



PFD AND PFO ANNOUNCE NEW REGULAR MONTHLY DIVIDENDS AND SPECIAL YEAR-END DIVIDENDS

PASADENA, CALIFORNIA – December 10, 2012

The Boards of Directors of Flaherty & Crumrine Preferred Income Fund Incorporated (NYSE: PFD) and Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated (NYSE: PFO) today declared a new regular monthly dividend and a special year-end dividend to be paid in December.

The new regular monthly dividend rate for PFD will be \$0.09 per share, which equates to an annual dividend of \$1.08 per share. This new monthly dividend represents a decrease of approximately 3.2% from the prior monthly dividend. In addition, shareholders will receive a special year-end dividend from net investment income of \$0.12 per share.

The new regular monthly dividend rate for PFO will be \$0.073 per share, which equates to an annual dividend of \$0.876 per share. This new monthly dividend represents a decrease of approximately 3.3% from the prior monthly dividend. In addition, shareholders will receive a special year-end dividend from net investment income of \$0.1165 per share.

Donald F. Crumrine, Chairman of the Boards of the funds, said “We are pleased that both funds delivered on their objectives of high current income during 2012. The funds ended the year with undistributed income, primarily resulting from modest increases in leverage balances throughout the year, lower cost of leverage, and slightly lower redemption experience than expected. The funds also received income from a bankruptcy settlement late in the year – having recovered the full principal amount several years earlier. As we have previously discussed, our market continues to transition from trust preferred securities to more traditional preferred stock, and existing issuers of preferred from many industries continue to refinance higher-coupon securities where possible. This transition is driven both by regulatory guidelines as well as the absolute level of interest rates. As a result, we have recalibrated our dividends to reflect the modestly lower income we expect to earn on the funds’ portfolios in the coming year.”

The December monthly dividend and the special year-end dividend will be paid on December 31, 2012 to holders of record of each fund’s common stock on December 21, 2012. The expected ex-dividend date is December 19, 2012. The tax breakdown of all 2012 distributions will be available early next year, but at this point the funds anticipate that all dividends paid in 2012, including the special year-end dividend, will be taxable as income and not capital gains.

PFD was organized in 1991 and PFO was organized in 1992 as closed-end, diversified investment companies which invest primarily in preferred securities. Each Fund’s investment objective for holders of its common stock is high current income consistent with preservation of capital. PFD and PFO are managed by Flaherty & Crumrine Incorporated, an independent investment adviser which was founded in 1983 to specialize in the management of portfolios of preferred and related securities. Flaherty & Crumrine also manages two other U.S. closed-end funds: Flaherty & Crumrine/Claymore Preferred Securities Income Fund (NYSE: FFC); and Flaherty & Crumrine/Claymore Total Return Fund (NYSE: FLC).

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