FLAHERTY & CRUMRINE PREFERRED INCOME FUND INC
Form N-30B-2
April 28, 2011

ITEM 1. SCHEDULE OF INVESTMENTS.

The Schedule(s) of Investments is attached herewith.

FLAHERTY & CRUMRINE PREFERRED INCOME FUND

To the Shareholders of Flaherty & Crumrine Preferred Income Fund:

During the first fiscal quarter of 2011, the total return on net asset value(1) of the Fund was +5.1%. Since the depth of the financial crisis, the Fund has delivered eight consecutive quarters of positive returns. We never tire of reporting positive returns, but our focus remains on providing high current income to shareholders.

Present conditions for the Fund's dividend are about as good as we can recall. Low short-term interest rates have continued to amplify the Fund's leverage strategy - we are able to borrow funds at historically attractive levels. At the same time, the investment portfolio is generating relatively high levels of income. We don't see anything on the immediate horizon to change these conditions, but one or both sides of the equation is likely to come under pressure sometime down the road.

As of this writing, the world is still dealing with the devastating events in Japan. Our thoughts go out to the people of Japan in these difficult times. Global financial markets were weaker in the immediate aftermath of the disaster, as investors assessed the impact. The Fund has very little direct exposure to the Japanese economy, and we do not anticipate any material decline in the credit quality of our holdings as a result of these events. Rest assured we are monitoring the impact very closely.

The situation at the Fukushima Dai-Ichi nuclear plant has raised fresh questions about nuclear power safety around the world. Since the Fund must have at least 25% of the portfolio invested in the utility industry, the topic is very relevant. We do not believe the incident in Japan will negatively impact utility positions owned by the Fund in any material way. In the U.S., most regulated utility companies have reduced their exposure to nuclear energy, and very few have "bet the farm" on this form of power generation.

The European sovereign debt situation continues to simmer. It may boil over in Portugal and require a bailout similar to those in Greece and Ireland. This may create some turbulence in the preferred market, but the overall impact on the Fund should be modest. The Fund has no direct investments in Portuguese banks or sovereign debt. Although it does own securities issued by companies with exposure to Portugal, we believe those exposures are manageable given the strength and diversification of those companies' activities.

Preferred securities issued by banks comprise the largest portion of the Fund's portfolio and, thus, play a critical role in the Fund's strategy. Bank regulators here and abroad have analyzed bank securities in light of the financial crisis, and some conclusions have begun to trickle out. The Basel Committee on Bank Supervision, the body charged with setting global capital standards, has finalized its recommendations for bank capital, although it will be up to regulators in individual countries to adopt these standards. Bank regulators in the U.S. have until July of this year to propose new capital rules, and we expect final rules will be issued before year-end. Over time, we expect the current crop of preferred securities issued by banks to be replaced with new securities designed to conform to the new standards. As details of the new securities become known, we will study them carefully and determine their appropriateness for the Fund. Based on the information currently available, we are optimistic about the transition.

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1 Following the methodology required by the SEC, total return includes income, principal change and the impact of the Fund's leverage.

We encourage you to visit the Fund's website www.preferredincome.com for a more in-depth discussion of conditions in the preferred markets, as well as the broader economy.

Sincerely,

/s/ Donald F. Crumrine /s/ Robert M. Ettinger

Donald F. Crumrine, Chairman

Robert M. Ettinger, President

April 5, 2011

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Flaherty & Crumrine Preferred Income Fund Incorporated
PORTFOLIO OVERVIEW
FEBRUARY 28, 2011 (UNAUDITED)

FUND STATISTICS

FUND STATISTICS	
Net Asset Value	$ 12.16
Market Price	$ 12.13
Discount	0.25%
Yield on Market Price	8.90%
Common Stock Shares Outstanding	10,767,784

MOODY'S RATINGS	% OF NET ASSETS+
A	6.0%
BBB	73.8%
BB	17.6%
Below "BB"	0.8%
Not Rated*	0.4%
Below Investment Grade**	14.7%

* Does not include net other assets and liabilities of 1.4%.

** Below investment grade by both Moody's and S&P.

(PIE CHART)

INDUSTRY CATEGORIES	% OF NET ASSETS+
Financial Services	2%
Other	4%
Banking	40%
Utilities	25%
Insurance	22%
Energy	7%

TOP 10 HOLDINGS BY ISSUER	% OF NET ASSETS+
Banco Santander	5.2%
Capital One Financial	4.2%
PNC Financial Services	3.9%
Metlife	3.9%
Liberty Mutual Group	3.9%
Wells Fargo	3.9%
HSBC Plc	2.9%
Enbridge Energy Partners	2.7%
Interstate Power & Light	2.7%
Southern California Edison	2.5%

	% OF NET ASSETS***+
Holdings Generating Qualified Dividend Income (QDI) for Individuals	40%
Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD)	26%

*** This does not reflect year-end results or actual tax categorization of Fund distributions. These percentages can, and do, change, perhaps significantly, depending on market conditions. Investors should consult their tax advisor regarding their personal situation.

\+ Net Assets includes assets attributable to the use of leverage.

Flaherty & Crumrine Preferred Income Fund Incorporated
PORTFOLIO OF INVESTMENTS
FEBRUARY 28, 2011 (UNAUDITED)

SHARES/$ PAR	
PREFERRED SECURITIES -- 94.8%	
	BANKING -- 39.9%
2,750,000	Astoria Capital Trust I, 9.75% 11/01/29, Series B ....
355,000	Banco Santander, 10.50% Pfd., Series 10 ....
	Bank of America Corporation:
38,015	8.625% Pfd ....
32,085	6.70% Pfd ....
$ 500,000	BankAmerica Institutional, Series A, 8.07% 12/31/26, 144A**** ....
	Barclays Bank PLC:
$ 3,250,000	6.278% ....
1,200	7.75% Pfd., Series 4 ....
75,000	8.125% Pfd., Series 5 ....
58,500	BB&T Capital Trust VI, 9.60% Pfd. 08/01/64 ....
$ 1,500,000	BBVA International Preferred, 5.919% ....
$ 750,000	BNP Paribas, 7.195%, 144A**** ....
$ 4,750,000	Capital One Capital III, 7.686% 08/15/36 ....
$ 500,000	Capital One Capital V, 10.25% 08/15/39 ....
$ 2,500,000	Capital One Capital VI, 8.875% 05/15/40 ....
62,300	Citigroup Capital XIII, 7.875% Pfd. 10/30/40 ....
$ 5,210,000	Colonial BancGroup, 7.114%, 144A**** ....
9,000	FBOP Corporation, Adj. Rate Pfd., 144A**** ....
$ 750,000	Fifth Third Capital Trust IV, 6.50% 04/15/37 ....
15,000	Fifth Third Capital Trust V, 7.25% Pfd. 08/15/67 ....
130,000	Fifth Third Capital Trust VI, 7.25% Pfd. 11/15/67 ....
14,500	Fifth Third Capital Trust VII, 8.875% Pfd. 05/15/68 ....
1,250	First Republic Preferred Capital Corporation, 10.50% Pfd., 144A**** ....
22,500	First Republic Preferred Capital Corporation II, 8.75% Pfd., Series B, 144A**** ..
3,750	First Tennessee Bank, Adj. Rate Pfd., 144A**** ....
$ 500,000	First Tennessee Capital II, 6.30% 04/15/34, Series B ....
$ 1,500,000	First Union Capital II, 7.95% 11/15/29 ....
$ 1,000,000	First Union Institutional Capital I, 8.04% 12/01/26 ....
$ 500,000	Fleet Capital Trust II, 7.92% 12/11/26 ....
	Goldman Sachs:
$ 785,000	Capital I, 6.345% 02/15/34 ....
$ 1,058,000	Capital II, 5.793% ....
2,800	STRIPES Custodial Receipts, Pvt ....
132,900	HSBC Holdings PLC, 8.00% Pfd., Series 2 ....
$ 500,000	HSBC USA Capital Trust II, 8.38% 05/15/27, 144A**** ....

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Flaherty & Crumrine Preferred Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
FEBRUARY 28, 2011 (UNAUDITED)

SHARES/$ PAR

PREFERRED SECURITIES -- (CONTINUED)

	BANKING -- (CONTINUED)
	HSBC USA, Inc.:
42,000	6.50% Pfd., Series H ....
1,000	$2.8575 Pfd. ....
$ 1,725,000	JPMorgan Chase Capital XVIII, 6.95% 08/17/36, Series R ....
21,360	Keycorp Capital VIII, 7.00% Pfd. 06/15/66 ....
65,640	Keycorp Capital IX, 6.75% Pfd. 12/15/66 ....
27,600	Keycorp Capital X, 8.00% Pfd. 03/15/68 ....
$ 550,000	Lloyds Banking Group PLC, 6.657%, 144A**** ....
20,000	Morgan Stanley Capital Trust VI, 6.60% Pfd. 02/01/46 ....
3,000	National City Capital Trust II, 6.625% Pfd. 11/15/36 ....
$ 860,000	NB Capital Trust IV, 8.25% 04/15/27 ....
200,000	PNC Financial Services, 9.875% Pfd., Series L ....
$ 1,750,000	PNC Preferred Funding Trust III, 8.70%, 144A**** ....
1,750	Sovereign REIT, 12.00% Pfd., Series A, 144A**** ....
$ 2,400,000	Wachovia Capital Trust III, 5.80% ....
$ 1,200,000	Wachovia Capital Trust V, 7.965% 06/01/27, 144A**** ....
$ 1,000,000	Washington Mutual, 9.75%, 144A**** ....
$ 1,600,000	Webster Capital Trust IV, 7.65% 06/15/37 ....
15,000	Wells Fargo & Company, 8.00% Pfd., Series J ....
$ 1,000,000	Wells Fargo Capital XV, 9.75% ....
	FINANCIAL SERVICES -- 2.2%
	Heller Financial, Inc.:
33,000	6.687% Pfd., Series C ....
5,760	6.95% Pfd., Series D ....
17,904	HSBC Finance Corporation, 6.36% Pfd ....
	Lehman Brothers Holdings, Inc.:
15,000	5.67% Pfd., Series D ....
19,500	5.94% Pfd., Series C ....
25,000	6.50% Pfd., Series F ....
27,500	7.95% Pfd ....
	INSURANCE -- 19.9%
$ 975,000	Ace Capital Trust II, 9.70% 04/01/30 ....
$ 250,000	AON Corporation, 8.205% 01/01/27 ....

SHARES/$ PAR	
	PREFERRED SECURITIES -- (CONTINUED)
	INSURANCE -- (CONTINUED)
14,300	Arch Capital Group Ltd., 8.00% Pfd., Series A ....
	AXA SA:

$ 1,750,000	6.379%, 144A**** ....
$ 1,750,000	6.463%, 144A**** ....
35,900	Axis Capital Holdings, 7.50% Pfd., Series B ....
90,600	Delphi Financial Group, 7.376% Pfd. 05/15/37 ....
$ 4,000,000	Everest Re Holdings, 6.60% 05/15/37 ....
$ 4,100,000	Liberty Mutual Group, 10.75% 06/15/58, 144A**** ....
$ 900,000	MetLife Capital Trust IV, 7.875% 12/15/37, 144A**** ....
$ 2,775,000	MetLife Capital Trust X, 9.25% 04/08/38, 144A**** ....
$ 2,400,000	MetLife, Inc., 10.75% 08/01/39 ....
	Principal Financial Group:
16,000	5.563% Pfd., Series A ....
87,500	6.518% Pfd., Series B ....
60,000	Renaissancere Holdings Ltd., 6.08% Pfd., Series C ....
119,500	Scottish Re Group Ltd., 7.25% Pfd. ....
$ 1,300,000	Stancorp Financial Group, 6.90% 06/01/67 ....
$ 750,000	USF&G Capital, 8.312% 07/01/46, 144A**** ....
$ 2,000,000	XL Capital Ltd., 6.50%, Series E ....
$ 1,000,000	ZFS Finance USA Trust V, 6.50% 05/09/37, 144A**** ....

	UTILITIES -- 24.2%
60,000	Alabama Power Company, 6.45% Pfd ....
10,000	Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993 ....
20,600	Calenergy Capital Trust III, 6.50% Pfd. 09/01/27 ....
$ 3,458,000	COMED Financing III, 6.35% 03/15/33 ....
$ 250,000	Dominion Resources Capital Trust I, 7.83% 12/01/27 ....
	Dominion Resources, Inc.:
$ 3,500,000	7.50% 06/30/66 ....
22,500	8.375% Pfd. 06/15/64, Series A ....
40,000	Entergy Arkansas, Inc., 6.45% Pfd. ....
20,000	Entergy Louisiana, Inc., 6.95% Pfd. ....
$ 2,715,000	FPL Group Capital, Inc., 6.65% 06/15/67 ....
	Georgia Power Company:
4,248	6.125% Pfd ....
25,000	6.50% Pfd., Series 2007A ....
3,000	Gulf Power Company, 6.45% Pfd., Series 2007A ....

SHARES/$ PAR	
PREFERRED SECURITIES -- (CONTINUED)	
	UTILITIES -- (CONTINUED)
32,650	Indianapolis Power & Light Company, 5.65% Pfd ....
185,596	Interstate Power & Light Company, 8.375% Pfd., Series B ....
7,146	MDU Resources Group, 4.50% Pfd. 07/08/10 ....
$ 500,000	PECO Energy Capital Trust III, 7.38% 04/06/28, Series D ....
$ 600,000	PPL Capital Funding, 6.70% 03/30/67, Series A ....
39,000	PPL Electric Utilities Corporation, 6.25% Pfd ....
$ 3,800,000	Puget Sound Energy, Inc., 6.974% 06/01/67 ....

55,500	Scana Corporation, 7.70% Pfd. 01/30/65 ....
	Southern California Edison:
32,100	6.00% Pfd., Series C ....
17,500	6.125% Pfd ....
$ 550,000	Southern Union Company, 7.20% 11/01/66 ....
$ 750,000	TXU Electric Capital V, 8.175% 01/30/37 ....
3,000	Virginia Electric & Power Company, $6.98 Pfd. ....
$ 1,900,000	Wisconsin Energy Corporation, 6.25% 05/15/67 ....
3,700	Wisconsin Public Service Corporation, 6.88% Pfd. ....
$ 3,250,000	WPS Resources Corporation, 6.11% 12/01/66 ....
	ENERGY -- 6.8%
$ 5,000,000	Enbridge Energy Partners LP, 8.05% 10/01/37 ....
$ 4,000,000	Enterprise Products Partners, 8.375% 08/01/66, Series A ....
3,500	Kinder Morgan GP, Inc., 8.33% Pfd., 144A**** ....
	REAL ESTATE INVESTMENT TRUST (REIT) -- 0.2%
12,500	PS Business Parks, Inc., 6.70% Pfd., Series P ....
	MISCELLANEOUS INDUSTRIES -- 1.6%
40,000	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A**** ....
	TOTAL PREFERRED SECURITIES
	(Cost $178,590,442) ....

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Flaherty & Crumrine Preferred Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
FEBRUARY 28, 2011 (UNAUDITED)

SHARES/$ PAR	
CORPORATE DEBT SECURITIES -- 3.7%	
	BANKING -- 0.2%
$ 415,000	Goldman Sachs Group, 6.75% 10/01/37, Sub Notes ....
	INSURANCE -- 2.2%
$ 2,500,000	Liberty Mutual Insurance, 7.697% 10/15/97, 144A**** ....
$ 2,000,000	UnumProvident Corporation, 7.25% 03/15/28 ....
	UTILITIES -- 1.3%

$ 2,175,000	Southern Union Company, 8.25% 11/15/29, Senior Notes	
	TOTAL CORPORATE DEBT SECURITIES (Cost $6,237,204)	
COMMON STOCK -- 0.1%		
	BANKING -- 0.1%	
3,620	CIT Group, Inc.	
	TOTAL COMMON STOCK (Cost $330,325)	
MONEY MARKET FUND -- 0.7%		
1,350,318	BlackRock Liquidity Funds, T-Fund	
	TOTAL MONEY MARKET FUND (Cost $1,350,318)	
TOTAL INVESTMENTS (Cost $186,508,289***)		99.
OTHER ASSETS AND LIABILITIES (Net)		0.
TOTAL MANAGED ASSETS		100.
LOAN PRINCIPAL BALANCE		
TOTAL NET ASSETS AVAILABLE TO COMMON STOCK		

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* Securities eligible for the Dividends Received Deduction and distributing Qualified Dividend Income.

** Securities distributing Qualified Dividend Income only.

*** Aggregate cost of securities held.

**** Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. At February 28, 2011, these securities amounted to $35,890,454 or 18.3% of total managed assets.

(1) All or a portion of this security has been pledged as collateral for the Fund's loan. The total value of such securities was $142,695,281 at February 28, 2011.

(2) Foreign Issuer.

(3) Illiquid.

+ Non-income producing.

++ The issuer has filed for bankruptcy protection. As a result, the Fund may not be able to recover the principal invested and also does not expect to receive income on this security going forward.

+++ The percentage shown for each investment category is the total value of that category as a percentage of total managed assets.

ABBREVIATIONS:

PFD. -- Preferred Securities
PVT. -- Private Placement Securities
REIT -- Real Estate Investment Trust
STRIPES -- Structured Residual Interest Preferred Enhanced Securities

Flaherty & Crumrine Preferred Income Fund Incorporated
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK(1)
FOR THE PERIOD FROM DECEMBER 1, 2010 THROUGH FEBRUARY 28, 2011 (UNAUDITED)

	VALUE
OPERATIONS:	
Net investment income	$ 2,999,210
Net realized gain/(loss) on investments sold during the period	1,574,559
Change in net unrealized appreciation/depreciation of investments	1,891,930
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	6,465,699
DISTRIBUTIONS:	
Dividends paid from net investment income to Common Stock Shareholders(2)	(3,230,335)
TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS	(3,230,335)
FUND SHARE TRANSACTIONS:	
Increase from shares issued under the Dividend Reinvestment and Cash Purchase Plan	100,976
NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK RESULTING FROM FUND SHARE TRANSACTIONS	100,976
NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD	$ 3,336,340
NET ASSETS AVAILABLE TO COMMON STOCK:	
Beginning of period	$127,561,123
Net increase in net assets during the period	3,336,340
End of period	$130,897,463

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(1) These tables summarize the three months ended February 28, 2011 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2010.

(2) May include income earned, but not paid out, in prior fiscal year.

Flaherty & Crumrine Preferred Income Fund Incorporated
FINANCIAL HIGHLIGHTS(1)
FOR THE PERIOD FROM DECEMBER 1, 2010 THROUGH FEBRUARY 28, 2011 (UNAUDITED)
FOR A COMMON STOCK SHARE OUTSTANDING THROUGHOUT THE PERIOD.

PER SHARE OPERATING PERFORMANCE:	
Net asset value, beginning of period	$ 11.86
INVESTMENT OPERATIONS:	
Net investment income	0.28
Net realized and unrealized gain/(loss) on investments	0.32
Total from investment operations	0.60
DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:	
From net investment income	(0.30)
Total distributions to Common Stock Shareholders	(0.30)
Net asset value, end of period	$ 12.16
Market value, end of period	$ 12.13
Common Stock shares outstanding, end of period	10,767,784
RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:	
Net investment income+	9.50%*
Operating expenses including interest expense	2.15%*
Operating expenses excluding interest expense	1.50%*
SUPPLEMENTAL DATA:++	
Portfolio turnover rate	6%*
Total managed assets, end of period (in 000's)	$ 195,697
Ratio of operating expenses including interest expense to total managed assets	1.44%*
Ratio of operating expenses excluding interest expense to total managed assets	1.00%*

(1) These tables summarize the three months ended February 28, 2011 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2010.

* Annualized.

** Not Annualized.

\+ The net investment income ratios reflect income net of operating expenses, including interest expense.

++ Information presented under heading Supplemental Data includes loan principal balance.

Flaherty & Crumrine Preferred Income Fund Incorporated
FINANCIAL HIGHLIGHTS (CONTINUED)
PER SHARE OF COMMON STOCK (UNAUDITED)

	TOTAL DIVIDENDS PAID	NET ASSET VALUE	NYSE CLOSING PRICE	DIVIDEND REINVESTMENT PRICE(1)
December 31, 2010 - Extra ..	$0.0300	$11.82	$11.62	$11.66
December 31, 2010	0.0900	11.82	11.62	11.66
January 31, 2011	0.0900	11.92	11.80	11.90
February 28, 2011	0.0900	12.16	12.13	12.16

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(1) Whenever the net asset value per share of the Fund's Common Stock is less than or equal to the market price per share on the reinvestment date, new shares issued will be valued at the higher of net asset value or 95% of the then current market price. Otherwise, the reinvestment shares of Common Stock will be purchased in the open market.

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Flaherty & Crumrine Preferred Income Fund Incorporated
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. AGGREGATE INFORMATION FOR FEDERAL INCOME TAX PURPOSES

At February 28, 2011, the aggregate cost of securities for federal income tax purposes was $186,308,944, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was $27,784,796 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was $19,820,907.

2. ADDITIONAL ACCOUNTING STANDARDS

Fair Value Measurement: The inputs and valuation techniques used to measure fair value of the Fund's investments are summarized into three levels as described in the hierarchy below:

- Level 1 - quoted prices in active markets for identical securities

- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

- Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of levels are recognized at market value at the end of the period. A summary of the inputs used to value the Fund's investments as of

February 28, 2011 is as follows:

	TOTAL VALUE AT FEBRUARY 28, 2011	LEVEL 1 QUOTED PRICE	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	LEVE SIGNIF UNOBSER INPU
Preferred Securities				
Banking	$ 78,166,046	$52,812,015	$ 25,260,611	$93,
Financial Services	4,244,838	422,919	3,821,919	
Insurance	38,916,958	20,258,378	18,658,580	
Utilities	47,337,710	11,255,196	36,082,514	
Energy	13,304,310	--	13,304,310	
Real Estate Investment Trust (REIT)	302,156	302,156	--	
Miscellaneous Industries	3,230,000	--	3,230,000	
Corporate Debt Securities	7,263,679	2,900,959	4,362,720	
Common Stock				
Banking	156,818	156,818	--	
Money Market Fund	1,350,318	1,350,318	--	
Total Investments	$194,272,833	$89,458,759	$104,720,654	$93,

The Fund did not have any significant transfers in and out of Level 1 and Level 2 during the period.

Flaherty & Crumrine Preferred Income Fund Incorporated
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

The Fund's investments in Level 2 and Level 3 are based primarily on market information, where available. This includes, but is not limited to, prices provided by third-party providers, observable trading activity (including the recency, depth, and consistency of such information with quoted levels), and the depth and consistency of broker-quoted prices. In the event market information is not directly available, comparable information may be observed for securities that are similar in many respects to those being valued. The Fund may employ an income approach for certain securities that also takes into account credit risk, interest rate risk, and potential recovery prospects.

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	TOTAL INVESTMENTS	PREFERRED SECURITIES BANKING
BALANCE AS OF 11/30/10	$39,816	$39,816
Accrued discounts/premiums	--	--
Realized gain/(loss)	--	--

Change in unrealized appreciation/(depreciation) ...	53,604	53,604
Net purchases/(sales)	--	--
Transfers in and/or out of Level 3	--	--
BALANCE AS OF 2/28/11	$93,420	$93,420

For the period ended February 28, 2011, total change in unrealized gain/(loss) on Level 3 securities still held at period-end and included in the change in net assets was $53,604.

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DIRECTORS

Donald F. Crumrine, CFA
Chairman of the Board
David Gale
Morgan Gust
Karen H. Hogan
Robert F. Wulf, CFA

OFFICERS

Donald F. Crumrine, CFA
Chief Executive Officer
Robert M. Ettinger, CFA
President
R. Eric Chadwick, CFA
Chief Financial Officer,
Vice President and Treasurer
Chad C. Conwell
Chief Compliance Officer,
Vice President and Secretary
Bradford S. Stone
Vice President and
Assistant Treasurer
Laurie C. Lodolo
Assistant Compliance Officer,
Assistant Treasurer and
Assistant Secretary
Linda M. Puchalski
Assistant Treasurer

INVESTMENT ADVISER

Flaherty & Crumrine Incorporated
e-mail: flaherty@pfdincome.com

QUESTIONS CONCERNING YOUR SHARES OF FLAHERTY & CRUMRINE PREFERRED INCOME FUND?

- If your shares are held in a Brokerage Account, contact your Broker.

- If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent & Shareholder Servicing Agent --

BNY Mellon Shareowner Services
P.O. Box 358035
Pittsburgh, PA 15252-8035
1-866-351-7446

(FLAHERTY & CRUMRINE LOGO)
PREFERRED INCOME FUND

Quarterly Report

February 28, 2011

www.preferredincome.com

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The payment at maturity for each Security is based on the performance of the Underlying Stock linked to such Security:

i) If the closing price of the applicable Underlying Stock on the primary U.S. exchange or market for such Underlying Stock has not fallen below the applicable Knock-In Level on any trading day from but not including the Pricing Date to and including the Determination Date, we will pay you the principal amount of each Security in cash.

ii) If the closing price of the applicable Underlying Stock on the primary U.S. exchange or market for such Underlying Stock has fallen below the applicable Knock-In Level on any trading day from but not including the Pricing Date to and including the Determination Date:

a) we will deliver to you a number of shares of the applicable Underlying Stock equal to the applicable Stock Redemption Amount, in the event that the closing price of the applicable Underlying Stock on the Determination Date is below the applicable Initial Price; or

b) we will pay you the principal amount of each Security in cash, in the event that the closing price of the applicable Underlying Stock on the Determination Date is at or above the applicable Initial Price. You will receive cash in lieu of fractional shares.

Initial Price:

100% of the Closing Price of the applicable Underlying Stock on the Pricing Date.

Stock Redemption Amount:

For each $1,000 principal amount of Security, a number of shares of the applicable Underlying Stock linked to such Security equal to $1,000 divided by the applicable Initial Price.

Knock-In Level:	A percentage of the applicable Initial Price as set forth in the table above.
Indicative Secondary Pricing:	• Internet at: www.s-notes.com • Bloomberg at: REXS2 <GO>
Status:	Unsecured, unsubordinated obligations of the Issuer
Trustee:	Wilmington Trust Company
Securities Administrator:	Citibank, N.A.
Settlement:	DTC, Book Entry, Transferable
Selling Restrictions:	Sales in the European Union must comply with the Prospectus Directive
Pricing Date:	September 25, 2007, subject to certain adjustments as described in the related pricing supplement
Settlement Date:	September 28, 2007
Determination Date:	March 26, 2008, subject to certain adjustments as described in the related pricing supplement
Maturity Date:	March 31, 2008 (Six Months)

ABN AMRO has filed a registration statement (including a Prospectus and Prospectus Supplement) with the SEC for the offerings to which this communication relates. Before you invest, you should read the Prospectus and Prospectus Supplement in that registration statement and other documents ABN AMRO has filed with the SEC for more complete information about ABN AMRO and the offerings of the Securities.

You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov or by visiting ABN AMRO Holding N.V. on the SEC website at . Alternatively, ABN AMRO, any underwriter or any dealer participating in the offering will arrange to send you the Prospectus and Prospectus Supplement if you request it by calling toll free (888) 644-2048.

These Securities may not be offered or sold (i) to any person/entity listed on sanctions lists of the European Union, United States or any other applicable local competent authority; (ii) within the territory of Cuba, Sudan, Iran and Myanmar; (iii) to residents in Cuba, Sudan, Iran or Myanmar; or (iv) to Cuban Nationals, wherever located.

SUMMARY

This prospectus relates to eight separate offerings of Securities. Each Security offered is linked to one, and only one, of the Underlying Stocks described on the cover page. The purchaser of any offering will acquire a Security linked to a single Underlying Stock, not to a basket or index of some or all of the Underlying Stocks. You may participate in any of the eight offerings or, at your election, in several or all offerings.

The following summary does not contain all the information that may be important to you. You should read this summary together with the more detailed information that is contained in the related Pricing Supplement and in its accompanying Prospectus and Prospectus Supplement. You should carefully consider, among other things, the matters set forth in "Risk Factors" in the related Pricing Supplement, which are summarized on page 5 of this document. In addition, we urge you to consult with your investment, legal, accounting, tax and other advisors with respect to any investment in the Securities.

What are the Securities?

The Securities are interest paying, non-principal protected securities issued by us, ABN AMRO Bank N.V., and are fully and unconditionally guaranteed by our parent company, ABN AMRO Holding N.V. The Securities are senior notes of ABN AMRO Bank N.V. These Securities combine certain features of debt and equity by offering a fixed interest rate on the principal amount while the payment at maturity is determined based on the performance of the Underlying Stock to which it is linked.

What will I receive at maturity of the Securities?

If the closing price of the Underlying Stock linked to a Security on the relevant exchange has not fallen below the applicable Knock-In Level on any trading day from but not including the Pricing Date to and including the Determination Date (such period, the "Knock-In Period"), at maturity we will pay you the principal amount of such Security in cash.

If, on the other hand, the closing price of the applicable Underlying Stock on the relevant exchange has fallen below the applicable Knock-In Level on any trading day during the Knock-In Period, at maturity we will either:

- deliver to you a fixed number of shares of such Underlying Stock, which we call the Stock Redemption Amount, in exchange for such Security, in the event that the closing price of such Underlying Stock is below the applicable Initial Price on the Determination Date; or
- pay you the principal amount of such Security in cash, in the event that the closing price of such Underlying Stock is at or above the applicable Initial Price on the Determination Date.

Why is the interest rate on the Securities higher than the interest rate payable on your conventional debt securities with the same maturity?

The Securities offer a higher interest rate than the yield that would be payable on a conventional debt security with the same maturity issued by us or an issuer with a comparable credit rating. This is because you, the investor in the Securities, indirectly sell a put option to us on the shares of the applicable Underlying Stock. The premium due to you for this put option is combined with a market interest rate on our senior debt to produce the higher interest rate on the Securities.

What are the consequences of the indirect put option that I have sold you?

The put option you indirectly sell to us creates the feature of exchangeability. If the closing price of the applicable Underlying Stock on the relevant exchange falls below the applicable Knock-In Level on any trading day during the Knock-In Period, and on the Determination Date the closing price of the applicable Underlying Stock is less than the applicable Initial Price, you will receive the applicable Stock Redemption Amount. **The market value of the shares of such Underlying Stock at the time you receive those shares will be less than the principal amount of the Securities and could be zero. Therefore you are not guaranteed to receive any return of principal at maturity.**

How is the Stock Redemption Amount determined?

The Stock Redemption Amount for each $1,000 principal amount of any Security is equal to $1,000 divided by the Initial Price of the Underlying Stock linked to such Security. The value of any fractional shares of such Underlying Stock that you are entitled to receive, after aggregating your total holdings of the Securities linked to such Underlying Stock, will be paid in cash based on the closing price of such Underlying Stock on the Determination Date.

What interest payments can I expect on the Securities?

The interest rate is fixed at issue and is payable in cash on each interest payment date, irrespective of whether the Securities are redeemed at maturity for cash or shares.

Can you give me an example of the payment at maturity?

If, for example, in a hypothetical offering, the interest rate was 10% per annum, the initial price of a share of underlying stock was $45.00 and the knock-in level for such offering was 80%, then the stock redemption amount would be 22.222 shares of underlying stock, or $1,000 divided by $45.00, and the knock-in level would be $36.00, or 80% of the initial price.

If the closing price of that hypothetical underlying stock fell below the knock-in level of $36.00 on any trading day during the Knock-in Period, then the payment at maturity would depend on the closing price of the underlying stock on the determination date. In this case, if the closing price of the underlying stock on the determination date is $30.00 per share at maturity, which is below the initial price level, you would receive 22.222 shares of underlying stock for each $1,000 principal amount of the securities. (In actuality, because we cannot deliver fractions of a share, you would receive on the maturity date for each $1,000 principal amount of the securities 22 shares of underlying stock plus $6.66 cash in lieu of 0.222 fractional shares, determined by multiplying 0.222 by $30.00, the closing price per shares of underlying stock on the determination date.) In addition, over the life of the securities you would have received interest payments at a rate of 10% per annum. If the securities had a term less than one year, you would have received a pro-rata percentage of this interest rate. **In this hypothetical example, the market value of those 22 shares of underlying stock (including the cash paid in lieu of fractional shares) that we would deliver to you at maturity for each $1,000 principal amount of security would be $666.66, which is less than the principal amount of $1,000, and you would have lost a portion of your initial investment.**

If, on the other hand, the closing price of the underlying stock on the determination date is $50.00 per share, which is above the initial price level, you will receive $1,000 in cash for each $1,000 principal amount of the securities regardless of the knock-in level having been breached. In addition, over the life of the Securities you would have received interest payments at a rate of 10% per annum.

Alternatively, if the closing price of the underlying stock never falls below $36.00, which is the knock-in level, on any trading day during the Knock-in Period, at maturity you will receive $1,000 in cash for each security you hold regardless of the closing price of the underlying stock on the determination date. In addition, over the life of the securities you would have received interest payments at a rate of 10% per annum.

This example is for illustrative purposes only and is based on a hypothetical offering. It is not possible to predict the closing price of any of the Underlying Stocks on the determination date or at any time during the life of the Securities. For each offering, we will set the Initial Price, Knock-In Level and Stock Redemption Amount on the Pricing Date.

Do I benefit from any appreciation in the Underlying Stock over the life of the Securities?

No. The amount paid at maturity for each $1,000 principal amount of the Securities will not exceed $1,000.

What if I have more questions?

You should read the "Description of Securities" in the related Pricing Supplement for a detailed description of the terms of the Securities. ABN AMRO has filed a registration statement (including a Prospectus and Prospectus Supplement) with the SEC for the offering to which this communication relates. Before you invest, you should read the Prospectus and Prospectus Supplement in that registration statement and other documents ABN AMRO has filed with the SEC for more complete information about ABN AMRO and the offering of the Securities. You may get these documents for free by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, ABN AMRO, any underwriter or any dealer participating in the offering will arrange to send you the Prospectus and Prospectus Supplement if you request it by calling toll free (888) 644-2048.

RISK FACTORS

You should carefully consider the risks of the Securities to which this communication relates and whether these Securities are suited to your particular circumstances before deciding to purchase them. It is important that prior to investing in these Securities investors read the Pricing Supplement related to such Securities and the accompanying Prospectus and Prospectus Supplement to understand the actual terms of and the risks associated with the Securities. In addition, we urge you to consult with your investment, legal, accounting, tax and other advisors with respect to any investment in the Securities.

Credit Risk

The Securities are issued by ABN AMRO Bank N.V. and guaranteed by ABN AMRO Holding N.V., ABN AMRO's parent. As a result, investors in the Securities assume the credit risk of ABN AMRO Bank N.V. and that of ABN AMRO Holding N.V. in the event that ABN AMRO defaults on its obligations under the Securities. Any obligations or Securities sold, offered, or recommended are not deposits on ABN AMRO Bank N.V. and are not endorsed or guaranteed by any bank or thrift, nor are they insured by the FDIC or any governmental agency.

Principal Risk

The Securities are not ordinary debt securities: they are not principal protected. In addition, if the closing price of the applicable Underlying Stock falls below the applicable Knock-In Level on any trading day during the Knock-In Period, investors in the Securities will be exposed to any decline in the price of the applicable Underlying Stock below the closing price of such Underlying Stock on the date the Securities were priced. **Accordingly, you may lose some or all of your initial investment in the Securities.**

Limited Return

The amount payable under the Securities will never exceed the original principal amount of the Securities plus the applicable aggregate fixed coupon payment investors earn during the term of the Securities. This means that you will not benefit from any price appreciation in the applicable Underlying Stock, nor will they receive dividends paid on the applicable Underlying Stock, if any. Accordingly, you will never receive at maturity an amount greater than a predetermined amount per Security, regardless of how much the price of the applicable Underlying Stock increases during the term of the Securities or on the Determination Date. The return of a Security may be significantly less than the return of a direct investment in the Underlying Stock to which the Security is linked during the term of the Security.

Liquidity Risk

ABN AMRO does not intend to list the Securities on any securities exchange. Accordingly, there may be little or no secondary market for the Securities and information regarding independent market pricing of the Securities may be limited. The value of the Securities in the secondary market, if any, will be subject to many unpredictable factors, including then prevailing market conditions.

It is important to note that many factors will contribute to the secondary market value of the Securities, and you may not receive your full principal back if the Securities are sold prior to maturity. Such factors include, but are not limited to, time to maturity, the price of the applicable Underlying Stock, volatility and interest rates.

In addition, the price, if any, at which we or another party are willing to purchase Securities in secondary market transactions will likely be lower than the issue price, since the issue price included, and secondary market prices are likely to exclude, commissions, discounts or mark-ups paid with respect to the Securities, as well as the cost of hedging our obligations under the Securities.

Tax Risk

Pursuant to the terms of the Knock-in Reverse Exchangeable Securities, we and every investor in the Securities agree to characterize the Securities as consisting of a Put Option and a Deposit of cash with the issuer. Under this characterization, a portion of the stated interest payments on each Security is treated as interest on the Deposit, and the remainder is treated as attributable to a sale by you of the Put Option to ABN AMRO (referred to as Put Premium). Receipt of the Put Premium will not be taxable upon receipt.

If the Put Option expires unexercised (i.e., a cash payment of the principal amount of the Securities is made to the investor at maturity), you will recognize short-term capital gain equal to the total Put Premium received. If the Put Option is exercised (i.e., the final payment on the Securities is paid in the applicable Underlying Stock), you will not recognize any gain or loss in respect of the Put Option, but your tax basis in the applicable Underlying Stock received will be reduced by the Put Premium received.

Significant aspects of the U.S. federal income tax treatment of the Securities are uncertain, and no assurance can be given that the Internal Revenue Service will accept, or a court will uphold, the tax treatment described above.

This summary is limited to the federal tax issues addressed herein. Additional issues may exist that are not addressed in this summary and that could affect the federal tax treatment of the transaction. This tax summary was written in connection with the promotion or marketing by ABN AMRO Bank N.V. and the placement agent of the Knock-in Reverse Exchangeable Securities, and it cannot be used by any investor for the purpose of avoiding penalties that may be asserted against the investor under the Internal Revenue Code. **You should seek your own advice based on their particular circumstances from an independent tax advisor.**

Reverse Exchangeable is a Service Mark of ABN AMRO Bank N.V.