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NUVEEN SENIOR INCOME FUND

Form N-30D

January 08, 2002

PORTFOLIO OF INVESTMENTS (UNAUDITED)  
 NUVEEN SENIOR INCOME FUND (NSL)  
 October 31, 2001

| PRINCIPAL<br>AMOUNT (000)   | DESCRIPTION  | RATINGS* |     |
|---|--|----------|-----|
|   |  | MOODY'S  | S&P |
| VARIABLE RATE SENIOR LOAN INTERESTS(1) AND INTEREST BEARING SECURITIES - 128.8% |  |          |     |
| AEROSPACE/DEFENSE - 6.8% (4.9% OF TOTAL ASSETS)                                 |  |          |     |
| \$ 4,975  | DeCrane Aircraft Holdings, Inc., Term Loan D                 | B2       | B   |
| 10,975  | The Fairchild Corporation, Term Loan B                       | Ba3      | BB  |
| 2,985   | United Defense Industries, Inc., Term Loan B                 | B1       | BB  |
| 1,377   | Vought Aircraft Industries, Inc., Term Loan A                | NR       | N   |
| AUTOMOTIVE - 4.9% (3.5% OF TOTAL ASSETS)  |  |          |     |
| 1,224   | Federal-Mogul Corporation, Term Loan A                       | Caa1     |     |
| 3,551   | Federal-Mogul Corporation, Term Loan B                       | Caa1     |     |
| 3,996   | Metaldyne Corporation/Metalyc Company, LLC, Term Loan B      | Ba3      | BB- |
| 9,415   | MetalForming Technologies, Inc., Term Loan B                 | NR       | N   |
| 1,356   | Tenneco Auto, Inc.   | B2       | B   |
| BEVERAGE, FOOD & TOBACCO - 10.4% (7.5% OF TOTAL ASSETS)                         |  |          |     |
| 1,730   | Cott Corporation, Purchase Money Term Loan                   | NR       | N   |
| 200   | Cott Corporation, Working Capital Term Loan                  | NR       | N   |
| 9,168   | Dr. Pepper/Seven Up Bottling Group, Inc., Term Loan B        | NR       | N   |
| 1,911   | Eagle Family Foods, Inc., Term Loan                          | B1       |     |
| 3,990   | Flowers Foods, Inc., Term Loan B                             | Ba2      | BBB |
| 1,995   | Interstate Bakeries Corporation, Term Loan B                 | Ba1      | BBB |
| 3,530   | Merisant Company, Term Loan B                                | Ba3      | BB  |
| 5,500   | Pinnacle Foods Corporation, Term Loan                        | Ba3      | BB  |
| BROADCASTING/CABLE - 2.0% (1.4% OF TOTAL ASSETS)                                |  |          |     |
| 2,000   | Century Cable Holdings, LLC, Term Loan B                     | Ba3      | B   |
| 3,333   | Charter Communications Operating, LLC, Incremental Term Loan | Ba3      | BB  |
| BROADCASTING/RADIO - 1.7% (1.3% OF TOTAL ASSETS)                                |  |          |     |
| 4,667   | Citadel Broadcasting Company, Term Loan B                    | NR       | N   |
| BUILDINGS & REAL ESTATE - 6.1% (4.3% OF TOTAL ASSETS)                           |  |          |     |
| 10,872  | NRT, Inc., Term Loan   | Ba3      | N   |
| 3,000   | Washington Group International, Bond (a)(b)                  | C        |     |
| 7,960   | Washington Group International, Term Loan B (b)              | Caa3     | N   |
| CARGO TRANSPORTATION - 3.4% (2.4% OF TOTAL ASSETS)                              |  |          |     |

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|   |  |     |    |
|---|--|-----|----|
| 8,843   | North American Van Lines, Term Loan B  | B1  | B  |
| 856   | RailAmerica, Inc., Term Loan B   | Ba3 | BB |
| -----   |  |     |    |
| CHEMICALS, PLASTICS & RUBBER - 3.1% (2.2% OF TOTAL ASSETS)    |  |     |    |
| 2,000   | Ineos US Finance, LLC, Term Loan C   | Ba3 | B  |
| 2,000   | OM Group, Inc., Term Loan B  | Ba3 | B  |
| 4,286   | Resolution Performance Products, LLC, Term Loan B  | Ba3 | BB |
| -----   |  |     |    |
| CONSTRUCTION MATERIALS - 2.6% (1.8% OF TOTAL ASSETS)          |  |     |    |
| 16,667  | California Pollution Control Financing Authority, CanFibre of Riverside Project, Bonds (a) (b) (c) | NR  | N  |
| 9,000   | California Pollution Control Financing Authority, CanFibre of Riverside Project, Bonds (a) (b) (c) | NR  | N  |
| 7,000   | CanFibre of Lackawana, LLC, Construction Loan (a) (b) (c)  | NR  | N  |
| 1,200   | CanFibre of Lackawana, LLC, Letter of Credit (a) (b) (c)   | NR  | N  |
| 10,000  | CanFibre of Riverside, Inc., Letter of Credit (a) (b) (c)  | NR  | N  |
| 533   | CanFibre of Riverside, Inc., Working Capital Loan (a) (b) (c)                                      | NR  | N  |
| 860   | Mueller Group, Inc., Term Loan B   | B1  | B  |
| 3,528   | Mueller Group, Inc., Term Loan C   | B1  | B  |
| 493   | Mueller Group, Inc., Term Loan D   | B1  | B  |
| -----   |  |     |    |
| CONTAINERS, PACKAGING & GLASS - 7.8% (5.6% OF TOTAL ASSETS)   |  |     |    |
| 2,592   | Graham Packaging Company, Term Loan B  | B2  | B  |
| 2,147   | Graham Packaging Company, Term Loan C  | B2  | B  |
| 3,729   | Greif Bros. Corporation, Term Loan B   | Ba3 | B  |
| 2,800   | Stone Container Corporation, Term Loan C   | Ba3 | B  |
| 2,579   | Stone Container Corporation, Term Loan D   | Ba3 | B  |
| 3,950   | Tekni-Plex, Inc., Term Loan B  | B1  | B  |
| 3,983   | United States Can Company, Term Loan B   | B1  | BB |
| -----   |  |     |    |
| DIVERSIFIED MANUFACTURING - 6.9% (4.9% OF TOTAL ASSETS)       |  |     |    |
| 5,404   | Blount, Inc., Term Loan B  | B3  | B  |
| 3,013   | Dayco Products, LLC, Term Loan B   | Ba3 | BB |
| 2,970   | GenTek, Inc., Term Loan C  | B1  | BB |
| 4,462   | UCAR Finance, Inc., Term Loan B  | Ba3 | N  |
| 5,458   | Western Industries Holding, Inc., Term Loan B  | NR  | N  |
| -----   |  |     |    |
| ECOLOGICAL - 0.4% (0.3% OF TOTAL ASSETS)                      |  |     |    |
| 1,000   | Stericycle, Inc., Term Loan B  | NR  | BB |
| -----   |  |     |    |
| ELECTRONICS/ELECTRONIC SERVICES - 1.5% (1.0% OF TOTAL ASSETS) |  |     |    |
| 3,960   | Seagate Technology Holdings, Inc., Term Loan B   | NR  | BB |
| -----   |  |     |    |
| FARMING & AGRICULTURAL - 1.8% (1.3% OF TOTAL ASSETS)          |  |     |    |
| 4,786   | Shemin Holdings Corporation, Term Loan B   | NR  | N  |
| -----   |  |     |    |
| FINANCE & BANKING - 0.3% (0.2% OF TOTAL ASSETS)               |  |     |    |
| 2,368   | The Finova Group, Inc., Revolver 2003 (a) (b)  | NR  | N  |

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|   |  |  |     |     |
|---|--|--|-----|-----|
| HEALTHCARE - 2.5% (1.8% OF TOTAL ASSETS)                        |  |  |     |     |
| 1,714   | Community Health Systems, Inc., Term Loan B                                    |  | NR  | B   |
| 1,714   | Community Health Systems, Inc., Term Loan C                                    |  | NR  | B   |
| 1,264   | Community Health Systems, Inc., Term Loan D                                    |  | NR  | B   |
| 2,000   | Triad Hospitals, Inc., Term Loan B   |  | Ba3 | B   |
| HEALTHCARE & BEAUTY AIDS - 1.2% (0.9% OF TOTAL ASSETS)          |  |  |     |     |
| 3,182   | Advance PCS, Term Loan B   |  | Ba3 | B   |
| HOTELS, MOTELS, INNS & GAMING - 9.3% (6.7% OF TOTAL ASSETS)     |  |  |     |     |
| 4,000   | Alliance Gaming Corporation, LLC, Term Loan                                    |  | B1  | B   |
| 2,000   | Extended Stay America, Inc., Term Loan B                                       |  | Ba3 | BB  |
| 3,069   | Isle of Capri Casinos, Inc., Term Loan B                                       |  | Ba2 | BB  |
| 2,685   | Isle of Capri Casinos, Inc., Term Loan C                                       |  | Ba2 | BB  |
| 5,000   | Mandalay Resort Group, Term Loan   |  | Ba1 | N   |
| 2,770   | Wyndham International, Inc., Increasing Rate Loan                              |  | NR  | N   |
| 7,563   | Wyndham International, Inc., Term Loan B                                       |  | NR  | N   |
| INSURANCE - 6.7% (4.8% OF TOTAL ASSETS)                         |  |  |     |     |
| 10,000  | Conseco, Inc., Term Loan   |  | NR  | N   |
| 4,900   | GAB Robbins North America, Inc., Term Loan B                                   |  | NR  | N   |
| 5,000   | Tack Holdings Corp., Term Loan B   |  | NR  | N   |
| LEISURE & ENTERTAINMENT - 6.8% (4.8% OF TOTAL ASSETS)           |  |  |     |     |
| 3,907   | Bally Total Fitness Holding Corporation, Term Loan                             |  | B1  | B   |
| 3,398   | Fitness Holdings Worldwide, Inc., Term Loan B                                  |  | NR  |     |
| 6,462   | Fitness Holdings Worldwide, Inc., Term Loan C                                  |  | NR  |     |
| 5,000   | Six Flags Theme Parks, Inc., Term Loan B                                       |  | Ba2 | BB  |
| NATURAL RESOURCES/OIL & GAS - 2.6% (1.9% OF TOTAL ASSETS)       |  |  |     |     |
| 7,000   | Tesoro Petroleum Corp., Term Loan B  |  | Ba2 | BBB |
| NON-DURABLE CONSUMER PRODUCTS - 3.3% (2.3% OF TOTAL ASSETS)     |  |  |     |     |
| 4,355   | Hartz Mountain Corporation, Term Loan  |  | B1  | BB  |
| 5,061   | Norwood Promotional Products, Inc., Term Loan B                                |  | NR  | N   |
| 4,527   | Norwood Promotional Products, Inc., Term Loan C                                |  | NR  | N   |
| PERSONAL & MISCELLANEOUS SERVICES - 3.0% (2.2% OF TOTAL ASSETS) |  |  |     |     |
| 4,000   | Adams Outdoor Advertising Limited Partnership,<br>Term Loan B                  |  | B1  | B   |
| 4,058   | Weight Watchers International, Inc., Transferable Loan<br>Certificate Facility |  | Ba1 | BB  |
| PRINTING & PUBLISHING - 4.5% (3.2% OF TOTAL ASSETS)             |  |  |     |     |
| 6,965   | American Media Operations, Inc., Term Loan B-1                                 |  | Ba3 | B   |
| 5,000   | PRIMEDIA, Inc., Term Loan B  |  | NR  | BB  |
| 998   | TransWestern Publishing Company, LLC, Term Loan B                              |  | Ba3 | B   |

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|        |   |  |      |    |
|--------|---|--|------|----|
| -----  |   |  |      |    |
|        | RESTAURANTS & FOOD SERVICE - 2.5% (1.8% OF TOTAL ASSETS)                                      |  |      |    |
| 3,250  | Dominos Pizza, Inc., Term Loan B  |  | B1   | B  |
| 3,259  | Dominos Pizza, Inc., Term Loan C  |  | B1   | B  |
| -----  |   |  |      |    |
|        | RETAIL/CATALOG - 1.6% (1.1% OF TOTAL ASSETS)  |  |      |    |
| 4,633  | Micro Warehouse, Inc., Term Loan B  |  | B1   | B  |
| -----  |   |  |      |    |
|        | RETAIL/SPECIALTY - 1.5% (1.1% OF TOTAL ASSETS)  |  |      |    |
| 4,000  | Rite Aid Corporation, Term Loan   |  | B1   | BB |
| -----  |   |  |      |    |
|        | RETAIL/STORES - 4.4% (3.2% OF TOTAL ASSETS)   |  |      |    |
| 2,840  | HMV Media Group PLC, Term Loan C  |  | B2   | B  |
| 1,958  | HMV Media Group PLC, Term Loan D  |  | B2   | B  |
| 2,939  | Rent-A-Center, Term Loan D  |  | Ba2  | BB |
| 2,182  | SDM Corporation, Term Loan C  |  | Ba3  | B  |
| 2,182  | SDM Corporation, Term Loan E  |  | Ba3  | B  |
| -----  |   |  |      |    |
|        | TELECOMMUNICATIONS/CELLULAR/PCS - 4.6%<br>(3.3% OF TOTAL ASSETS)                              |  |      |    |
| 484    | Airgate PCS, Inc., Tranche 1 Loan   |  | NR   | N  |
| 2,573  | Airgate PCS, Inc., Tranche 2 Loan   |  | NR   | N  |
| 10,000 | Centennial Cellular Operating Company, LLC, Term Loan A                                       |  | B1   | B  |
| -----  |   |  |      |    |
|        | TELECOMMUNICATIONS/COMPETITIVE LOCAL EXCHANGE CARRIER<br>(CLEC) - 1.7% (1.2% OF TOTAL ASSETS) |  |      |    |
| 5,000  | RCN Corporation, Term Loan B  |  | B2   | B  |
| 5,000  | Teligent, Inc., Delayed Term Loan (a) (b)   |  | Caa2 |    |
| 5,000  | WCI Capital Corporation, Term Loan B (a) (b)  |  | NR   |    |
| -----  |   |  |      |    |
|        | TELECOMMUNICATIONS/HYBRID - 0.7% (0.5% OF TOTAL ASSETS)                                       |  |      |    |
| 2,000  | Nextel Partners Operating Company, Term Loan B  |  | B1   | B  |
| -----  |   |  |      |    |
|        | TELECOMMUNICATIONS/SATELLITE - 0.6%<br>(0.4% OF TOTAL ASSETS)                                 |  |      |    |
| 1,824  | Satelites Mexicanos, SA DE CV, Loan   |  | B1   | B  |
| -----  |   |  |      |    |
|        | TELECOMMUNICATIONS/WIRELESS MESSAGING - 0.4%<br>(0.3% OF TOTAL ASSETS)                        |  |      |    |
| 7,231  | Arch Wireless Holding, Inc., Term Loan C (a) (b)  |  | NR   | C  |
| -----  |   |  |      |    |
|        | TEXTILES & LEATHER - 3.5% (2.5% OF TOTAL ASSETS)  |  |      |    |
| 9,700  | Norcross Safety Products, LLC, Term Loan  |  | NR   | N  |
| -----  |   |  |      |    |
|        | TRANSPORTATION/RAIL MANUFACTURING - 1.5%<br>(1.1% OF TOTAL ASSETS)                            |  |      |    |
| 3,970  | Kansas City Southern Railway Company, Term Loan B   |  | Ba1  | BB |
| -----  |   |  |      |    |
|        | UTILITIES - 6.2% (4.5% OF TOTAL ASSETS)   |  |      |    |
| 7,000  | AES EDC Funding II, LLC, Term Loan  |  | NR   | N  |
| 2,008  | AES Texas Funding III, LLC, Term Loan   |  | NR   | N  |

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|       |                                      |     |    |
|-------|--------------------------------------|-----|----|
| 3,940 | TNP Enterprises, Inc., Term Loan     | Ba2 | BB |
| 3,960 | Western Resources, Inc., Term Loan B | NR  | N  |

Total Variable Rate Senior Loan Interests and  
Interest Bearing Securities (cost \$387,671,250)

EQUITIES - 0.0%

CanFibre of Lackawana, LLC, Income Participation  
Certificates, 13 units (a)(b)(c)  
CanFibre of Riverside, Inc., Income Participation  
Certificates, 17 units (a)(b)(c)

Total Equity (cost \$0)

SHORT-TERM INVESTMENTS - 9.7%

COMMERCIAL PAPER:

|       |   |    |   |
|-------|---|----|---|
| 5,682 | Chevron Phillips Chemical Company, yielding 2.85% | P2 | A |
| 4,251 | Conagra Foods, Inc., yielding 2.75%               | P2 | A |
| 4,824 | Illinois Power Company, yielding 2.92%            | P2 | A |
| 5,993 | Kraft Foods, Inc., yielding 2.50%                 | P1 | A |
| 5,000 | Phillips Petroleum, Co., yielding 2.90%           | P2 | A |

Total Short-Term Investments (cost \$25,748,065)

Total Investments (cost \$413,419,315) - 138.5%

Borrowings Payable - (38.7)%+

Other Assets Less Liabilities - 0.2%

Net Assets - 100%

NR Not rated.

\* Bank loans rated below Baa by Moody's Investor Service, Inc. or BBB by Standard & Poor's Group are considered to be below investment grade.

\*\* Senior Loans in the Fund's portfolio generally are subject to mandatory and/or optional prepayment. Because of these mandatory prepayment conditions and because there may be significant economic incentives for a Borrower to prepay, prepayments of Senior Loans in the Fund's portfolio may occur. As a result, the actual remaining maturity of Senior Loans held in the Fund's portfolio may be substantially less than the stated maturities shown. The Fund estimates that the actual average maturity of the Senior Loans held in its portfolio will be approximately 18-24 months.

(1) Senior Loans in which the Fund invests generally pay interest at rates which are periodically redetermined by reference to a base lending rate plus a premium. These base lending rates are generally (i) the lending

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rate offered by one or more major European banks, such as the London Inter-Bank Offered Rate ("LIBOR"), (ii) the prime rate offered by one or more major United States banks, and (iii) the certificate of deposit rate. Senior loans are generally considered to be restricted in that the Fund ordinarily is contractually obligated to receive approval from the Agent Bank and/or borrower prior to the disposition of a Senior Loan.

- (a) At or subsequent to October 31, 2001, this issue was non-income producing.
  - (b) At or subsequent to October 31, 2001, this issue was under the protection of the federal bankruptcy court.
  - (c) Position has a zero cost basis and was acquired as part of a workout program.
- + Borrowings payable as a percentage of total gross assets is 27.7%.

See accompanying notes to financial statements.

Statement of Net Assets October 31, 2001 (Unaudited)

|  |               |
|--|---------------|
| -----  |               |
| ASSETS   |               |
| Investments, at market value (cost \$413,419,315)  | \$368,274,255 |
| Cash   | 360,993       |
| Interest receivable  | 2,896,580     |
| Other assets   | 54,720        |
| -----  |               |
| Total assets   | 371,586,548   |
| -----  |               |
| LIABILITIES  |               |
| Borrowings payable   | 103,000,000   |
| Management fees  | 126,089       |
| Taxable Auctioned Preferred Share dividends payable  | 43,748        |
| Common Share dividends payable   | 2,032,892     |
| Other liabilities  | 537,193       |
| -----  |               |
| Total liabilities  | 105,739,922   |
| -----  |               |
| Net assets   | \$265,846,626 |
| =====  |               |
| Taxable Auctioned Preferred Shares, at liquidation value   | \$ 46,000,000 |
| =====  |               |
| Taxable Auctioned Preferred Shares outstanding   | 1,840         |
| =====  |               |
| Common Shares outstanding  | 29,722,631    |
| =====  |               |
| Net asset value per Common Share outstanding (net assets less Preferred Shares at liquidation value, divided by Common Shares outstanding) | \$ 7.40       |
| =====  |               |

See accompanying notes to financial statements.

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Statement of Operations Three Months Ended October 31, 2001 (Unaudited)

|   |                |
|---|----------------|
| -----   |                |
| INVESTMENT INCOME   |                |
| Interest  | \$ 7,417,462   |
| Fees  | 82,391         |
| -----   |                |
| Total investment income   | 7,499,853      |
| -----   |                |
| EXPENSES  |                |
| Management fees   | 816,851        |
| Taxable Auctioned Preferred Shares - auction fees                   | 28,986         |
| Taxable Auctioned Preferred Shares - dividend disbursing agent fees | 2,521          |
| Shareholders' servicing agent fees and expenses                     | 3,034          |
| Interest expense  | 901,915        |
| Custodian's fees and expenses                                       | 78,512         |
| Trustees' fees and expenses   | 8,808          |
| Professional fees   | 79,324         |
| Shareholders' reports - printing and mailing expenses               | 10,718         |
| Stock exchange listing fees   | 7,913          |
| Investor relations expense  | 15,254         |
| Other expenses  | 122,124        |
| -----   |                |
| Total expenses  | 2,075,960      |
| Expense waivers from the Adviser                                    | (432,452)      |
| -----   |                |
| Net expenses  | 1,643,508      |
| -----   |                |
| Net investment income   | 5,856,345      |
| -----   |                |
| REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS                |                |
| Net realized gain (loss) from investment transactions               | (766,536)      |
| Change in net unrealized appreciation (depreciation) of investments | (20,063,503)   |
| -----   |                |
| Net gain (loss) from investments                                    | (20,830,039)   |
| -----   |                |
| Net increase (decrease) in net assets from operations               | \$(14,973,694) |
| =====   |                |

See accompanying notes to financial statements.

Statement of Changes in Net Assets (Unaudited)

|   |        |
|---|--------|
| -----   |        |
| OPERATIONS  |        |
| Net investment income   | \$ 5,8 |
| Net realized gain (loss) from investment transactions               | (7     |
| Change in net unrealized appreciation (depreciation) of investments | (20,0  |
| -----   |        |

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|   |         |
|---|---------|
| Net increase (decrease) in net assets from operations                                       | (14,9   |
| -----   |         |
| DISTRIBUTIONS TO SHAREHOLDERS   |         |
| From undistributed net investment income:   |         |
| Common Shareholders   | (6,5    |
| Taxable Auctioned Preferred Shareholders  | (3      |
| From accumulated net realized gains from investment transactions:                           |         |
| Common Shareholders   |         |
| Taxable Auctioned Preferred Shareholders  |         |
| -----   |         |
| Decrease in net assets from distributions to shareholders                                   | (6,9    |
| -----   |         |
| CAPITAL SHARE TRANSACTIONS  |         |
| Net proceeds from Common Shares issued to shareholders due to reinvestment of distributions | 1       |
| -----   |         |
| Net increase (decrease) in net assets   | (21,7   |
| Net assets at the beginning of period   | 287,6   |
| -----   |         |
| Net assets at the end of period   | \$265,8 |
| =====   |         |
| Balance of undistributed net investment income at the end of period                         | \$ 5    |
| =====   |         |

See accompanying notes t

Statement of Cash Flows Three Months Ended October 31, 2001 (Unaudited)

|   |                 |
|---|-----------------|
| CHANGE IN NET ASSETS FROM OPERATIONS                                | \$ (14,973,694) |
| -----   |                 |
| Adjustments to Reconcile the Change in Net Assets                   |                 |
| from Operations to Net Cash provided by Operating Activities:       |                 |
| Decrease in investments at value                                    | 22,148,865      |
| Decrease in interest receivable                                     | 484,689         |
| Decrease in other assets  | 18,112          |
| Decrease in management fees   | (6,137)         |
| Decrease in other liabilities                                       | (207,430)       |
| -----   |                 |
| Net cash provided by operating activities                           | 7,464,405       |
| -----   |                 |
| CASH FLOWS FROM FINANCING ACTIVITIES:                               |                 |
| Cash distributions paid to Common Shareholders                      | (6,755,909)     |
| Cash distributions paid to Taxable Auctioned Preferred Shareholders | (358,855)       |
| -----   |                 |
| Net cash used for financing activities                              | (7,114,764)     |
| -----   |                 |
| NET INCREASE IN CASH  | 349,641         |
| Cash at the beginning of period                                     | 11,352          |
| -----   |                 |
| CASH AT THE END OF PERIOD   | \$ 360,993      |
| =====   |                 |

See accompanying notes to financial statements.

Notes to Financial Statements (Unaudited)



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### 1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Nuveen Senior Income Fund (the "Fund") is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended. The Fund is listed on the New York Stock Exchange and trades under the ticker symbol "NSL". The Fund was organized as a Massachusetts business trust on August 13, 1999.

The Fund seeks to provide a high level of current income, consistent with preservation of capital by investing primarily in senior secured loans whose interest rates float or adjust periodically based on a benchmark interest rate index. The Fund seeks to increase the income available for distribution to Common Shareholders by utilizing financial leverage.

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements in accordance with accounting principles generally accepted in the United States.

#### Investment Valuation

The prices of senior loans and bonds in the Fund's investment portfolio are provided by independent pricing services approved by the Fund's Board of Trustees. The pricing service providers typically value senior loans and bonds at the mean of the highest bona fide bid and lowest bona fide ask prices when current quotations are readily available. Senior loans and bonds for which current quotations are not readily available are valued at fair value using a wide range of market data and other information and analysis, including credit characteristics considered relevant by such pricing service providers to determine valuations. The Board of Trustees of the Fund has approved procedures which permit the Adviser to override the price provided by the independent pricing service. There were no price overrides during the three months ended October 31, 2001. Short-term investments which mature within 60 days are valued at amortized cost, which approximates market value.

The senior loans in which the Fund invests are generally not listed on any exchange and the secondary market for those senior loans is comparatively illiquid relative to markets for other fixed income securities. Because of the comparatively illiquid markets, the value of a senior loan may differ significantly from the value that would have been used had there been an active market for that senior loan.

#### Investment Transactions

Investment transactions are recorded on a trade date basis.

#### Investment Income

Interest income is determined on the basis of interest accrued, adjusted for amortization of premiums and accretion of discounts. Facility fees on senior loans purchased are treated as market discounts. Market premiums and discounts are amortized over the expected life of each respective borrowing. Fees consists primarily of amendment fees. Amendment fees are earned as compensation for reviewing and accepting changes to the original credit agreement.

#### Income Taxes

The Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its net investment income to its shareholders. Therefore, no federal income tax provision is required.

#### Dividends and Distributions to Shareholders

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The Fund intends to declare and pay monthly distributions to Common Shareholders. Generally payment is made or reinvestment is credited to shareholder accounts on the first business day after month-end. Net realized capital gains from investment transactions, if any, are distributed to shareholders not less frequently than annually. Furthermore, capital gains are distributed only to the extent they exceed available capital loss carryforwards.

### Notes to Financial Statements (Unaudited) (continued)

Distributions to shareholders of net investment income, and net realized capital gains are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States. Accordingly, temporary over-distributions as a result of these differences may occur and will be classified as either distributions in excess of net investment income and/or distributions in excess of net realized gains from investment transactions, where applicable. Permanent differences between financial and tax basis reporting have been identified and appropriately reclassified. During the fiscal year ended July 31, 2001, permanent differences relating to expenses which are not deductible for tax purposes totaling \$82,779 were reclassified from undistributed net investment income to capital.

### Taxable Auctioned Preferred Shares

The Fund has issued and outstanding 1,840 Series TH \$25,000 stated value Taxable Auctioned Preferred Shares. The dividend rate paid on the Taxable Auctioned Preferred Shares may change every 28 days, as set by the auction agent.

### Derivative Financial Instruments

The Fund may invest in certain derivative financial instruments including futures, forward, swap and option contracts, and other financial instruments with similar characteristics. Although the Fund is authorized to invest in such financial instruments, and may do so in the future, it did not make any such investments during the three months ended October 31, 2001.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results may differ from those estimates.

### Change in Accounting Policy

Effective August 1, 2001, the Fund adopted the provisions of the new AICPA Audit and Accounting Guide for Investment Companies. As required by the guide, the Fund began presenting paydown gains and losses on mortgage and asset-backed securities as interest income. Prior to adopting the new guide, the Fund presented paydown gains and losses on mortgage and asset-backed securities together with realized gain/loss from investment transactions. This change in accounting has no effect on the total net assets or net asset value of the Fund. Interest income increased by \$45,238 and realized gain/loss decreased by the same amount for the three months ended October 31, 2001.

The Statement of Changes in Net Assets and Financial Highlights for the prior periods have not been restated to reflect this change in presentation.

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### 2. FUND SHARES

During the three months ended October 31, 2001, 13,566 Common Shares were issued to shareholders due to reinvestment of distributions.

During the fiscal year ended July 31, 2001, 81,022 Common Shares were issued to shareholders due to reinvestment of distributions.

### 3. DISTRIBUTIONS TO COMMON SHAREHOLDERS

The Fund declared a dividend distribution of \$.0670 per Common Share from its net investment income which was paid on December 3, 2001, to shareholders of record on November 15, 2001.

The Fund also declared a dividend distribution of \$.0550 per Common Share from its net investment income which will be paid on December 28, 2001, to shareholders of record on December 15, 2001.

### 4. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short-term investments) during the three months ended October 31, 2001, aggregated \$32,599,025 and \$54,162,827, respectively.

At October 31, 2001, the cost of investments owned for federal income tax purposes was \$430,981,931.

### 5. UNREALIZED APPRECIATION (DEPRECIATION)

At October 31, 2001, net unrealized depreciation of investments for federal income tax purposes aggregated \$62,707,676 of which \$2,054,251 related to appreciated investments and \$64,761,927 related to depreciated investments.

### 6. MANAGEMENT FEES AND OTHER TRANSACTIONS WITH AFFILIATES

Under the Fund's investment management agreement with Nuveen Senior Loan Asset Management Inc. (the "Adviser"), a wholly owned subsidiary of the John Nuveen Company, the Fund pays an annual management fee, payable monthly, of .8500 of 1%, which is based upon the average daily managed assets of the Fund. "Managed assets" shall mean the average daily gross asset value of the Fund, minus the sum of the Fund's accrued and unpaid dividends on any outstanding Taxable Auctioned Preferred Shares and accrued liabilities (other than the principal amount of any borrowings incurred, commercial paper or notes issued by the Fund and the liquidation preference of any outstanding Taxable Auctioned Preferred Shares).

The Adviser has agreed to waive part of its management fees or reimburse certain expenses of the Fund in an amount equal to .45% of the average daily managed assets for the period October 29, 1999 (commencement of operations) through October 31, 2004, .35% of the average daily managed assets for the year ended October 31, 2005, .25% of the average daily managed assets for the year ended October 31, 2006, .15% of the average daily managed assets for the year ended October 31, 2007, .10% of the average daily managed assets for the year ended October 31, 2008, and .05% of the average daily managed assets for the year ended October 31, 2009. The Adviser has not agreed to reimburse the Fund for any portion of its fees and expenses beyond October 31, 2009.

The management fee compensates the Adviser for overall investment advisory and

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administrative services and general office facilities. The Fund pays no compensation directly to those of its Trustees who are affiliated with the Adviser or to their officers, all of whom receive remuneration for their services to the Fund from the Adviser.

### 7. COMPOSITION OF NET ASSETS

At October 31, 2001, net assets consisted of:

|   |               |
|---|---------------|
| Taxable Auctioned Preferred Shares, \$25,000 stated value per share, at liquidation value | \$ 46,000,000 |
| Common Shares, \$.01 par value per share  | 297,226       |
| Paid-in surplus   | 282,450,547   |
| Balance of undistributed net investment income  | 505,971       |
| Accumulated net realized gain (loss) from investment transactions                         | (18,262,058)  |
| Net unrealized appreciation (depreciation) of investments                                 | (45,145,060)  |

Net assets \$265,846,626

Authorized shares:

|                             |           |
|-----------------------------|-----------|
| Common                      | Unlimited |
| Taxable Auctioned Preferred | Unlimited |

### 8. COMMITMENTS

Pursuant to the terms of certain of the Variable Rate Senior Loan agreements, the Fund had unfunded loan commitments of \$6 million as of October 31, 2001. The Fund generally will maintain with its custodian short-term investments and/or cash having an aggregate value at least equal to the amount of unfunded loan commitments.

### 9. SENIOR LOAN PARTICIPATION COMMITMENTS

The Fund invests primarily in assignments, participations, or acts as a party to the primary lending syndicate of a Variable Rate Senior Loan interest to corporations, partnerships, and other entities. If the Fund purchases a participation of a Senior Loan Interest, the Fund would typically enter into a contractual agreement with the lender or other third party selling the participation, but not with the borrower directly. As such, the Fund assumes the credit risk of the Borrower, Selling Participant or other persons interpositioned between the Fund and the Borrower. There were no such participation commitments as of October 31, 2001.

### 10. BORROWINGS

In accordance with its current investment policies, the Fund may utilize financial leverage for investment purposes in an amount currently anticipated to represent approximately 40% of the Fund's total assets, and in no event exceeding 50% of the Fund's total assets.

On May 23, 2000, the Fund entered into a \$150 million commercial paper program with Nuveen Funding, L.L.C., a Delaware limited liability company whose sole purpose is the issuance of commercial paper. Nuveen Funding, L.L.C. has the authority to issue a maximum of \$150 million of commercial paper, at a discount, with maturities of up to 180 days, the proceeds of which are used to make advances to the Fund. This line of credit is secured by the assets of the Fund. For the three months ended October 31, 2001, the average daily balance of borrowings under the commercial paper program agreement was \$103.1 million with an average interest rate of 3.47%.

The Fund has entered into a \$155 million revolving credit agreement with Deutsche Bank AG which expires May 2002. Interest on borrowings is charged at a rate of either the Fed Funds rate plus .50%, LIBOR plus .50% or the Prime Rate.

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An unused commitment fee of .125% is charged on the unused portion of the facility. During the three months ended October 31, 2001, there were no borrowings under the revolving credit agreement and, therefore, there was no outstanding revolving credit balance at October 31, 2001.

Cash paid for interest during the three months ended October 31, 2001, was \$977,614.

### Financial Highlights (Unaudited)

Selected data for a Common Share outstanding throughout each period:

|                  | Investment Operations           |                             |   |          | Less  |   |
|------------------|---------------------------------|-----------------------------|---|----------|---|---|
|                  | Beginning<br>Net Asset<br>Value | Net<br>Investment<br>Income | Net<br>Realized/<br>Unrealized<br>Investment<br>Gain (Loss) | Total    | Net<br>Investment<br>Income to<br>Common<br>Share-<br>holders | Net<br>Investment<br>Income to<br>Preferred<br>Share-<br>holders+ |
| =====            |                                 |                             |   |          |   |   |
| Year Ended 7/31: |                                 |                             |   |          |   |   |
| 2002 (b)         | \$8.13                          | \$ .20                      | \$ (.70)  | \$ (.50) | \$ (.22)  | \$ (.01)  |
| 2001             | 9.47                            | 1.09                        | (1.29)  | (.20)    | (1.03)  | (.09)   |
| 2000 (a)         | 9.55                            | .75                         | (.12)   | .63      | (.66)   | (.02)   |
| =====            |                                 |                             |   |          |   |   |

|                  | Offering<br>Costs | Ending                |                           | Based<br>on<br>Market<br>Value** |
|------------------|-------------------|-----------------------|---------------------------|----------------------------------|
|                  |                   | Net<br>Asset<br>Value | Ending<br>Market<br>Value |                                  |
| =====            |                   |                       |                           |                                  |
| Year Ended 7/31: |                   |                       |                           |                                  |
| 2002 (b)         | \$--              | \$7.40                | \$8.6700                  | (10.79)%                         |
| 2001             | --                | 8.13                  | 9.9600                    | 15.35                            |
| 2000 (a)         | (.03)             | 9.47                  | 9.6250                    | 3.21                             |
| =====            |                   |                       |                           |                                  |

### Ratios/Supplemental Data

|                                  | Before Waiver   |   |   |
|----------------------------------|---|---|---|
|                                  | Ratio of<br>Expenses<br>to Average<br>Net Assets<br>Applicable<br>to Common<br>Shares++ | Ratio of Net<br>Investment<br>Income to<br>Average<br>Net Assets<br>Applicable<br>to Common<br>Shares++ | Ratio of<br>Expenses<br>to Average<br>Total<br>Net Assets<br>Including<br>Preferred++ |
| Ending<br>Net<br>Assets<br>(000) |   |   |   |
| =====                            |   |   |   |
| Year Ended 7/31:                 |   |   |   |

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|          |           |        |        |        |
|----------|-----------|--------|--------|--------|
| 2002 (b) | \$265,847 | 3.56%* | 9.30%* | 2.97%* |
| 2001     | 287,641   | 4.32   | 11.74  | 3.67   |
| 2000 (a) | 326,479   | 3.81*  | 9.82*  | 3.67*  |

Ratios/Supplemental Data

After Waiver\*\*\*

|                  | Ratio of Expenses to Average Net Assets Applicable to Common Shares++ | Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++ | Ratio of Expenses to Average Total Net Assets Including Preferred++ | Ratio of Net Investment Income to Average Total Net Assets Including Preferred++ |
|------------------|---|--|---|--|
| Year Ended 7/31: |   |  |   |  |
| 2002 (b)         | 2.82%*  | 10.05%*  | 2.35%*  | 8.38%*   |
| 2001             | 3.62  | 12.44  | 3.08  | 10.57  |
| 2000 (a)         | 3.21*   | 10.42*   | 3.10*   | 10.04*   |

\* Annualized.

\*\* Total Investment Return on Market Value is the combination of reinvested dividend income, reinvested capital gain distributions, if any, and changes in stock price per share. Total Return on Net Asset Value is the combination of reinvested dividend income, reinvested capital gain distributions, if any, and changes in net asset value per share. Total returns are not annualized.

\*\*\* After expense waivers from the investment adviser.

+ The amounts shown are based on Common Share equivalents.

++ Ratios do not reflect the effect of dividend payments to Taxable Auctioned Preferred Shareholders; income ratios reflect income earned on assets attributable to Taxable Auctioned Preferred Shares. Each Ratio of Expenses to Average Net Assets and each Ratio of Net Investment Income to Average Net Assets includes the effect of the interest expense paid on bank borrowings of:

|          | Ratio of Interest Expense to Average Net Assets Applicable to Common Shares | Ratio of Interest Expense to Average Total Net Assets Including Preferred |
|----------|---|---|
| 2002 (b) | 1.55%*  | 1.29%*  |
| 2001     | 2.19  | 1.86  |
| 2000 (a) | 2.04*   | 1.96*   |

(a) For the period October 29, 1999 (commencement of operations) through July 31, 2000.

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(b) For the three months ended October 31, 2001.

See accompanying notes to financial statements.