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NUVEEN SENIOR INCOME FUND

Form N-30D

July 03, 2002

PORTFOLIO OF INVESTMENTS (UNAUDITED)
 NUVEEN SENIOR INCOME FUND (NSL)
 April 30, 2002

| PRINCIPAL AMOUNT (000) | DESCRIPTION | RATINGS* | |
|---|--|----------|------|
| | | MOODY'S | S&P |
| VARIABLE RATE SENIOR LOAN INTERESTS(1) and INTEREST BEARING SECURITIES - 149.6% | | | |
| AEROSPACE/DEFENSE - 7.9% (4.7% OF TOTAL ASSETS) | | | |
| \$ 4,949 | DeCrane Aircraft Holdings, Inc., Term Loan D | B2 | B+ |
| 10,802 | The Fairchild Corporation, Term Loan B | B1 | B+ |
| 2,137 | United Defense Industries, Inc., Term Loan B | Ba3 | BB- |
| 1,145 | Vought Aircraft Industries, Inc., Term Loan A | NR | NR |
| AUTOMOTIVE - 9.7% (5.9% OF TOTAL ASSETS) | | | |
| 1,224 | Federal-Mogul Corporation, Term Loan A | NR | D |
| 3,551 | Federal-Mogul Corporation, Term Loan B | NR | D |
| 5,649 | Metaldyne Company/Metalync Company, LLC, Term Loan B | B1 | BB- |
| 1,848 | Metaldyne Company/Metalync Company, LLC, Term Loan C2 | B1 | BB- |
| 9,366 | MetalForming Technologies, Inc., Term Loan B | NR | NR |
| 404 | Tenneco Auto, Inc., Revolver | B2 | B |
| 4,120 | Tenneco Auto, Inc., Term Loan A | B2 | B |
| 997 | Tenneco Auto, Inc., Term Loan B | B2 | B |
| 997 | Tenneco Auto, Inc., Term Loan C | B2 | B |
| BEVERAGE, FOOD & TOBACCO - 12.8% (7.7% OF TOTAL ASSETS) | | | |
| 1,717 | Cott Corporation, Purchase Money Term Loan | NR | BB- |
| 192 | Cott Corporation, Working Capital Term Loan | NR | BB- |
| 9,168 | Dr. Pepper/Seven Up Bottling Group, Inc., Term Loan B | NR | NR |
| 1,902 | Eagle Family Foods, Inc., Term Loan | B1 | B |
| 3,157 | Flowers Foods, Inc., Term Loan B | Ba2 | BBB- |
| 1,985 | Interstate Brands Corporation, Term Loan B | Ba1 | BBB- |
| 3,464 | Merisant Company, Term Loan B | Ba3 | BB- |
| 5,500 | Pinnacle Foods Corporation, Term Loan | Ba3 | BB- |
| 1,998 | Suiza Foods Corporation, Term Loan B | Ba2 | BB+ |
| BROADCASTING/CABLE - 3.5% (2.1% OF TOTAL ASSETS) | | | |
| 2,000 | Century Cable Holdings, LLC, Term Loan B | Ba2 | B- |
| 3,333 | Charter Communications Operating, LLC, Incremental Term Loan | Ba3 | BBB- |
| 3,000 | Charter Communications Operating, LLC, Term Loan B | Ba3 | BBB- |
| BROADCASTING/RADIO - 2.1% (1.2% OF TOTAL ASSETS) | | | |
| 4,667 | Citadel Broadcasting Company, Term Loan B | NR | NR |
| BUILDINGS & REAL ESTATE - 2.0% (1.2% OF TOTAL ASSETS) | | | |
| 3,000 | Washington Group International, Inc., Bond (a) | NR | NR |

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| | | | |
|---|---|------|-----|
| 4,000 | Williams Scotsman, Inc., Term Loan | B1 | BB- |
| ----- | | | |
| CARGO TRANSPORTATION - 3.5% (2.1% OF TOTAL ASSETS) | | | |
| 8,190 | North American Van Lines, Term Loan B | B1 | B+ |
| ----- | | | |
| CHEMICALS, PLASTICS & RUBBER - 5.1% (3.1% OF TOTAL ASSETS) | | | |
| 4,965 | Buckeye Technologies, Inc., Revolver | NR | NR |
| 1,934 | Ineos US Finance, LLC, Term Loan C | Ba3 | BB |
| 1,963 | OM Group, Inc., Term Loan B | Ba3 | BB |
| 3,107 | Resolution Performance Products, LLC, Term Loan B | B1 | BB- |
| ----- | | | |
| CONSTRUCTION MATERIALS - 3.4% (2.0% OF TOTAL ASSETS) | | | |
| 16,667 | California Pollution Control Financing Authority, CanFibre of Riverside Project, Bonds (a) (b) (c) | NR | NR |
| 9,000 | California Pollution Control Financing Authority, CanFibre of Riverside Project, Bonds (a) (b) (c) | NR | NR |
| 7,000 | CanFibre of Lackawana, LLC, Construction Loan (a) (b) (c) | NR | NR |
| 1,200 | CanFibre of Lackawana, LLC, Letter of Credit (a) (b) (c) | NR | NR |
| 10,000 | CanFibre of Riverside, Inc., Letter of Credit (a) (b) (c) | NR | NR |
| 533 | CanFibre of Riverside, Inc., Working Capital Loan (a) (b) (c) | NR | NR |
| 856 | Mueller Group, Inc., Term Loan B | B1 | B+ |
| 3,510 | Mueller Group, Inc., Term Loan C | B1 | B+ |
| 490 | Mueller Group, Inc., Term Loan D | B1 | B+ |
| ----- | | | |
| CONTAINERS, PACKAGING & GLASS - 9.6% (5.8% OF TOTAL ASSETS) | | | |
| 3,669 | Graham Packaging Company, Term Loan B | B2 | B |
| 3,040 | Graham Packaging Company, Term Loan C | B2 | B |
| 3,547 | Greif Bros. Corporation, Term Loan B | Ba3 | BB |
| 2,346 | Stone Container Corporation, Term Loan C | Ba3 | B+ |
| 2,910 | Stone Container Corporation, Term Loan D | Ba3 | B+ |
| 2,598 | Stone Container Corporation, Term Loan E | Ba3 | B+ |
| 3,972 | United States Can Company, Term Loan B | B2 | B |
| ----- | | | |
| DIVERSIFIED MANUFACTURING - 8.2% (4.9% OF TOTAL ASSETS) | | | |
| 2,358 | Blount, Inc., Term Loan B | B3 | B |
| 3,013 | Dayco Products, LLC, Term Loan B | Ba3 | BB- |
| 2,947 | GenTek, Inc., Term Loan C | Caa2 | B- |
| 7,169 | UCAR Finance, Inc., Term Loan B | Ba3 | NR |
| 5,432 | Western Industries Holding, Inc., Term Loan B | NR | NR |
| ----- | | | |
| ECOLOGICAL - 0.4% (0.2% OF TOTAL ASSETS) | | | |
| 882 | Stericycle, Inc., Term Loan B | B1 | BB- |
| ----- | | | |
| ELECTRONICS/ELECTRONIC SERVICES - 1.7% (1.0% OF TOTAL ASSETS) | | | |
| 3,940 | Seagate Technology Holdings, Inc., Term Loan B | Ba1 | BB+ |
| ----- | | | |
| FARMING & AGRICULTURAL - 1.7% (1.0% OF TOTAL ASSETS) | | | |
| 3,908 | Shemin Holdings Corporation, Term Loan B | NR | NR |
| ----- | | | |
| FINANCE & BANKING - 0.4% (0.2% OF TOTAL ASSETS) | | | |
| 2,368 | Finova Group, Inc., Bond | NR | NR |

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| | | | | |
|---|--|-----|--|-----|
| HEALTHCARE - 3.8% (2.3% OF TOTAL ASSETS) | | | | |
| 1,885 | Advance PCS, Term Loan B | Ba1 | | BB+ |
| 1,700 | Community Health Systems, Inc., Term Loan B | NR | | B+ |
| 1,700 | Community Health Systems, Inc., Term Loan C | NR | | B+ |
| 1,250 | Community Health Systems, Inc., Term Loan D | NR | | B+ |
| 1,989 | Triad Hospitals, Inc., Term Loan B | Ba3 | | B+ |
| HOTELS, MOTELS, INNS & GAMING - 16.0% (9.6% OF TOTAL ASSETS) | | | | |
| 4,000 | Alliance Gaming Corporation, LLC, Term Loan | B1 | | B+ |
| 2,250 | Boyd Gaming Corp., Bond | Ba3 | | BB- |
| 1,928 | Extended Stay America, Inc., Term Loan B | Ba3 | | BB- |
| 1,800 | Harrahs Entertainment, Inc., Bond | Ba1 | | BB+ |
| 3,000 | Isle of Capri Casinos, Inc., Term Loan | Ba2 | | BB- |
| 3,200 | Mandalay Resort Group, Bond | Ba3 | | BB- |
| 10,000 | Mandalay Resort Group, Term Loan | NR | | NR |
| 2,726 | Wyndham International, Inc., Increasing Rate Loan | NR | | NR |
| 7,470 | Wyndham International, Inc., Term Loan B | NR | | NR |
| INSURANCE - 5.8% (3.5% OF TOTAL ASSETS) | | | | |
| 9,957 | Conseco, Inc., Term Loan | NR | | NR |
| 4,850 | GAB Robbins North America, Inc., Term Loan B | NR | | NR |
| LEISURE & ENTERTAINMENT - 6.1% (3.7% OF TOTAL ASSETS) | | | | |
| 3,385 | Fitness Holdings Worldwide, Inc., Term Loan B | NR | | B |
| 6,435 | Fitness Holdings Worldwide, Inc., Term Loan C | NR | | B |
| 4,975 | Six Flags Theme Parks, Inc., Term Loan B | Ba2 | | BB- |
| NATURAL RESOURCES/OIL & GAS - 3.1% (1.9% OF TOTAL ASSETS) | | | | |
| 6,983 | Tesoro Petroleum Corp., Term Loan B | Ba2 | | BB+ |
| NON-DURABLE CONSUMER PRODUCTS - 2.4% (1.4% OF TOTAL ASSETS) | | | | |
| 5,074 | Norwood Promotional Products, Inc., Term Loan A | NR | | NR |
| 3,406 | Norwood Promotional Products, Inc., Term Loan B | NR | | NR |
| 972 | Norwood Promotional Products, Inc., Term Loan C | NR | | NR |
| PERSONAL & MISCELLANEOUS SERVICES - 4.0% (2.4% OF TOTAL ASSETS) | | | | |
| 3,990 | Adams Outdoor Advertising Limited Partnership, Term Loan B | B1 | | B+ |
| 2,000 | Lamar Media Corp., Incremental Term Loan C | Ba2 | | BB- |
| 2,958 | Weight Watchers International, Inc., Transferable Loan Certificate Facility | Ba1 | | BB- |
| PRINTING & PUBLISHING - 7.2% (4.4% OF TOTAL ASSETS) | | | | |
| 6,930 | American Media Operations, Inc., Term Loan B-1 | Ba3 | | B+ |
| 5,000 | Media News Group, Term Loan | NR | | NR |
| 4,975 | PRIMEDIA, Inc., Term Loan B | NR | | B |

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| | | | | |
|-------|--|--|------|------|
| ----- | | | | |
| | RESTAURANTS & FOOD SERVICE - 2.8% (1.7% OF TOTAL ASSETS) | | | |
| 3,145 | Dominos Pizza, Inc., Term Loan B | | B1 | B+ |
| 3,156 | Dominos Pizza, Inc., Term Loan C | | B1 | B+ |
| ----- | | | | |
| | RETAIL/CATALOG - 1.4% (0.8% OF TOTAL ASSETS) | | | |
| 4,599 | Micro Warehouse, Inc., Term Loan B | | B1 | NR |
| ----- | | | | |
| | RETAIL/SPECIALTY - 1.7% (1.0% OF TOTAL ASSETS) | | | |
| 3,985 | Rite Aid Corporation, Term Loan | | B2 | BB- |
| ----- | | | | |
| | RETAIL/STORES - 4.0% (2.4% OF TOTAL ASSETS) | | | |
| 2,808 | HMV Media Group PLC, Term Loan C | | B1 | B+ |
| 1,935 | HMV Media Group PLC, Term Loan D | | B1 | B+ |
| 2,182 | SDM Corporation, Term Loan C | | Ba1 | BB |
| 2,182 | SDM Corporation, Term Loan E | | Ba1 | BB |
| ----- | | | | |
| | TELECOMMUNICATIONS/CELLULAR/PCS - 5.4% (3.3% OF TOTAL ASSETS) | | | |
| 484 | Airgate PCS, Inc., Tranche I Loan | | NR | NR |
| 4,121 | Airgate PCS, Inc., Tranche II Loan | | NR | NR |
| 9,750 | Centennial Cellular Operating Company, LLC, Term Loan A | | B1 | B+ |
| ----- | | | | |
| | TELECOMMUNICATIONS/COMPETITIVE LOCAL EXCHANGE CARRIER (CLEC) - 1.4% (0.9% OF TOTAL ASSETS) | | | |
| 3,750 | RCN Corporation, Term Loan B | | Caal | CCC+ |
| 4,688 | Teligent, Inc., Delayed Term Loan (a) (b) | | NR | NR |
| 5,000 | WCI Capital Corporation, Term Loan B (a) (b) | | NR | NR |
| ----- | | | | |
| | TELECOMMUNICATIONS/HYBRID - 1.9% (1.1% OF TOTAL ASSETS) | | | |
| 2,500 | Nextel Communications, Inc., Term Loan B | | Ba2 | BB- |
| 2,500 | Nextel Communications, Inc., Term Loan C | | Ba2 | BB- |
| ----- | | | | |
| | TELECOMMUNICATIONS/SATELLITE - 0.6% (0.4% OF TOTAL ASSETS) | | | |
| 1,675 | Satelites Mexicanos, SA de CV, Loan | | B1 | B+ |
| ----- | | | | |
| | TELECOMMUNICATIONS/WIRELESS MESSAGING - 0.5% (0.3% OF TOTAL ASSETS) | | | |
| 6,896 | Arch Wireless Holding, Inc., Term Loan C (a) (b) (d) | | NR | D |
| ----- | | | | |
| | TEXTILES & LEATHER - 1.6% (0.9% OF TOTAL ASSETS) | | | |
| 3,658 | Norcross Safety Products, LLC, Term Loan | | NR | NR |
| ----- | | | | |
| | TRANSPORTATION/RAIL MANUFACTURING - 1.7% (1.0% OF TOTAL ASSETS) | | | |
| 3,950 | Kansas City Southern Railway Company, Term Loan B | | Ba1 | BB+ |
| ----- | | | | |
| | UTILITIES - 6.2% (3.7% OF TOTAL ASSETS) | | | |
| 7,000 | AES EDC Funding II, LLC, Term Loan | | NR | NR |
| 3,920 | TNP Enterprises, Inc., Term Loan | | Ba2 | BB+ |
| 3,647 | Western Resources, Inc., Term Loan B | | NR | NR |
| ----- | | | | |
| | Total Variable Rate Senior Loan Interests and Interest Bearing | | | |

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Securities (cost \$374,654,817)

| Shares (000) | Description |
|--------------|--|
| | EQUITIES - 1.9% |
| | BUILDINGS & REAL ESTATE - 1.9% (1.1% OF TOTAL ASSETS) |
| 218 | Washington Group International, Inc., Equity Shares (a) |
| | ----- |
| | CONSTRUCTION MATERIALS - 0.0% (0.0% OF TOTAL ASSETS) |
| | 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 Equities (cost \$6,115,399) |

| PRINCIPAL AMOUNT/ SHARES (000) | DESCRIPTION |
|--------------------------------------|--|
| | SHORT-TERM INVESTMENTS - 13.8% |
| \$ 150 | JP Morgan Chase, Commercial Paper, 1.32% |
| 31,264 | JPMorgan Prime Funding Account, Money Market Fund, 1.47% |
| | ----- |
| | Total Short-Term Investments (cost \$31,414,295) |
| | ----- |
| | Total Investments (cost \$412,184,511) - 165.3% |
| | ----- |
| | Other Assets Less Liabilities - 0.1% |
| | ----- |
| | Borrowings Payable - (45.2)%+ |
| | ----- |
| | Taxable Auctioned Preferred Shares, at Liquidation Value - (20.2)% |
| | ----- |
| | Net Assets Applicable to Common Shares - 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

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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 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 April 30, 2002, this issue was non-income producing.
- (b) At April 30, 2002, 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.
- (d) At May 29, 2002, this issue emerged from bankruptcy proceedings.
- + Borrowings payable as a percentage of total gross assets is 27.2%.

See accompanying notes to financial statements.

Statement of Assets and Liabilities April 30, 2002 (Unaudited)

| | |
|---|---------------|
| ----- | |
| ASSETS | |
| Investments, at market value (cost \$412,184,511) | \$376,751,179 |
| Interest receivable | 2,347,677 |
| Other assets | 226,321 |
| ----- | |
| Total assets | 379,325,177 |
| ----- | |
| LIABILITIES | |
| Borrowings payable | 103,000,000 |
| Cash overdraft | 150,936 |
| Management fees | 123,258 |
| Taxable Auctioned Preferred Share dividends payable | 60,945 |
| Common Share dividends payable | 1,456,877 |
| Other liabilities | 536,696 |
| ----- | |
| Total liabilities | 105,328,712 |
| ----- | |
| Taxable Auctioned Preferred Shares, at liquidation value | \$ 46,000,000 |
| ----- | |
| Net assets applicable to Common Shares | \$227,996,465 |
| ===== | |
| Common Shares outstanding | 29,739,802 |
| ===== | |
| Net asset value per Common Share outstanding (net assets applicable to Common Shares, divided by Common Shares outstanding) | \$ 7.67 |
| ===== | |

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NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

| | |
|---|---------------|
| Common shares, \$.01 par value per share | \$ 297,398 |
| Paid-in surplus | 282,569,989 |
| Undistributed (over-distribution of) net investment income | (368,618) |
| Accumulated net realized gain (loss) from investment transactions | (19,068,972) |
| Net unrealized appreciation (depreciation) of investments | (35,433,332) |
| <hr/> | |
| Net assets applicable to Common Shares | \$227,996,465 |
| <hr/> | |
| Authorized shares: | |
| Common | Unlimited |
| Taxable Auctioned Preferred | Unlimited |
| <hr/> | |

See accompanying notes to financial statements.

Statement of Operations Nine Months Ended April 30, 2002 (Unaudited)

| | |
|---|---------------|
| <hr/> | |
| INVESTMENT INCOME | |
| Interest | \$ 18,710,133 |
| Fees | 315,953 |
| <hr/> | |
| Total investment income | 19,026,086 |
| <hr/> | |
| EXPENSES | |
| Management fees | 2,380,943 |
| Taxable Auctioned Preferred Shares - auction fees | 86,014 |
| Taxable Auctioned Preferred Shares - dividend disbursing agent fees | 7,480 |
| Shareholders' servicing agent fees and expenses | 8,985 |
| Interest expense | 1,945,613 |
| Custodian's fees and expenses | 236,646 |
| Trustees' fees and expenses | 26,164 |
| Professional fees | 233,765 |
| Shareholders' reports - printing and mailing expenses | 31,656 |
| Stock exchange listing fees | 23,710 |
| Investor relations expense | 45,545 |
| Other expenses | 374,981 |
| <hr/> | |
| Total expenses | 5,401,502 |
| Expense waivers from the Adviser | (1,260,500) |
| <hr/> | |
| Net expenses | 4,141,002 |
| <hr/> | |
| Net investment income | 14,885,084 |
| <hr/> | |
| REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS | |
| Net realized gain (loss) from investment transactions | (1,573,450) |
| Change in net unrealized appreciation (depreciation) of investments | (10,351,775) |
| <hr/> | |
| Net gain (loss) from investments | (11,925,225) |
| <hr/> | |
| DISTRIBUTIONS TO TAXABLE AUCTIONED PREFERRED SHAREHOLDERS | |
| From and in excess of net investment income | (838,346) |
| From accumulated net realized gains from investment transactions | -- |
| <hr/> | |

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| | |
|--|--------------|
| Decrease in net assets applicable to Common Shares from distributions to Taxable Auctioned Preferred Shareholders | (838,346) |
| ----- | |
| Net increase in net assets applicable to Common Shares from operations | \$ 2,121,513 |
| ===== | |

See accompanying notes to financial statements.

Statement of Changes in Net Assets (Unaudited)

OPERATIONS

| | |
|---|------|
| Net investment income | \$ 1 |
| Net realized gain (loss) from investment transactions | (|
| Change in net unrealized appreciation (depreciation) of investments | (1 |
| Distributions to Taxable Auctioned Preferred Shareholders: | |
| From and in excess of net investment income | |
| From accumulated net realized gains from investment transactions | |

Net increase (decrease) in net assets applicable to Common Shares from operations

DISTRIBUTIONS TO COMMON SHAREHOLDERS

| | |
|--|----|
| From and in excess of net investment income | (1 |
| From accumulated net realized gains from investment transactions | |

Decrease in net assets applicable to Common Shares
from distributions to Common Shareholders (1

CAPITAL SHARE TRANSACTIONS

Net proceeds from Common Shares issued to shareholders due to
reinvestment of distributions

Net increase (decrease) in net assets applicable to Common Shares (1
Net assets applicable to Common Shares at the beginning of period 24

Net assets applicable to Common Shares at the end of period \$22
=====

Undistributed (over-distribution of) net investment income at the end of period \$

See accompanying notes t

Statement of Cash Flows Nine Months Ended April 30, 2002 (Unaudited)

CHANGE IN NET ASSETS APPLICABLE TO COMMON SHARES
FROM OPERATIONS \$ 2,121,513

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| | |
|---|--------------|
| Adjustments to Reconcile the Change in Net Assets applicable to Common Shares from Operations to Net Cash provided by Operating Activities: | |
| Decrease in investments at value | 13,671,941 |
| Decrease in interest receivable | 1,033,592 |
| Increase in other assets | (153,489) |
| Decrease in management fees | (8,968) |
| Increase in Taxable Auctioned Preferred Share dividends payable | 37,321 |
| Decrease in other liabilities | (207,927) |
| <hr style="border-top: 1px dashed black;"/> | |
| Net cash provided by operating activities | 16,493,983 |
| <hr style="border-top: 1px dashed black;"/> | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Increase in cash overdraft | 150,936 |
| Cash distributions paid to Common Shareholders | (16,656,271) |
| <hr style="border-top: 1px dashed black;"/> | |
| Net cash used for financing activities | (16,505,335) |
| <hr style="border-top: 1px dashed black;"/> | |
| NET DECREASE IN CASH | (11,352) |
| Cash at the beginning of period | 11,352 |
| <hr style="border-top: 1px dashed black;"/> | |
| CASH AT THE END OF PERIOD | \$ -- |
| <hr style="border-top: 1px dashed black;"/> | |

See accompanying notes to financial statements.

Notes to Financial Statements (Unaudited)

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 an independent pricing service approved by the Fund's Board of Trustees. The pricing service provider typically values 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 Nuveen Senior Loan Asset Management Inc. (the "Adviser"), a wholly owned subsidiary of The John Nuveen Company, to override the price provided by the independent pricing service. There were no price overrides during the nine months ended April 30, 2002. Short-term investments which mature within 60 days

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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 consist primarily of amendment fees. Amendment fees are earned as compensation for evaluating 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

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 nine months ended April 30, 2002, permanent differences relating to expenses which are not deductible for tax purposes totaling \$11,773 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.

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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 nine months ended April 30, 2002.

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 applicable to Common Shares 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 (the "Guide"). 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 applicable to Common Shares or the Common Share net asset value of the Fund. Interest income increased by \$54,783 and realized gain/loss decreased by the same amount for the nine months ended April 30, 2002.

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

Classification and Measurement of Redeemable Securities

Effective August 1, 2001, the Fund adopted the classification requirement of EITF D-98, Classification and Measurement of Redeemable Securities. EITF D-98 requires that Preferred shares, at liquidation value, be presented separately in the Statement of Assets and Liabilities. Accordingly, certain reclassifications have been made to the financial statements and financial highlights for all prior periods presented. The adoption of EITF D-98 had no impact on the Fund's Common share net asset value.

2. FUND SHARES

During the nine months ended April 30, 2002, 30,737 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 \$.0490 per Common Share from its net investment income which was paid on June 3, 2002, to shareholders of record on May 15, 2002.

4. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short-term investments) during the nine months ended April 30, 2002, aggregated \$116,062,654 and \$144,984,067, respectively.

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At April 30, 2002, the cost of investments owned for federal income tax purposes was \$429,747,127.

5. UNREALIZED APPRECIATION (DEPRECIATION)

At April 30, 2002, net unrealized depreciation of investments for federal income tax purposes aggregated \$52,995,948 of which \$4,058,959 related to appreciated investments and \$57,054,907 related to depreciated investments.

6. MANAGEMENT FEES AND OTHER TRANSACTIONS WITH AFFILIATES

Under the Fund's investment management agreement with the Adviser, 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 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. COMMITMENTS

Pursuant to the terms of certain of the Variable Rate Senior Loan agreements, the Fund had unfunded loan commitments of approximately \$2 million as of April 30, 2002. 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.

8. 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 April 30, 2002.

9. 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.

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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 nine months ended April 30, 2002, the average daily balance of borrowings under the commercial paper program agreement was approximately \$103 million with an average interest rate of 2.52%.

The Fund has entered into a \$155 million revolving credit agreement with Deutsche Bank AG which expires May 2003. Interest on borrowings is charged at a rate of either the Fed Funds rate plus .50%, LIBOR plus .50% or the Prime Rate. An unused commitment fee of .125% is charged on the unused portion of the facility. During the nine months ended April 30, 2002, there were no borrowings under the revolving credit agreement and, therefore, there was no outstanding revolving credit balance at April 30, 2002.

Cash paid for interest during the nine months ended April 30, 2002, was \$2,112,172.

Financial Highlights (Unaudited)

Selected data for a Common Share outstanding throughout each period:

| | Investment Operations | | | | | | Total Ret |
|------------------|--|-----------------------------|---|--|--|--------|-----------|
| | Beginning Common Share Net Asset Value | Net Investment Income | Net Realized/ Unrealized Investment Gain (Loss) | Distributions from and in Excess of Net Investment Income to Preferred Share- holders+ | Distributions from Capital Gains to Preferred Share- holders+ | Total | |
| Year Ended 7/31: | | | | | | | |
| 2002 (b) | \$8.13 | \$.50 | \$ (.39) | \$ (.03) | \$ -- | \$.08 | |
| 2001 | 9.47 | 1.09 | (1.29) | (.09) | -- | (.29) | |
| 2000 (a) | 9.55 | .75 | (.12) | (.02) | -- | .61 | |

| | Offering Costs | Ending Common Share Net Asset Value | Ending Market Value | Based on Market Value** |
|------------------|-------------------|--|---------------------------|----------------------------------|
| Year Ended 7/31: | | | | |

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| | | | | |
|----------|-------|--------|----------|----------|
| 2002 (b) | \$-- | \$7.67 | \$7.7000 | (17.31)% |
| 2001 | -- | 8.13 | 9.9600 | 15.35 |
| 2000 (a) | (.03) | 9.47 | 9.6250 | 3.21 |

Ratios/Supplemental Data

| | | Before Waiver | |
|--|---|---|--------|
| Ending Net Assets Applicable to Common Shares (000) | Ratio of Expenses to Average Net Assets Applicable to Common Shares++ | Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++ | |
| Year Ended 7/31: | | | |
| 2002 (b) | \$227,996 | 3.21%* | 8.09%* |
| 2001 | 241,641 | 4.32 | 11.74 |
| 2000 (a) | 280,479 | 3.81* | 9.82* |

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++ | Portfolio Turnover Rate | |
| Year Ended 7/31: | | | |
| 2002 (b) | 2.46%* | 8.84%* | 33% |
| 2001 | 3.62 | 12.44 | 52 |
| 2000 (a) | 3.21* | 10.42* | 40 |

* 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 Common Share Net Asset Value is the combination of reinvested dividend income, reinvested capital gain distributions, if any, and changes in Common Share 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.

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++ 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 applicable to Common Shares and each Ratio of Net Investment Income to Average Net Assets applicable to Common Shares includes the effect of the interest expense paid on bank borrowings of:

| | Ratio of Interest Expense to Average Net Assets Applicable to Common Shares |
|----------|--|
| 2002 (b) | 1.15%* |
| 2001 | 2.19 |
| 2000 (a) | 2.04* |

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

(b) For the nine months ended April 30, 2002.

See accompanying notes to financial statements.