



MUTUAL FUNDS

Fund Commentary

Q4 | 2011

John Hancock Bank and Thrift Opportunity Fund

FROM THE JOHN HANCOCK ASSET MANAGEMENT PORTFOLIO MANAGEMENT TEAM

FUND RESULTS

In the fourth quarter of 2011, the Fund returned 16.01%, behind its benchmark index, the S&P 1500 Composite Banks Index, which jumped 17.25% and surpassed the average 9.88% of Morningstar, Inc.'s financial funds category. The broad stock market, as measured by the S&P 500 Index, rose 11.82%.

MARKET ENVIRONMENT

Macro issues continued to dominate the headlines during the fourth quarter, with the largest concerns being about the European sovereign debt crisis. Nevertheless, better economic data in the United States, including improvements in the employment picture, helped the stock market rebound.

PERFORMANCE REVIEW

Bank stocks increased sharply amid better economic data, including accelerating commercial loan growth. Fundamental trends were generally solid for U.S. banks, with credit quality improving and capital levels building. Revenue growth remained under pressure as net interest margins declined due to lower reinvestment rates, and overall loan growth was sluggish. Further, capital markets activities were weak. Nevertheless, the median bank reported over 20% year-over-year earnings growth for the third quarter of 2011.

The Fund slightly underperformed its benchmark mainly due to our money center bank holdings, which significantly lagged their smaller peers.

A number of our mid- and small-cap banks had outstanding performance in the quarter, increasing over 25%. These strong performers include top-ten positions East West Bancorp Inc., F.N.B. Corp, and SVB Financial Group, all

which showed good loan growth with solid pipelines that bode well for future loan generation.

Citizens Republic Bancorp, Inc. was one of the Fund's top performers, increasing almost 65%. This Michigan-based company reduced its problem loans and reported profit for the second quarter in a row. We expect the company to remain profitable and to soon be released from its regulatory agreement. Accordingly, we still believe there is significant upside potential in the stock.

On the negative side, Bank of America Corp had a difficult quarter with its stock falling by almost 9%. The company continues to be subject to many of the negative macro issues plaguing the sector including potential for forced repurchase of mortgages and foreclosure liabilities, assumed exposure to the European sovereign debt crisis and increased capital and liquidity requirements.

MANAGED DISTRIBUTION

On December 1, 2011, the Fund announced a quarterly distribution of \$0.1959 per share to shareholders of record as of December 12, 2011. This payment is pursuant to a managed distribution plan, which was adopted in March 2010, in which the Fund makes quarterly distributions equal to 1.25% of the Fund's net asset value, based upon an annual rate of 5% as of the measuring date.

OUTLOOK

We indicated last quarter and in our recent annual report dated October 31, 2011 that we believed the valuations of the U.S. banks were not reflecting their underlying fundamentals. Even with the increase in bank stocks that we saw in the fourth quarter, we continue to find many attractive valuations within the sector.

This commentary reflects the views of the portfolio managers through 12/31/11 and may include forward-looking statements. The statements may include projections, estimates and descriptions of future events. These statements are subject to a variety of risks and uncertainties, which may cause actual results to differ materially. The managers' views are subject to change as market and other conditions warrant and should not be construed as a recommendation for any securities discussed herein.

Unlike open-end funds, closed-end funds are not continuously offered. After a one-time public offering, shares of closed-end funds are sold in the secondary market and frequently trade at a discount to net asset value. A closed-end fund cannot predict whether its shares will trade at, below or above net asset value. Specialized funds carry additional risks.

Fund-specific information is provided for informational purposes only and is not intended for trading purposes.

If you are interested in investing in any of the John Hancock closed-end funds, please contact your financial professional. Before investing, prospective investors should consider carefully a fund's objective, risks, charges and expenses. For current fund information or to request closed-end fund literature, call **1-800-843-0090** or visit our Web site at **www.jhfunds.com**.



John Hancock Funds

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