municipal Bond Index		0.35%	3.54%	4.75%
Bloomberg Barclays Long (22+) Year Municipal Bond Index		1.07	5.43	6.33

% Premium/Discount to NAV⁴	15.45%
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Distributions⁵

Total Distributions per share for the period	\$ 0.511
Distribution Rate at NAV	4.02%
Taxable-Equivalent Distribution Rate at NAV	7.83%
Distribution Rate at Market Price	4.76%
Taxable-Equivalent Distribution Rate at Market Price	9.27%

% Total Leverage⁶

RIB Financing	44.12%
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Fund Profile

Credit Quality (% of total investments)^{7,8}

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See Endnotes and Additional Disclosures in this report.

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Eaton Vance

New York Municipal Bond Fund

September 30, 2018

Performance^{2,3}

Portfolio Manager Craig R. Brandon, CFA

% Average Annual Total Returns	Inception Date	One Year	Five Years	Ten Years
Fund at NAV	08/30/2002	1.50%	5.46%	6.75%
Fund at Market Price		10.20	4.52	5.85
Bloomberg Barclays Municipal Bond Index		0.35%	3.54%	4.75%
Bloomberg Barclays Long (22+) Year Municipal Bond Index		1.07	5.43	6.33

% Premium/Discount to NAV⁴	13.39%
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Distributions⁵

Total Distributions per share for the period	\$ 0.564
Distribution Rate at NAV	4.21%
Taxable-Equivalent Distribution Rate at NAV	7.80%
Distribution Rate at Market Price	4.86%
Taxable-Equivalent Distribution Rate at Market Price	9.00%

% Total Leverage⁶

RIB Financing	42.09%
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Fund Profile

Credit Quality (% of total investments)^{7,8}

See Endnotes and Additional Disclosures in this report.

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Endnotes and Additional Disclosures

¹ The views expressed in this report are those of the portfolio manager(s) and are current only through the date stated at the top of this page. These views are subject to change at any time based upon market or other conditions, and Eaton Vance and the Fund(s) disclaim any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. This commentary may contain statements that are not historical facts, referred to as forward looking statements. The Fund's actual future results may differ significantly from those stated in any forward looking statement, depending on factors such as changes in securities or financial markets or general economic conditions, the volume of sales and purchases of Fund shares, the continuation of investment advisory, administrative and service contracts, and other risks discussed from time to time in the Fund's filings with the Securities and Exchange Commission.

² Bloomberg Barclays Municipal Bond Index is an unmanaged index of municipal bonds traded in the U.S. Bloomberg Barclays Long (22+) Year Municipal Bond Index is an unmanaged index of municipal bonds traded in the U.S. with maturities of 22 years or more. Unless otherwise stated, index returns do not reflect the effect of any applicable sales charges, commissions, expenses, taxes or leverage, as applicable. It is not possible to invest directly in an index.

Effective September 30, 2017, the Funds' benchmark was changed to the Bloomberg Barclays Municipal Bond Index.

³ Performance results reflect the effects of leverage. Performance since inception for an index, if presented, is the performance since the Fund's or oldest share class inception, as applicable.

⁴ The shares of the Fund often trade at a discount or premium from their net asset value. The discount or premium of the Fund may vary over time and may be higher or lower than what is quoted in this report. For up-to-date premium/discount information, please refer to <http://eatonvance.com/closedend>.

⁵ The Distribution Rate is based on the Fund's last regular distribution per share in the period (annualized) divided by the Fund's NAV or market price at the end of the period. The Fund's distributions may be comprised of amounts characterized for federal income tax purposes as tax-exempt income, qualified and non-qualified ordinary dividends, capital gains and nondividend distributions, also known as return of capital. The Fund will determine the federal income tax character of distributions paid to a shareholder after the end of the calendar year. This is reported on the IRS form 1099-DIV and provided to the shareholder shortly after each year-end. For information about the tax character of distributions made in prior calendar years, please refer to Performance-Tax Character of Distributions on the Fund's webpage available at eatonvance.com. The Fund's distributions are determined by the investment adviser based on its current assessment of the Fund's long-term return potential. Fund distributions may be affected by numerous factors including changes in Fund performance, the cost of financing for Funds that employ leverage, portfolio holdings, realized and projected returns, and other factors. As portfolio and market conditions change, the rate of distributions paid by the Fund could change. Taxable-equivalent performance is based on the highest combined federal and state income tax rates, where applicable. Lower tax rates would result in lower tax-equivalent performance. Actual tax rates will vary depending on your income, exemptions and deductions. Rates do not include local taxes. Subsequent distributions declared, but not reflected in Fund Performance, reflect a reduction of the monthly distribution for Municipal Bond Fund.

⁶ Fund employs RIB financing. The leverage created by RIB investments provides an opportunity for increased income but, at the same time, creates special risks (including the likelihood of greater price volatility). The cost of leverage rises and falls with changes in short-term interest rates. See Floating Rate Notes Issued in Conjunction with Securities Held in the notes to the financial statements for more information about RIB financing. RIB leverage represents the amount of Floating Rate Notes outstanding at period end as a percentage of Fund net assets plus Floating Rate Notes.

⁷ Ratings are based on Moody's Investors Service, Inc. (Moody's), S&P Global Ratings (S&P) or Fitch Ratings (Fitch), as applicable. If securities are rated differently by the ratings agencies, the highest rating is applied. Ratings, which are subject to change, apply to the creditworthiness of the issuers of the

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underlying securities and not to the Fund or its shares. Credit ratings measure the quality of a bond based on the issuer's creditworthiness, with ratings ranging from AAA, being the highest, to D, being the lowest based on S&P's measures. Ratings of BBB or higher by S&P or Fitch (Baa or higher by Moody's) are considered to be investment-grade quality. Credit ratings are based largely on the ratings agency's analysis at the time of rating. The rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition and does not necessarily reflect its assessment of the volatility of a security's market value or of the liquidity of an investment in the security. Holdings designated as "Not Rated" (if any) are not rated by the national ratings agencies stated above.

⁸ The chart includes the municipal bonds held by a trust that issues residual interest bonds, consistent with the Portfolio of Investments.

⁹ Duration is a measure of the expected change in price of a bond in percentage terms given a one percent change in interest rates, all else being constant. Securities with lower durations tend to be less sensitive to interest rate changes.

Fund profiles subject to change due to active management.

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Municipal Bond Fund