

John Hancock

MUTUAL FUNDS

John Hancock
Premium Dividend Fund



Annual Report
10.31.11

Ticker | **PDT**

CEO corner



To Our Shareholders,

The 12-month period ended October 31, 2011 was tumultuous for financial markets. Buffeted by the questionable state of the U.S. economy, natural disasters in Japan, concerns about a growing debt crisis in Europe and the downgrade of U.S. debt for the first time ever, global markets grew increasingly volatile as the period progressed.

In the first six months of the period, stocks, as measured by the S&P 500 Index, had double-digit returns on improving economic and corporate earnings growth news. That changed dramatically in the second half of the period, as volatility rose amid signs that economic growth was stalling and the European debt crisis was ballooning.

Fears of a double-dip recession grew. Financial markets went into a tailspin in May and continued spiraling down through a bad August and worse September. The S&P 500 Index tumbled by more than 19% in those five months — just to the edge of bear market territory. October saw a strong rebound after the markets were buoyed by a good corporate earnings season and by the efforts of European officials to address Greece's debt woes and attempt to prevent those problems from spreading to other vulnerable eurozone countries.

On the strength of the first six months of the period and the returns in October, the S&P 500 Index returned 8.09% for the 12-month period ended October 31, 2011. Overseas markets had a tougher road, with the broad MSCI EAFE Index returning -3.64% and the MSCI Emerging Markets Index returning -7.44%. Bonds produced positive results for the 12-month period, as investors sought their relative safe haven status, especially in the second half, when Treasuries became the securities of choice, even with their downgrade. The broad bond market, as measured by the Barclays Capital U.S. Aggregate Bond Index, returned 5.00% in this time.

In these volatile times, we are reminded of the Chinese word for “crisis,” which, by most accounts, is made up of two characters — one means “danger,” the other “opportunity.” Often, in the midst of financial uncertainty, the media tend to focus only on the danger and not on the opportunities and investors react by selling their shares and going into cash. But that strategy requires two correct decisions to be successful: when to get out, and, more importantly, when to get back in. In the market crash of 2008, many investors felt good about their first decision, but waited far too long to make that second decision. The result was that they missed the rally in 2009.

Instead of exiting the market, we encourage you to look past the dangers in today's unsettled climate and work with your financial adviser to position your portfolio for the long term and the opportunities to come.

Sincerely,

Keith F. Hartstein

Keith F Hartstein,
President and Chief Executive Officer

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This commentary reflects the CEO's views as of October 31, 2011. They are subject to change at any time. For more up-to-date information, you can visit our Web site at www.jhfunds.com.

Not part of the annual report

Your fund at a glance

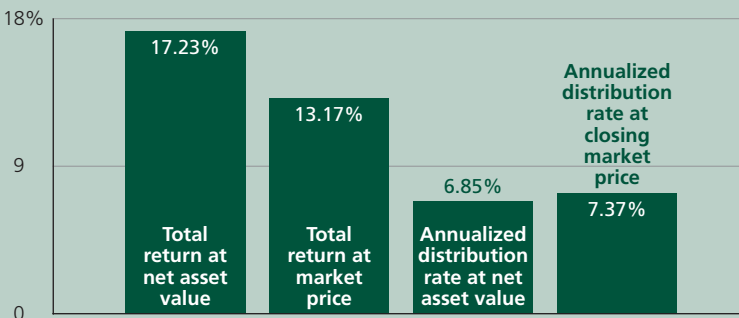
The Fund seeks to provide high current income, consistent with modest growth of capital. The Fund will pursue its objective by investing in a diversified portfolio comprised primarily of dividend-paying preferred securities and common equity securities. The Fund uses a committed facility agreement to increase its assets available for investment.

Over the last twelve months

- Preferred securities posted solid gains, outpacing U.S. investment-grade bonds and performing in line with common stocks.
- Utility common stocks had even better results due to a rally in the spring of 2011, which was sparked by heightened market volatility and investors' search for stocks in industries that historically perform well in periods of economic and market stress.
- Not surprisingly, utility common stocks were the Fund's best contributors to performance, while preferred securities of European financial companies detracted from results.

John Hancock Premium Dividend Fund

Fund performance and distribution rates for the year ended October 31, 2011.



The total returns for the Fund include the reinvestment of all distributions. The performance data contained within this material represents past performance, which does not guarantee future results.

Current annualized distribution rate is the latest monthly dividend rate as an annualized percentage of net asset value/closing market price on 10-31-11. The Fund's monthly distributions may be from net investment income, capital gains or return of capital.

Managers' report

John Hancock

Premium Dividend Fund

Preferred securities — the key focus for John Hancock Premium Dividend Fund — posted gains during the 12-month period ended October 31, 2011, outpacing U.S. investment-grade bonds and performing in line with common stocks.

During the first half of the period, preferred securities benefited from robust demand as investors sought higher yields. Demand also was fueled by the extension of Bush-era tax policies and other forms of tax stimulus — including the continuation of the 15% tax rate for qualified dividends on many tax-advantaged preferred securities. At the same time, the supply of preferred securities was muted as companies remained reluctant to issue new preferred shares, partially in response to financial reform regulations that made it unattractive for many financial companies to do so. In early summer 2011, preferred securities continued to perform reasonably well in response to investors' ongoing appetite for income-producing securities, as well as the waning threat

of imminent interest-rate hikes, which provided a favorable backdrop for such investments. That said, preferred securities came under pressure in late summer and early fall when several factors weighed on the sector: the intensifying debt crisis in Europe, economic malaise in the United States and uncertainty about the ability of European and U.S. political leaders to offer credible solutions to those challenges.

Utility common stocks, another focus area for the Fund, posted even better results during the period. At the beginning of the period, the performance of utility common stocks was lackluster due to investors' preference for more economically sensitive areas of the market. In early 2011, these securities sold off in response to the earthquake, tsunami and nuclear crisis in Japan, prompting a short-lived flight from utilities with

TOP 10 ISSUERS^{1,2}

Bank of America Corp.....	5.7%
NSTAR	3.6%
Southern California Edison Company	3.5%
CH Energy Group, Inc.	3.4%
Alabama Power Company	3.0%
PPL Electric Utilities Corp. .	2.9%
Nexen, Inc.	2.9%
Wells Fargo & Company... .	2.9%
MetLife, Inc.	2.7%
Duquesne Light Company	2.7%



Portfolio Managers Gregory K. Phelps and Mark T. Maloney

John Hancock Asset Management a division of Manulife Asset Management (US) LLC

nuclear operations. But beginning in the spring of 2011, utility common stocks rallied strongly as investors returned to income-producing stocks of industries with a history of performing comparatively well during periods of economic and market stress.

Performance

For the 12-month period ended October 31, 2011, John Hancock Premium Dividend Fund returned 17.23% at net asset value (NAV) and 13.17% at market price. The difference in the Fund's NAV performance and its market performance stems from the fact that the market share price is subject to the dynamics of secondary market trading, which could cause it to trade at a discount or premium to the Fund's NAV share price at any time.

“Preferred securities ... posted gains during the 12-month period ended October 31, 2011, outpacing U.S. investment-grade bonds and performing in line with common stocks.”

In the same one-year period, the broad stock market, as measured by the S&P 500 Index, returned 8.09%. By comparison, the group of preferred-stock closed-end funds tracked by UBS Securities LLC returned an average of 7.51% at NAV and 8.96% at market price. For the same 12-month period, the Barclays Capital U.S. Aggregate Bond Index returned 5.00%, the Bank of America Merrill Lynch Preferred Stock DRD-Eligible Index rose 8.86% and the S&P 400 MidCap Utilities Index gained 16.20%.

The Fund's current annualized distribution rate was 6.85% at NAV and 7.37% at closing market price on October 31, 2011.

Performance highlights

Among the Fund's best-performing holdings during the 12-month period ended October 31, 2011 were utility common stocks. In particular, FirstEnergy Corp., NiSource, Inc. and OGE Energy Corp. all generated strong gains for the portfolio. These stocks, which offered attractive yields and rising dividends, were heavily favored by investors seeking shelter from economic and market uncertainty. Improving business fundamentals helped these stocks as well. For example, FirstEnergy benefited from being able to charge higher prices for electricity and from expectations that the cost savings stemming from the company's acquisition of another utility would be better than expected. In the category of utility preferred securities, BGE Capital Trust II was another solid performer, bolstered by the same trends that helped its utility common stock counterparts. Elsewhere, the high price of oil helped many of the Fund's energy-related holdings, specifically Chevron Corp. and Spectra Energy Corp. Among financial preferred securities, Wells Fargo & Company was a standout, generating solid results based in part on its improving financial condition and strong management team.

Some of the biggest detractors for the period were holdings in the preferred securities of European financial companies, including Deutsche Bank and Barclays Bank PLC. These securities came under heavy selling pressure throughout much of the period as investors worried about the companies' exposure to the debt of troubled European nations. Among U.S. financial holdings, Morgan Stanley also performed poorly amid rumors — that so far have not been proved to be warranted — that the company had a large exposure to French banks with holdings in European peripheral countries' debt.

SECTOR COMPOSITION¹

Utilities	54%
Financials.....	26%
Energy.....	9%
Telecommunication Services	7%
Consumer Staples	2%
Consumer Discretionary ...	1%
Short-Term Investments.....	1%

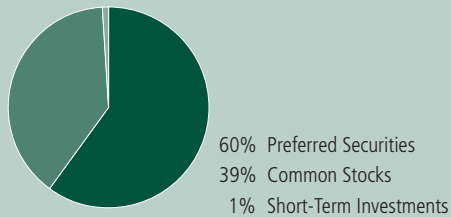
Outlook

Given the uncertainty surrounding the debt problems of Europe, and the economic slowdown in the U.S., our forecast calls for continued volatility in preferred securities over the near term. The Federal Reserve has pledged to keep interest rates at very low levels until at least mid-2013, and has undertaken other accommodative policies. While an environment characterized by steady and low interest rates normally would be beneficial for preferred securities, we'll likely need to see a credible solution to the European debt problem

emerge before stability returns to the marketplace. Given that scenario, we plan to remain very selective in our security choices. Over the longer term, however, we believe preferred securities could benefit once again from the fact that they generally offer investors an attractive yield advantage over many investment-grade bonds. As for utilities, we're reasonably optimistic that their earnings and dividend growth will remain attractive to investors over the near term.

“Among the Fund’s best-performing holdings during the 12-month period were utility common stocks.”

PORTFOLIO COMPOSITION¹



This commentary reflects the views of the portfolio managers through the end of the Fund’s period discussed in this report. The managers’ statements reflect their own opinions. As such, they are in no way guarantees of future events, and are not intended to be used as investment advice or a recommendation regarding any specific security. They are also subject to change at any time as market and other conditions warrant.

Past performance is no guarantee of future results.

The Fund normally will invest at least 25% of its managed assets in securities of companies in the utilities industry. Such an investment focus makes the Fund more susceptible to factors adversely affecting the utilities industry than a more broadly diversified fund. Sector investing is subject to greater risks than the market as a whole.

¹ As a percentage of the Fund’s total investments on 10-31-11.

² Cash and cash equivalents not included.

Management's discussion of Fund performance

By John Hancock Asset Management a division of
Manulife Asset Management (US) LLC

Preferred securities posted gains during the 12 months ended October 31, 2011, outpacing U.S. investment-grade bonds and performing in line with common stocks. After a strong first half propelled by robust demand and limited supply, preferred securities came under pressure in late summer and early fall 2011 when the intensifying debt crisis in Europe, economic malaise in the United States and uncertainty about the ability of European and U.S. political leaders to offer credible solutions to those challenges weighed on the sector. For the 12 months ended October 31, 2011, John Hancock Premium Dividend Fund returned 17.23% at net asset value (NAV) and 13.17% at market price. The difference in the Fund's NAV performance and its market performance stems from the fact that the market share price is subject to the dynamics of secondary market trading, which could cause it to trade at a discount or premium to the Fund's NAV share price at any time. In the same one-year period, the broad stock market, as measured by the S&P 500 Index, returned 8.09%. By comparison, the group of preferred-stock closed-end funds tracked by UBS Securities LLC returned an average of 7.51% at NAV and 8.96% at market price. Meanwhile, the Barclays Capital U.S. Aggregate Bond Index returned 5.00%, the Bank of America Merrill Lynch Preferred Stock DRD-Eligible Index rose 8.86% and the S&P 400 MidCap Utilities Index gained 16.20%.

Among the Fund's best performers were utility common stocks FirstEnergy Corp., NiSource, Inc. and OGE Energy Corp., which were heavily favored by investors seeking shelter from economic and market uncertainty. BGE Capital Trust II was another solid performer, bolstered by similar trends. Elsewhere, the high price of oil helped energy-related holdings Chevron Corp. and Spectra Energy Corp. Among financial preferreds securities, Wells Fargo & Company was a standout, generating solid results based in part on its improving financial condition and strong management team. Among the biggest detractors were holdings in the preferred securities of European financial companies Deutsche Bank and Barclays Bank PLC, which came under heavy selling pressure as investors worried about the companies' exposure to the debt of troubled European nations. Among U.S. financial holdings, Morgan Stanley also performed poorly amid rumors — that so far have not been proven to be warranted — that the company had a large exposure to French banks with holdings in European peripheral countries' debt.

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Portfolio summary

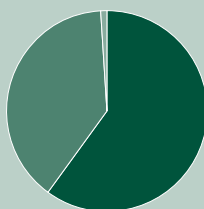
Top 10 Issuers (33.3% of Total Investments)^{1,2}

Bank of America Corp.	5.7%	PPL Electric Utilities Corp.	2.9%
NSTAR	3.6%	Nexen, Inc.	2.9%
Southern California Edison Company	3.5%	Wells Fargo & Company	2.9%
CH Energy Group, Inc.	3.4%	MetLife, Inc.	2.7%
Alabama Power Company	3.0%	Duquesne Light Company	2.7%

Sector Composition^{1,3}

Utilities	54%	Consumer Staples	2%
Financials	26%	Consumer Discretionary	1%
Energy	9%	Short-Term Investments	1%
Telecommunication Services	7%		

PORTFOLIO COMPOSITION¹



60% Preferred Securities
39% Common Stocks
1% Short-Term Investments

¹ As a percentage of the Fund's total investments on 10-31-11.

² Cash and cash equivalents not included.

³ The Fund normally will invest at least 25% of its managed assets in securities of companies in the utilities industry. Such an investment focus makes the Fund more susceptible to factors adversely affecting the utilities industry than a more broadly diversified fund. Sector investing is subject to greater risks than the market as a whole.

Fund's investments

As of 10-31-11

	Shares	Value
Preferred Securities 90.00% (60.20% of Total Investments)		\$594,355,574
(Cost \$596,565,921)		
Consumer Discretionary 1.04%		6,872,298
Media 1.04%		
Comcast Corp., 7.000% (Z)	40,000	1,000,398
Viacom, Inc., 6.850% (Z)	230,000	5,871,900
Consumer Staples 2.99%		19,755,035
Food & Staples Retailing 2.99%		
Ocean Spray Cranberries, Inc., Series A, 6.250% (S)(Z)	224,250	19,755,035
Energy 5.54%		36,570,700
Oil, Gas & Consumable Fuels 5.54%		
Apache Corp., Series D, 6.000% (Z)	136,500	7,684,950
Nexen, Inc., 7.350%	1,135,000	28,885,750
Financials 39.04%		257,810,874
Capital Markets 2.38%		
Credit Suisse Guernsey, 7.900% (Z)	174,000	4,555,320
Lehman Brothers Holdings, Inc., Depository Shares, Series D, 5.670% (I)	162,700	1,790
Morgan Stanley Capital Trust III, 6.250% (Z)	103,000	2,254,670
The Goldman Sachs Group, Inc., Series B, 6.200% (Z)	357,000	8,885,730
Commercial Banks 12.42%		
Barclays Bank PLC, Series 3, 7.100%	95,000	2,141,300
Barclays Bank PLC, Series 5, 8.125%	293,000	7,225,380
HSBC Finance Corp., Depository Shares, Series B, 6.360% (Z)	65,600	1,420,240
HSBC USA, Inc., 2.858% (Z)	503,000	23,741,600
Santander Finance Preferred SA Unipersonal, Series 10, 10.500% (Z)	234,600	6,287,280
Santander Holdings USA, Inc., Series C, 7.300% (Z)	500,000	12,510,000
Wells Fargo & Company, 8.000% (L)(Z)	1,017,000	28,720,080
Consumer Finance 2.85%		
SLM Corp., Series A, 6.970% (Z)	445,500	18,817,920
Diversified Financial Services 14.69%		
Bank of America Corp., 6.375% (L)(Z)	1,160,000	24,313,600
Bank of America Corp., 6.625% (Z)	360,000	7,930,800

	Shares	Value
Diversified Financial Services (continued)		
Bank of America Corp., 8.200% (L)(Z)	35,000	\$842,100
Bank of America Corp., Depository Shares, Series D, 6.204% (L)(Z)	960,000	20,630,400
Bank of America Corp., Series MER, 8.625% (Z)	102,000	2,520,420
Citigroup Capital VII, 7.125%	35,000	866,250
Citigroup Capital VIII, 6.950%	36,600	873,642
Citigroup Capital XII (8.500% to 3-30-15, then 3 month LIBOR + 5.870%) (Z)	291,500	7,462,400
Citigroup Capital XIII (7.875% to 10-30-15, then 3 month LIBOR + 6.370%)	26,000	700,180
Citigroup, Inc., 8.125% (Z)	338,830	8,775,697
Deutsche Bank Contingent Capital Trust II, 6.550% (Z)	285,275	6,218,995
Deutsche Bank Contingent Capital Trust III, 7.600% (Z)	662,000	15,901,240
Insurance 5.37%		
MetLife, Inc., Series B, 6.500% (L)(Z)	1,061,000	26,843,300
Principal Financial Group, Inc., Series B (6.518% to 6-30-35, then higher of 3 month LIBOR + 2.100% or 10 year Constant Maturity Treasury (CMT), or 30 year CMT) (L)(Z)	160,000	4,120,000
Prudential PLC, 6.750% (Z)	176,100	4,467,657
Real Estate Investment Trusts 1.26%		
Kimco Realty Company, Depository Shares, Series F, 6.650%	200,582	5,082,748
Public Storage, Inc., 6.125% (Z)	35,000	896,000
Wachovia Preferred Funding Corp., Series A, 7.250%	90,500	2,373,815
Thriffs & Mortgage Finance 0.07%		
Federal Home Loan Mortgage Corp., Series Z (8.375% to 12-31-12, then higher of 3 month LIBOR + 4.160% or 7.875%) (I)	55,000	117,700
Federal National Mortgage Association, Series S (Higher of 3 month LIBOR + 4.230% or 7.750%) (I)	159,500	312,620
Telecommunication Services 6.44%		42,559,850
Diversified Telecommunication Services 3.98%		
Qwest Corp., 7.375% (Z)	1,021,000	26,290,750
Wireless Telecommunication Services 2.46%		
Telephone & Data Systems, Inc., 6.625% (Z)	285,000	7,196,250
Telephone & Data Systems, Inc., 6.875% (L)(Z)	170,000	4,335,000
United States Cellular Corp., 6.950%	185,000	4,737,850
Utilities 34.95%		230,786,817
Electric Utilities 26.68%		
Alabama Power Company, 5.200% (L)(Z)	1,178,600	29,795,008
Carolina Power & Light Company, 5.440% (Z)	11,382	1,108,322
Duquesne Light Company, 6.500%	519,900	26,466,185

	Shares	Value
Electric Utilities (continued)		
Entergy Arkansas, Inc., 6.450%	350,000	\$8,793,750
Entergy Mississippi, Inc., 6.250%	667,000	16,487,440
FPC Capital I, Series A, 7.100% (Z)	240,000	6,182,400
HECO Capital Trust III, 6.500% (Z)	181,000	4,624,550
NSTAR Electric Company, 4.780% (Z)	100,000	9,559,380
NSTAR Electric Company, 4.250%	13,347	1,134,228
PPL Electric Utilities Corp., Depositary Shares, 6.250% (Z)	1,150,000	29,037,500
Southern California Edison Company, 6.125% (Z)	195,000	19,432,979
Southern California Edison Company, Series C, 6.000% (Z)	150,877	14,889,674
Westar Energy, Inc., 6.100% (Z)	333,700	8,719,581
Independent Power Producers & Energy Traders 1.34%		
Constellation Energy Group, Inc., Series A, 8.625% (Z)	326,000	8,847,640
Multi-Utilities 6.93%		
Baltimore Gas & Electric Company, Series 1993, 6.700% (Z)	20,250	2,049,047
Baltimore Gas & Electric Company, Series 1995, 6.990% (Z)	134,000	13,676,375
BGE Capital Trust II, 6.200%	616,000	15,880,480
Consolidated Edison Company of New York, Inc., Series A, 5.000%	25,180	2,543,180
Consolidated Edison Company of New York, Inc., Series C, 4.650%	18,590	1,821,820
Consolidated Edison Company of New York, Inc., Series D, 4.650%	5,000	508,747
Interstate Power & Light Company, Series B, 8.375% (Z)	132,800	3,847,216
Union Electric Company, 3.700% (Z)	12,262	848,377
Virginia Electric & Power Company, 6.980% (Z)	45,500	4,532,938
	Shares	Value
Common Stocks 57.83% (38.68% of Total Investments)		\$381,905,112
(Cost \$335,375,074)		
Energy 8.20%		54,167,915
Oil, Gas & Consumable Fuels 8.20%		
BP PLC, ADR (Z)	100,000	4,418,000
Chevron Corp. (Z)	112,000	11,765,600
ConocoPhillips (L)(Z)	155,000	10,795,750
Royal Dutch Shell PLC, ADR	69,000	4,892,790
Spectra Energy Corp. (L)(Z)	317,500	9,090,025
Total SA, ADR	252,500	13,205,750
Industrials 0.33%		2,172,300
Industrial Conglomerates 0.33%		
General Electric Company (L)(Z)	130,000	2,172,300

	Shares	Value
Materials 0.50%		\$3,301,320
Metals & Mining 0.50%		
Freeport-McMoRan Copper & Gold, Inc.	82,000	3,301,320
Telecommunication Services 3.82%		25,237,450
Diversified Telecommunication Services 3.82%		
AT&T, Inc. (L)(Z)	410,000	12,017,100
Verizon Communications, Inc. (L)(Z)	357,500	13,220,350
Utilities 44.98%		297,026,127
Electric Utilities 17.37%		
American Electric Power Company, Inc. (L)(Z)	220,000	8,641,600
Duke Energy Corp. (L)(Z)	355,000	7,249,100
Energy Corp.	210,000	14,525,700
FirstEnergy Corp. (Z)	430,000	19,332,800
NSTAR (L)(Z)	545,000	24,574,050
PNM Resources, Inc. (Z)	500,000	8,990,000
Progress Energy, Inc. (L)(Z)	385,000	20,058,500
Progress Energy, Inc., CVO (I)	337,750	30,398
Southern Company	75,000	3,240,000
UIL Holdings Corp.	236,000	8,042,880
Gas Utilities 0.86%		
Atmos Energy Corp. (L)(Z)	110,000	3,775,200
ONEOK, Inc.	25,000	1,901,250
Multi-Utilities 26.75%		
Alliant Energy Corp. (Z)	447,520	18,249,866
Ameren Corp. (L)(Z)	80,000	2,550,400
Black Hills Corp. (L)(Z)	225,500	7,601,605
CH Energy Group, Inc.	600,000	33,126,000
Dominion Resources, Inc. (L)(Z)	195,000	10,060,050
DTE Energy Company (L)(Z)	390,000	20,322,900
Integrus Energy Group, Inc. (L)(Z)	240,000	12,698,400
National Grid PLC, ADR	180,000	9,012,600
NiSource, Inc. (Z)	469,200	10,364,628
OGE Energy Corp. (L)(Z)	255,000	13,193,700
Public Service Enterprise Group, Inc.	120,000	4,044,000
TECO Energy, Inc. (L)(Z)	570,000	10,584,900
Vectren Corp. (L)(Z)	220,000	6,243,600
Xcel Energy, Inc. (L)(Z)	720,000	18,612,000

	Yield*	Maturity date	Par value	Value
Short-Term Investments 1.66% (1.12% of Total Investments)				\$11,000,000
(Cost \$11,000,000)				
Commercial Paper 1.66%				11,000,000
Chevron Corp.	0.020%	11-1-11	\$11,000,000	11,000,000
Total investments (Cost \$942,940,995)† 149.49%				\$987,260,686
Other assets and liabilities, net (49.49%)				(\$326,845,270)
Total net assets 100.00%				\$660,415,416

The percentage shown for each investment category is the total value of the category as a percentage of the net assets of the Fund.

ADR American Depositary Receipts

CVO Contingent Value Obligation

LIBOR London Interbank Offered Rate

(I) Non-income producing security.

(L) A portion of this security is on loan as of 10-31-11, and is part of segregated collateral pursuant to the Committed Facility Agreement. Total value of securities on loan at 10-31-11 was \$277,479,456.

(S) These securities are exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold, normally to qualified institutional buyers, in transactions exempt from registration.

(Z) A portion of this security is segregated as collateral pursuant to the Committed Facility Agreement (See Note 8). Total collateral value at 10-31-11 was \$625,358,655.

* Yield represents the annualized yield at the date of purchase.

† At 10-31-11, the aggregate cost of investment securities for federal income tax purposes was \$945,582,464.

Net unrealized appreciation aggregated \$41,678,222 of which \$80,756,693 related to appreciated investment securities and \$39,078,471 related to depreciated investment securities.

Financial statements

Statement of assets and liabilities 10-31-11

This Statement of assets and liabilities is the Fund's balance sheet. It shows the value of what the Fund owns, is due and owes. You'll also find the net asset value per share.

Assets	
Investments, at value (Cost \$942,940,995)	\$987,260,686
Cash segregated at custodian for swap contracts	270,000
Receivable for investments sold	10,022,290
Dividends receivable	3,266,583
Other receivables and prepaid expenses	114,244
Total assets	1,000,933,803
Liabilities	
Custodian overdraft	9,767,197
Payable for investments purchased	82,320
Committed facility agreement payable (Note 8)	329,200,000
Interest payable (Note 8)	34,772
Swap contracts, at value (Note 3)	1,101,341
Payable to affiliates	
Administrative services fees	81,946
Trustees' fees	83,195
Other liabilities and accrued expenses	167,616
Total liabilities	340,518,387
Net assets	
Paid-in capital	\$615,964,358
Undistributed net investment income	3,652,983
Accumulated net realized loss on investments	(2,420,275)
Net unrealized appreciation (depreciation) on investments and swap agreements	43,218,350
Net assets	\$660,415,416
Net asset value per share	
Based on 49,969,927 shares of beneficial interest outstanding — unlimited number of shares authorized with no par value	\$13.22

Statement of operations For the year ended 10-31-11

This Statement of operations summarizes the Fund's investment income earned, expenses incurred in operating the Fund and net gains (losses) for the period stated.

Investment income	
Dividends	\$55,518,668
Interest	175,061
Less foreign taxes withheld	(80,990)
Total investment income	55,612,739
Expenses	
Investment management fees (Note 5)	7,449,877
Administrative services fees (Note 5)	933,209
Transfer agent fees	138,953
Trustees' fees (Note 5)	100,902
Printing and postage	148,383
Professional fees (Note 10)	235,972
Custodian fees	83,262
Interest expense (Note 8)	3,109,746
Stock exchange listing fees	40,851
Other	153,835
Total expenses	12,394,990
Less expense reductions (Note 10)	(678,635)
Net expenses	11,716,355
Net investment income	43,896,384
Realized and unrealized gain (loss)	
Net realized gain on investments	2,032,087
Change in net unrealized appreciation (depreciation) of	
Investments	53,111,044
Swap contracts (Note 3)	(1,101,341)
	52,009,703
Net realized and unrealized gain	54,041,790
Increase in net assets from operations	\$97,938,174

Statements of changes in net assets

These Statements of changes in net assets show how the value of the Fund's net assets has changed during the last two periods. The difference reflects earnings less expenses, any investment gains and losses, distributions, if any, paid to shareholders and the net of Fund share transactions, if any.

	Year ended 10-31-11	Year ended 10-31-10
Increase (decrease) in net assets		
From operations		
Net investment income	\$43,896,384	\$40,435,861
Net realized gain (loss)	2,032,087	(74,449)
Change in net unrealized appreciation (depreciation)	52,009,703	122,768,814
Increase in net assets resulting from operations	97,938,174	163,130,226
Distributions to shareholders		
From net investment income	(45,272,754)	(43,273,957)
Total increase	52,665,420	119,856,269
Net assets		
Beginning of year	607,749,996	487,893,727
End of year	\$660,415,416	\$607,749,996
Undistributed net investment income	\$3,652,983	\$3,516,871

Statement of cash flows

This Statement of cash flows shows cash flow from operating and financing activities for the period stated.

	For the year ended 10-31-11
Cash flows from operating activities	
Net increase in net assets from operations	\$97,938,174
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Long-term investments purchased	(181,203,291)
Long-term investments sold	124,172,115
Decrease in short-term investments	19,500,000
Decrease in dividends receivable	169,828
Decrease in payable for investments purchased	(5,398,936)
Increase in receivable for investments sold	(10,022,290)
Increase in cash segregated at custodian for swap contracts	(270,000)
Increase in other receivables and prepaid assets	(10,669)
Increase in unrealized depreciation of swap contracts	1,101,341
Increase in payable to affiliates	30,580
Decrease in interest payable	(60)
Decrease in other liabilities and accrued expenses	(656,754)
Net change in unrealized (appreciation) depreciation on investments	(53,111,044)
Net realized gain on investments	(2,032,087)
Net cash provided by operating activities	(\$9,793,093)
Cash flows from financing activities	
Borrowings from committed facility agreement payable	45,200,000
Distributions to common shareholders	(45,272,754)
Custodian overdrafts	9,767,197
Net cash provided by financing activities	9,694,443
Net decrease in cash	(\$98,650)
Cash at beginning of period	\$98,650
Cash at end of period	—
Supplemental disclosure of cash flow information	
Cash paid for interest	\$3,109,806

Financial highlights

The Financial highlights show how the Fund's net asset value for a share has changed since the end of the previous period.

COMMON SHARES Period ended	10-31-11	10-31-10	10-31-09	10-31-08	10-31-07
Per share operating performance					
Net asset value, beginning of year	\$12.16	\$9.76	\$8.67	\$12.61	\$12.87
Net investment income ¹	0.88	0.81	0.77	0.82	0.87
Net realized and unrealized gain (loss) on investments	1.09	2.46	1.15	(3.98)	(0.24)
Distributions to DARTS*	—	—	—	(0.20)	(0.29)
Total from investment operations	1.97	3.27	1.92	(3.36)	0.34
Less distributions to common shareholders					
From net investment income	(0.91)	(0.87)	(0.72)	(0.58)	(0.60)
From net realized gain	—	—	(0.12)	(0.01)	—
Total distributions	(0.91)	(0.87)	(0.84)	(0.59)	(0.60)
Anti-dilutive impact of tender offer and share repurchase	—	—	0.01 ²	0.01 ³	—
Net asset value, end of year	\$13.22	\$12.16	\$9.76	\$8.67	\$12.61
Per share market value, end of year	\$12.30	\$11.72	\$9.14	\$7.00	\$10.59
Total return at net asset value (%)⁴	17.23	35.08	25.73	(26.60)	3.32
Total return at market value (%)⁴	13.17	39.03	45.84	(29.43)	(0.83)
Ratios and supplemental data					
Net assets applicable to common shares, end of year (in millions)	\$660	\$608	\$488	\$456	\$709
Ratios (as a percentage of average net assets):					
Expenses before reductions (excluding interest expense)	1.48 ⁵	1.69 ⁵	1.73	1.64	1.71
Interest expense (Note 8)	0.50	0.57	0.77	0.58	—
Expenses before reductions (including interest expense)	1.98 ⁵	2.26 ⁵	2.50	2.22	1.71
Expenses net of reductions (excluding interest expense)	1.37 ⁵	1.69 ⁵	1.73	1.64	1.71
Expenses net of reductions (including interest expense)	1.87 ⁵	2.26 ⁵	2.50	2.22	1.71 ⁶
Net investment income	7.00	7.26	9.21	7.59	6.86 ⁷
Portfolio turnover (%)	13	21	7	15	14 ⁸
Senior securities					
Total value of DARTS outstanding (in millions)	—	—	—	—	\$351
Involuntary liquidation preference per unit (in thousands)	—	—	—	—	100
Average market value per unit (in thousands)	—	—	—	—	100
Asset coverage per unit ⁹	—	—	—	— ¹⁰	\$300,814
Total debt outstanding end of year (in millions) (Note 8)	\$329	\$284	\$250	\$239	—
Asset coverage per \$1,000 of DARTS ¹¹	—	—	—	—	\$3,016
Asset coverage per \$1,000 of debt ¹²	\$3,006	\$3,140	\$2,954	\$2,913	—

* Dutch Auction Rate Transferable Securities.

¹ Based on the average daily shares outstanding.

² The tender offer was completed at a repurchase price of \$6.98 for 2,629,996 shares, which equals \$18,353,857 in redemptions.

³ The tender offer was completed at a repurchase price of \$8.38 for 2,768,417 shares, which equals \$23,199,333 in redemptions.

⁴ Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value. Each figure assumes that dividend and capital gain distributions, if any, were reinvested. These figures will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares traded during the period.

⁵ Includes non-recurring litigation expenses which represent 0.02% and 0.13% of average net assets for the years ended 10-31-11 and 10-31-10, respectively. Insurance recovery expense reduction for the year ended 10-31-11 represents 0.11% of average net assets.

⁶ Ratios calculated on the basis of expenses relative to the average net assets of common shares. Without the exclusion of preferred shares, the annualized ratio of expenses would have been 1.13% for the year ended 10-31-07.

⁷ Ratios calculated on the basis of net investment income relative to the average net assets of common shares. Without the exclusion of preferred shares, the annualized ratios of net investment income would have been 4.54% for the period ended 10-31-07.

⁸ Excludes merger activity.

⁹ Calculated by subtracting the Fund's total liabilities from the Fund's total assets and dividing that amount by the number of DARTS outstanding, as of the applicable 1940 Act Evaluation Date, which may differ from the financial reporting date.

¹⁰ In May 2008, the Fund entered into a Revolving Credit Agreement with a third-party commercial bank in order to redeem the DARTS. The redemption of all DARTS was completed on 7-3-08.

¹¹ Asset coverage equals the total net assets plus DARTS divided by the DARTS of the Fund outstanding at period end.

¹² Asset coverage equals the total net assets plus borrowings divided by the borrowings of the Fund outstanding at period end (Note 8). As debt outstanding changes, level of invested assets may change accordingly. Asset coverage ratio provides a consistent measure of leverage.

Notes to financial statements

Note 1 — Organization

John Hancock Premium Dividend Fund (the Fund) is a closed-end diversified management investment company organized as a Massachusetts business trust and registered under the Investment Company Act of 1940, as amended (the 1940 Act).

Note 2 — Significant accounting policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates. Events or transactions occurring after the end of the fiscal period through the date that the financial statements were issued have been evaluated in the preparation of the financial statements. The following summarizes the significant accounting policies of the Fund:

Security valuation. Investments are stated at value as of the close of regular trading on the New York Stock Exchange (NYSE), normally at 4:00 P.M., Eastern Time. The Fund uses a three-tier hierarchy to prioritize the pricing assumptions, referred to as inputs, used in valuation techniques to measure fair value. Level 1 includes securities valued using quoted prices in active markets for identical securities. Level 2 includes securities valued using significant observable inputs. Observable inputs may include quoted prices for similar securities, interest rates, prepayment speeds and credit risk. Prices for securities valued using these inputs are received from independent pricing vendors and brokers and are based on an evaluation of the inputs described. Level 3 includes securities valued using significant unobservable inputs when market prices are not readily available or reliable, including the Fund's own assumptions in determining the fair value of investments. Factors used in determining value may include market or issuer specific events, changes in interest rates and credit quality. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the values by input classification of the Fund's investments as of October 31, 2011, by major security category or type:

	TOTAL MARKET VALUE AT 10-31-11	LEVEL 1 QUOTED PRICE	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
Preferred Securities				
Consumer Discretionary	\$6,872,298	\$6,872,298	—	—
Consumer Staples	19,755,035	—	\$19,755,035	—
Energy	36,570,700	36,570,700	—	—
Financials	257,810,874	257,810,874	—	—
Telecommunication Services	42,559,850	42,559,850	—	—
Utilities	230,786,817	112,433,603	118,353,214	—
Common Stocks				
Energy	54,167,915	54,167,915	—	—
Industrials	2,172,300	2,172,300	—	—
Materials	3,301,320	3,301,320	—	—
Telecommunication Services	25,237,450	25,237,450	—	—
Utilities	297,026,127	297,026,127	—	—
Short-Term Investments				
Commercial Paper	11,000,000	—	11,000,000	—
Total Investments in Securities	\$987,260,686	\$838,152,437	\$149,108,249	—
Other Financial Instruments				
Interest Rate Swaps	(\$1,101,341)	—	(\$1,101,341)	—

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. During the year ended October 31, 2011, there were no significant transfers into or out of Level 1, Level 2 or Level 3 assets.

In order to value the securities, the Fund uses the following valuation techniques. Equity securities held by the Fund are valued at the last sale price or official closing price on the principal securities exchange on which they trade. In the event there were no sales during the day or closing prices are not available, then securities are valued using the last quoted bid or evaluated price. Foreign securities and currencies are valued in U.S. dollars, based on foreign currency exchange rates supplied by an independent pricing service. Certain securities traded only in the over-the-counter market are valued at the last bid price quoted by brokers making markets in the securities at the close of trading. Certain short-term securities are valued at amortized cost. Other portfolio securities and assets, where market quotations are not readily available, are valued at fair value, as determined in good faith by the Fund's Pricing Committee, following procedures established by the Board of Trustees.

Security transactions and related investment income. Investment security transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is accrued as earned. Interest income includes coupon interest and amortization/accretion of premiums/discounts on debt securities. Dividend income is recorded on the ex-date, except for dividends of foreign securities where the dividend may not be known until after the ex-date. In those cases, dividend income is recorded when the Fund becomes aware of the dividends. Gains and losses on securities sold are determined on the basis of identified cost and may include proceeds from litigation.

Overdrafts. Pursuant to the custodian agreement, the Fund's custodian may, in its discretion, advance funds to the Fund to make properly authorized payments. When such payments result in an overdraft, the Fund is obligated to repay the custodian for any overdraft, including any costs or expenses associated with the overdraft. The custodian has a lien, security interest or security entitlement in any Fund property that is not segregated, to the maximum extent permitted by law, to the extent of any overdraft.

Expenses. The majority of expenses are directly attributable to an individual fund. Expenses that are not readily attributable to a specific fund are allocated among all funds in an equitable manner, taking into consideration, among other things, the nature and type of expense and the fund's relative net assets. Expense estimates are accrued in the period to which they relate and adjustments are made when actual amounts are known.

Federal income taxes. The Fund intends to continue to qualify as a regulated investment company by complying with the applicable provisions of the Internal Revenue Code and will not be subject to federal income tax on taxable income that is distributed to shareholders. Therefore, no federal income tax provision is required.

As of October 31, 2011, the Fund had no uncertain tax positions that would require financial statement recognition, derecognition or disclosure. The Fund's federal tax returns are subject to examination by the Internal Revenue Service for a period of three years.

Distribution of income and gains. Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-date. The Fund generally declares and pays dividends monthly and capital gain distributions, if any, annually. The tax character of distributions for the years ended October 31, 2011 and October 31, 2010 was as follows:

	OCTOBER 31, 2011	OCTOBER 31, 2010
Ordinary Income	\$45,272,754	\$43,273,957

As of October 31, 2011, the components of distributable earnings on a tax basis included \$3,710,797 of undistributed ordinary income.

Such distributions and distributable earnings, on a tax basis, are determined in conformity with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. Material distributions in excess of tax basis earnings and profits, if any, are reported in the Fund's financial statements as a return of capital.

Capital accounts within the financial statements are adjusted for permanent book-tax differences. These adjustments have no impact on net assets or the results of operations. Temporary book-tax differences, if any, will reverse in a subsequent period. Book-tax differences are primarily attributable to wash sales loss deferrals and characterization of distributions.

Statement of cash flows. Information on financial transactions that have been settled through the receipt and disbursement of cash is presented in the Statement of cash flows. The cash amount shown in the Statement of cash flows is the amount included in the Fund's Statement of assets and liabilities and represents the cash on hand at its custodian and does not include any short-term investments.

New accounting pronouncement. In May 2011, Accounting Standards Update 2011-04 (ASU 2011-04), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, was issued and is effective during interim and annual periods beginning after December 15, 2011. ASU 2011-04 amends Financial Accounting Standards Board (FASB) Topic 820, *Fair Value Measurement*. The amendments are the result of the work by the FASB and the International Accounting Standards Board to develop common requirements for measuring

fair value and for disclosing information about fair value measurements in accordance with GAAP. Management is currently evaluating the application of ASU 2011-04 and its impact, if any, on the Fund's financial statements.

Note 3 — Derivative instruments

The Fund may invest in derivatives in order to meet its investment objectives. The use of derivatives may involve risks different from, or potentially greater than, the risks associated with investing directly in securities. Specifically, the Fund is exposed to the risk that the counterparty to an over-the-counter (OTC) derivatives contract will be unable or unwilling to make timely settlement payments or otherwise honor its obligations. OTC derivatives transactions typically can only be closed out with the other party to the transaction. If the counterparty defaults, the Fund will have contractual remedies, but there is no assurance that the counterparty will meet its contractual obligations or that the Fund will succeed in enforcing them.

The Fund has entered into collateral agreements with certain counterparties to mitigate counterparty risk on over-the-counter derivatives. Subject to established minimum levels, collateral is generally determined based on the net aggregate unrealized gain or loss on contracts with a particular counterparty. Collateral pledged to the Fund is held by the custodian bank for the benefit of the Fund and can be in the form of cash or debt securities issued by the U.S. government or related agencies; collateral posted by the Fund is held in a segregated account at the Fund's custodian and is noted in the accompanying portfolio of investments, or if cash is posted, on the Statement of assets and liabilities. As of October 31, 2011, \$270,000 was posted by the Fund for the benefit of counterparties.

Interest rate swaps. Interest rate swaps represent an agreement between a Fund and counterparty to exchange cash flows based on the difference between two interest rates applied to a notional amount. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The Fund settles accrued net interest receivable or payable under the swap contracts at specific, future intervals. Swaps are marked-to-market daily based upon values from third party vendors or broker quotations, and the change in value is recorded as unrealized appreciation/depreciation of swap contracts. A termination payment by the counterparty or the Fund is recorded as realized gain or loss, as well as the net periodic payments received or paid by a Fund.

Entering into swap agreements involves, to varying degrees, elements of credit, market and documentation risk that may amount to values that are in excess of the amounts recognized on the Statement of assets and liabilities. Such risks involve the possibility that there will be no liquid market for the swap, or that a counterparty may default on its obligation or delay payment under the swap terms. The counterparty may disagree or contest the terms of the swap. Market risks may also accompany the swap, including interest rate risk. The Fund may also suffer losses if it is unable to terminate or assign outstanding swaps or reduce its exposure through offsetting transactions.

During the year ended October 31, 2011, the Fund used interest rate swaps in anticipation of rising interest rates. The following table summarizes the interest rate swap contracts held as of October 31, 2011.

COUNTERPARTY	USD NOTIONAL AMOUNT	PAYMENTS MADE BY FUND	PAYMENTS RECEIVED BY FUND	MATURITY DATE	MARKET VALUE
Morgan Stanley Capital Services	\$82,000,000	1.4625%	3 Month LIBOR (a)	Aug 2016	(\$1,101,341)

(a) At 10-31-11, the 3-month LIBOR rate was 0.42944%.

Interest rate swap positions at October 31, 2011 were entered into on August 5, 2011. No other interest rate swap activity occurred during the year ended October 31, 2011.

Fair value of derivative instruments by risk category

The table below summarizes the fair value of derivatives held by the Fund at October 31, 2011, by risk category:

RISK	STATEMENT OF ASSETS AND LIABILITIES LOCATION	FINANCIAL INSTRUMENT LOCATION	ASSET DERIVATIVE FAIR VALUE	LIABILITY DERIVATIVE FAIR VALUE
Interest rate contracts	Swap contracts, at value	Interest rate swaps	—	(\$1,101,341)

Effect of derivative instruments on the Statement of operations

The table below summarizes the net change in unrealized appreciation (depreciation) included in the net increase (decrease) in net assets from operations, classified by derivative instrument and risk category, for the year ended October 31, 2011:

RISK	STATEMENT OF OPERATIONS LOCATION	SWAP CONTRACTS
Interest rate contracts	Change in unrealized appreciation (depreciation)	(\$1,101,341)

Note 4 — Guarantees and indemnifications

Under the Fund's organizational documents, its Officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss from such claims is considered remote.

Note 5 — Fees and transactions with affiliates

John Hancock Advisers, LLC (the Adviser) serves as investment adviser for the Fund. The Adviser is an indirect wholly owned subsidiary of Manulife Financial Corporation (MFC).

Management fee. The Fund has an investment advisory agreement with the Adviser under which the Fund pays a daily management fee to the Adviser equivalent, on an annual basis, to 0.50% of the Fund's average daily net assets and the value attributed to the Committed Facility Agreement (see Note 8) (collectively, managed assets). In addition, the Fund pays 5.00% of the Fund's daily gross income, which amounted to \$2,783,438. The Adviser has a subadvisory agreement with John Hancock Asset Management a division of Manulife Asset Management (US) LLC (formerly MFC Global Investment Management (U.S.), LLC), an indirectly owned subsidiary of MFC and an affiliate of the Adviser. The Fund is not responsible for payment of the subadvisory fees.

The investment management fees incurred for the year ended October 31, 2011 were equivalent to an annual effective rate of 0.80% of the Fund's average daily managed assets.

Administrative services. The Fund has an administrative agreement with the Adviser under which the Adviser oversees the custodial, auditing, valuation, accounting, legal, stock transfer and dividend disbursing services and other operational activities and maintains Fund communications with shareholders. The Fund pays the Adviser a monthly administration fee at an annual rate of 0.10% of the Fund's average weekly managed assets.

Trustee expenses. The Trust compensates each Trustee who is not an employee of the Adviser or its affiliates. These Trustees may, for tax purposes, elect to defer receipt of this compensation under the John Hancock Group of Funds Deferred Compensation Plan (the Plan). Deferred amounts are invested in various John Hancock funds and remain in the funds until distributed in accordance with the Plan. The investment of deferred amounts and the offsetting liability are included within Other receivables and prepaid expenses and Payable to affiliates — Trustees' fees, respectively, in the accompanying Statement of assets and liabilities.

Note 6 — Fund share transactions

There were no fund share transactions for the years ended October 31, 2011 or October 31, 2010.

Note 7 — Leverage risk

The Fund utilizes a Committed Facility Agreement to increase its assets available for investment. When the Fund leverages its assets, common shareholders bear the fees associated with the credit facility and have the potential to benefit or be disadvantaged from the use of leverage. The Adviser's fee is also increased in dollar terms from the use of leverage. Consequently, the Fund and the Adviser may have differing interests in determining whether to leverage the Fund's assets. Leverage creates risks that may adversely affect the return for the holders of common shares, including:

- the likelihood of greater volatility of net asset value and market price of common shares
- fluctuations in the interest rate paid for the use of the credit facility
- increased operating costs, which may reduce the Fund's total return
- the potential for a decline in the value of an investment acquired through leverage, while the Fund's obligations under such leverage remain fixed
- the Fund is more likely to have to sell securities in a volatile market in order to meet asset coverage or other debt compliance requirements

To the extent the income or capital appreciation derived from securities purchased with funds received from leverage exceeds the cost of leverage, the Fund's return will be greater than if leverage had not been used; conversely, returns would be lower if the cost of the leverage exceeds the income or capital appreciation derived.

In addition to the risks created by the Fund's use of leverage, the Fund is subject to the risk that it would be unable to timely, or at all, obtain replacement financing if the CFA is terminated. Were this to happen, the Fund would be required to de-leverage, selling securities at a potentially inopportune time and incurring tax consequences. Further, the Fund's ability to generate income from the use of leverage would be adversely affected.

Note 8 — Committed Facility Agreement

The Fund has entered into a Committed Facility Agreement (CFA) with a subsidiary of BNP Paribas (BNP) that allows it to borrow up to \$332 million and to invest the borrowings in accordance with its investment practices. Prior to April 29, 2011, the Fund could borrow up to \$284 million under the CFA.

Borrowings under the CFA are secured by the assets of the Fund as disclosed in the Fund's investments. Interest charged is at the rate of one-month LIBOR plus 0.70%. Prior to April 29, 2011, the interest rate was one-month LIBOR plus 0.85%. The Fund also pays a commitment fee of 0.60% per annum on the unused portion of the facility. The commitment fee for the year ended October 31, 2011 totaled \$15,222 and is included in the interest expense in the Statement of operations. As of October 31, 2011, the Fund had borrowings of \$329,200,000 at an interest

rate of 0.95%, which are reflected on the Statement of assets and liabilities. During the year ended October 31, 2011, the average borrowings under the CFA and the effective average interest rate were \$305,958,082 and 1.00%, respectively.

The Fund may terminate the agreement with 30 days' notice. In addition, if certain asset coverage and collateral requirements, minimum net assets or other covenants are not met, the CFA could be deemed in default and result in termination. Absent a default or a facility termination event, BNP is required to provide the Fund with 360 days' notice prior to terminating or amending the CFA.

The Fund has an agreement with BNP that allows BNP to borrow a portion of the pledged collateral (Lent Securities) in an amount not to exceed the lesser of: (i) outstanding borrowings owed by the Fund to BNP and (ii) thirty-three and one-third percent of the Fund's total assets. The Fund can designate any security within the pledged collateral as ineligible to be a Lent Security and can recall any of the Lent Securities. The Fund also has the right to apply and set-off an amount equal to one-hundred percent (100%) of the then-current fair market value of such Lent Securities against the current borrowings under the CFA in the event that BNP fails to timely return the Lent Securities and in certain other circumstances. In such circumstances, however, the Fund may not be able to obtain replacement financing required to purchase replacement securities and, consequently, the Fund's income generating potential may decrease. Even if the Fund is able to obtain replacement financing, it might not be able to purchase replacement securities at favorable prices. Income earned from Lent Securities is recorded as a component of interest income on the Statement of Operations. During the year ended October 31, 2011, the Fund recorded \$129,751 in income from Lent Securities.

Note 9 — Purchase and sale of securities

Purchases and sales of securities, other than short-term securities, aggregated \$181,203,291 and \$124,172,115, respectively, for the year ended October 31, 2011.

Note 10 — Other matters

In July 2010, John Hancock Premium Dividend Fund received a demand letter from a law firm on behalf of a purported holder of common shares of the fund relating to the redemption of the Dutch Auction Rate Transferable Securities Preferred Stock (DARTS). In August 2010, shareholder derivative complaints were filed in the Superior Court of The Commonwealth of Massachusetts, Suffolk County, by the same law firm on behalf of purported shareholders of two other John Hancock funds advised by the Adviser against the Adviser, the Adviser's parent company, Manulife Financial Corporation, and certain individuals. A Joint Motion To Dismiss With Prejudice with respect to these two complaints was filed on February 28, 2011 in the Business Litigation Session of the Superior Court of The Commonwealth of Massachusetts, Suffolk County. On March 1, 2011, the Court granted the Motion to Dismiss with Prejudice.

For the year ended October 31, 2011, the results of operations include non-recurring legal fees and expenses of approximately \$119,000 related to this matter, which are included in Professional fees on the Statement of operations. The Fund received reimbursement from its insurance provider of \$678,635, which is included in expense reductions on the Statement of operations. This insurance recovery relates to current year expenses as well as \$730,000 of non-recurring legal fees and expenses incurred during the year ended October 31, 2010. In addition, for the year ended October 31, 2011, the Fund incurred additional Trustees' fees of approximately \$73,000 related to the matter.

Auditor's report

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of John Hancock Premium Dividend Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations, of changes in net assets and of cash flows and the financial highlights present fairly, in all material respects, the financial position of John Hancock Premium Dividend Fund (the "Fund") at October 31, 2011, and the results of its operations, the changes in its net assets, its cash flows and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities as of October 31, 2011 by correspondence with the custodian and brokers, and the application of alternative auditing procedures where securities purchased confirmations had not been received, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
December 22, 2011

Tax information

Unaudited

For federal income tax purposes, the following information is furnished with respect to the distributions of the Fund, if any, paid during its taxable year ended October 31, 2011.

With respect to the ordinary dividends paid by the Fund for the fiscal year ended October 31, 2011, the Fund designates the maximum amount allowable for the corporate dividends-received deduction.

The Fund designates the maximum amount allowable of its net taxable income as qualified dividend income as provided in the Jobs and Growth Tax Relief Reconciliation Act of 2003. This amount will be reflected on Form 1099-DIV for the calendar year 2011.

Eligible shareholders will be mailed a 2011 Form 1099-DIV in early 2012. This Form will reflect the tax character of all distributions for calendar year 2011.

Additional information

Unaudited

Investment objective and policy

The Fund's investment objective is to provide a high current income, consistent with modest growth of capital for holders of its common shares. The Fund will pursue its objective by investing in a diversified portfolio comprised primarily of dividend paying preferred securities and common equity securities.

The Fund's nonfundamental investment policy, with respect to the quality of ratings of its portfolio investments, was changed by a vote of the Fund's Trustees on September 13, 1994. The policy, which became effective October 15, 1994, stipulates that preferred stocks and debt obligations in which the Fund will invest will be rated investment grade (at least BBB by S&P or Baa by Moody's) at the time of investment or will be preferred stocks of issuers of investment grade senior debt, some of which may have speculative characteristics, or, if not rated, will be of comparable quality as determined by the Adviser. The Fund will invest in common stocks of issuers whose senior debt is rated investment grade or, in the case of issuers that have no rated senior debt outstanding, whose senior debt is considered by the Adviser to be of comparable quality.

On November 20, 2001, the Fund's Trustees approved the following investment policy investment restriction change, effective December 15, 2001. Under normal circumstances, the Fund will invest at least 80% of its assets in dividend paying securities. The Fund will notify shareholders at least 60 days prior to any change in this 80% investment policy.

On January 25, 2008, the Fund's Trustees approved a change to the Fund's investment policy regarding investments in securities of companies in the utilities industry. The Fund's non-fundamental investment policy stating that the Fund normally will invest more than 65% of its total assets in securities of companies in the utilities industry was changed to a fundamental policy to state that the Fund normally will invest more than 25% of its total assets in securities of companies in the utilities industry.

Effective October 18, 2010, the Fund's name was changed from John Hancock Patriot Premium Dividend Fund II to John Hancock Premium Dividend Fund. This name change had no impact on the investment objective or strategy of the Fund.

On March 9, 2011, the Board of Trustees approved the following investment policy regarding the use of reverse repurchase agreement transactions:

Reverse repurchase agreements: The Fund may engage in reverse repurchase agreement transactions to the extent permitted under the Investment Company Act of 1940, as amended ("1940 Act"), and related guidance of the Securities and Exchange Commission and its staff. The Fund intends to use reverse repurchase agreements to obtain investment leverage either alone and/or in combination with other forms of investment leverage. The Fund may also use reverse repurchase agreement transactions for temporary or emergency purposes. In a reverse repurchase agreement transaction, the Fund temporarily transfers possession of a portfolio instrument to another party in return for cash. At the same time, the Fund agrees to repurchase the instrument at an agreed upon time and price, which reflects an interest payment. The value of the portfolio securities transferred may substantially exceed the purchase price received by the Fund under the reverse repurchase agreement transaction and, during the life of the reverse repurchase agreement transaction, the Fund may be required to transfer additional securities if the market value of those securities initially transferred declines. In engaging in a reverse repurchase transaction, the Fund

may transfer (“sell”) any of its portfolio securities to a broker-dealer, bank or another financial institution counterparty as determined by the Adviser to be appropriate. In accordance with guidance from the SEC and its staff from time to time in effect, the Fund will earmark or segregate liquid assets equal to repayment obligations under the reverse repurchase agreements.

Reverse Repurchase Agreement Risks. Reverse repurchase agreement transactions involve the risk that the market value of the securities that the Fund is obligated to repurchase under such agreements may decline below the repurchase price. Any fluctuations in the market value of either the securities transferred to the other party or the securities in which the proceeds may be invested would affect the market value of the Fund’s assets, thereby potentially increasing fluctuations in the market value of the Fund’s assets. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Fund’s use of proceeds received under the agreement may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund’s obligation to repurchase the securities.

On March 9, 2011, the Board of Trustees also approved certain other investment policy changes, as summarized below:

- (i) investment policy stating that “The Fund will pursue its objective by investing in a diversified portfolio comprised primarily of dividend-paying preferred and common equity securities.” was replaced with the following: “The Fund will pursue its objective by investing in a diversified portfolio comprised primarily of dividend-paying preferred securities and common equity securities”; and
- (ii) investment policy stating that “Preferred stocks and debt obligations in which the Fund will invest will be rated investment grade (at least BBB by S&P or Baa by Moody’s) at the time of investment or will be preferred stocks of issuers of investment grade senior debt, some of which may have speculative characteristics, or, if not rated, will be of comparable quality as determined by the Adviser.” was replaced with the following: “Preferred securities and debt obligations in which the Fund will invest will be rated investment grade (at least BBB by S&P or Baa by Moody’s) at the time of investment or will be preferred securities of issuers of investment grade senior debt, some of which may have speculative characteristics, or, if not rated, will be of comparable quality as determined by the Adviser.”

On June 7, 2011, the Board of Trustees approved the following new investment policy regarding the use of interest rate swaps:

Interest Rate Swaps. The Fund may enter into interest rate swap agreements. Interest rate swap agreements are privately negotiated agreements between a Fund and counterparty to exchange fixed for floating rate cash flows at specified intervals. Swaps are marked-to-market daily based upon values from third party vendors or broker quotations, and the change in value is recorded as unrealized appreciation/depreciation of swap contracts. Entering into swap agreements involves, to varying degrees, elements of credit, market and documentation risk. Such risks involve the possibility that there will be no liquid market for the swap, that a counterparty may default on its obligation or delay payment under the swap terms. The counterparty may disagree or contest the terms of the swap. Market risks may also accompany the swap, including interest rate risk. The Fund may also suffer losses if it is unable to terminate or assign outstanding swaps or reduce its exposure through offsetting transactions. There can be no guarantee that the Fund’s hedging will be successful; there are economic costs associated with hedging through the use of interest rate swaps.

Dividends and distributions

During the year ended October 31, 2011, dividends from net investment income totaling \$0.9060 per share were paid to shareholders. The dates of payments and the amounts per share are as follows:

PAYMENT DATE	INCOME DIVIDEND
November 30, 2010	\$0.0755
December 31, 2010	0.0755
January 31, 2011	0.0755
February 28, 2011	0.0755
March 31, 2011	0.0755
April 29, 2011	0.0755
May 31, 2011	0.0755
June 30, 2011	0.0755
July 29, 2011	0.0755
August 31, 2011	0.0755
September 30, 2011	0.0755
October 31, 2011	0.0755
Total	\$0.9060

Dividend reinvestment plan

The Board of Trustees approved certain amendments to the Fund's Dividend Reinvestment Plan. The Dividend Reinvestment Plan that is in effect as of July 1, 2011 is described below.

The Fund's Dividend Reinvestment Plan (the Plan) provides that distributions of dividends and capital gains are automatically reinvested in common shares of the Fund by The Bank of New York Mellon (the Plan Agent). Every shareholder holding at least one full share of the Fund is entitled to participate in the Plan. In addition, every shareholder who became a shareholder of the Fund after June 30, 2011 and holds at least one full share of the Fund will be automatically enrolled in the Plan. Shareholders may withdraw from the Plan at any time and shareholders who do not participate in the Plan will receive all distributions in cash.

If the Fund declares a dividend or distribution payable either in cash or in common shares of the Fund and the market price of shares on the payment date for the distribution or dividend equals or exceeds the Fund's net asset value per share (NAV), the Fund will issue common shares to participants at a value equal to the higher of NAV or 95% of the market price. The number of additional shares to be credited to each participant's account will be determined by dividing the dollar amount of the distribution or dividend by the higher of NAV or 95% of the market price. If the market price is lower than NAV, or if dividends or distributions are payable only in cash, then participants will receive shares purchased by the Plan Agent on participants' behalf on the New York Stock Exchange (the NYSE) or otherwise on the open market. If the market price exceeds NAV before the Plan Agent has completed its purchases, the average per share purchase price may exceed NAV, resulting in fewer shares being acquired than if the Fund had issued new shares.

There are no brokerage charges with respect to common shares issued directly by the Fund. However, whenever shares are purchased or sold on the NYSE or otherwise on the open market, each participant will pay a pro rata portion of brokerage trading fees, currently \$0.05 per share purchased or sold. Brokerage trading fees will be deducted from amounts to be invested.

The reinvestment of dividends and net capital gains distributions does not relieve participants of any income tax that may be payable on such dividends or distributions.

Shareholders participating in the Plan may buy additional shares of the Fund through the Plan at any time in amounts of at least \$50 per investment, up to a maximum of \$10,000, with a total calendar year limit of \$100,000. Shareholders will be charged a \$5 transaction fee plus \$0.05 per share brokerage trading fee for each order. Purchases of additional shares of the Fund will be made on the open market. Shareholders who elect to utilize monthly electronic fund transfers to buy additional shares of the Fund will be charged a \$2 transaction fee plus \$0.05 per share brokerage trading fee for each automatic purchase. Shareholders can also sell Fund shares held in the Plan account at any time by contacting the Plan Agent by telephone, in writing or by visiting the Plan Agent's Web site at www.bnymellon.com/shareowner/equityaccess. The Plan Agent will mail a check to you (less applicable brokerage trading fees) on settlement date, which is three business days after your shares have been sold. If you choose to sell your shares through your stockbroker, you will need to request that the Plan Agent electronically transfer your shares to your stockbroker through the Direct Registration System.

Shareholders participating in the Plan may withdraw from the Plan at any time by contacting the Plan Agent by telephone, in writing or by visiting the Plan Agent's Web site at www.bnymellon.com/shareowner/equityaccess. Such termination will be effective immediately if the notice is received by the Plan Agent prior to any dividend or distribution record date; otherwise, such termination will be effective on the first trading day after the payment date for such dividend or distribution, with respect to any subsequent dividend or distribution. If you withdraw, your shares will be credited to your account; or, if you wish, the Plan Agent will sell your full and fractional shares and send you the proceeds, less a transaction fee of \$5.00 and less brokerage trading fees of \$0.05 per share. If a shareholder does not maintain at least one whole share of common stock in the Plan account, the Plan Agent may terminate such shareholder's participation in the Plan after written notice. Upon termination, shareholders will be sent a check for the cash value of any fractional share in the Plan account, less any applicable broker commissions and taxes.

Shareholders who hold at least one full share of the Fund may join the Plan by notifying the Plan Agent by telephone, in writing or by visiting the Plan Agent's Web site at www.bnymellon.com/shareowner/equityaccess. If received in proper form by the Plan Agent before the record date of a dividend, the election will be effective with respect to all dividends paid after such record date. If you wish to participate in the Plan and your shares are held in the name of a brokerage firm, bank or other nominee, please contact your nominee to see if it will participate in the Plan for you. If you wish to participate in the Plan, but your brokerage firm, bank or other nominee is unable to participate on your behalf, you will need to request that your shares be re-registered in your own name, or you will not be able to participate. The Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by you as representing the total amount registered in your name and held for your account by your nominee.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund and the Plan Agent reserve the right to amend or terminate the Plan. Participants generally will receive written notice at least 90 days before the effective date of any amendment. In the case of termination, participants will receive written notice at least 90 days before the record date for the payment of any dividend or distribution by the Fund.

All correspondence or additional information about the Plan should be directed to The Bank of New York Mellon, c/o BNY Mellon Shareowner Services, c/o Mellon Investor Services, P.O. Box 358035, Pittsburgh, PA 15252-8035 (Telephone: 1-800-852-0218 (within the U.S. and Canada), 1-201-680-6578 (International Telephone Inquiries), and 1-800-231-5469 (For the Hearing Impaired (TDD))).

Shareholder communication and assistance

If you have any questions concerning the Fund, we will be pleased to assist you. If you hold shares in your own name and not with a brokerage firm, please address all notices, correspondence, questions or other communications regarding the Fund to the transfer agent at:

Mellon Investor Services
Newport Office Center VII
480 Washington Boulevard
Jersey City, NJ 07310
Telephone: 1-800-852-0218

If your shares are held with a brokerage firm, you should contact that firm, bank or other nominee for assistance.

Board Consideration of and Continuation of Investment Advisory Agreement and Subadvisory Agreement

The Board of Trustees (the Board, the members of which are referred to as Trustees) of John Hancock Premium Dividend Fund (the Fund) met in-person on May 1–3 and June 5–7, 2011 to consider the approval of the Fund's investment advisory agreement (the Advisory Agreement) with John Hancock Advisers, LLC (the Adviser), the Fund's investment adviser. The Board also considered the approval of the investment subadvisory agreement (the Subadvisory Agreement) among the Adviser, Manulife Asset Management (US) LLC (the Subadviser) and the Fund. The Advisory Agreement and the Subadvisory Agreement are referred to as the Agreements.

Activities and composition of the Board

The Board consists of eleven individuals, nine of whom are Independent Trustees. Independent Trustees are generally those individuals who are not employed by or have any significant business or professional relationship with the Adviser or the Subadviser. The Trustees are responsible for the oversight of operations of the Fund and perform various duties required of directors of investment companies by the Investment Company Act of 1940, as amended (the 1940 Act). The Independent Trustees have hired independent legal counsel to assist them in connection with their duties. The Board has appointed an Independent Trustee as Chairperson. The Board has established four standing committees that are composed entirely of Independent Trustees: the Audit Committee; the Compliance Committee; the Nominating, Governance and Administration Committee; and the Contracts/Operations Committee. Additionally, Investment Performance Committee A is a standing committee of the Board that is composed of Independent Trustees and one Trustee who is affiliated with the Adviser. Investment Performance Committee A oversees and monitors matters relating to the investment performance of the Fund. The Board has also designated an Independent Trustee as Vice Chairperson to serve in the absence of the Chairperson. The Board also designates working groups or ad hoc committees as it deems appropriate.

The approval process

Under the 1940 Act, the Board is required to consider the continuation of the Agreements each year. Throughout the year, the Board, acting directly and through its committees, regularly reviews and assesses the quality of the services that the Fund receives under these Agreements. The Board reviews reports of the Adviser at least quarterly, which include Fund performance reports and compliance reports. In addition, the Board meets with portfolio managers and senior investment officers at various times throughout the year. The Board considers at each of its meetings factors that are relevant to its annual consideration of the renewal of the Agreements, including the services and support provided by the Adviser and Subadviser to the Fund and its shareholders.

Prior to the May 1–3, 2011 meeting, the Board requested and received materials specifically relating to the Agreements. The materials provided in connection with the May meeting included information compiled and prepared by Morningstar, Inc. (Morningstar) on Fund fees and expenses, and the investment performance of the Fund. This Fund information is assembled in a format that permits comparison with similar information from a Peer Group, as determined by Morningstar, and with the Fund's benchmark index. The Peer Group represents funds that invest similarly to the way the Fund invests and funds of similar size, excluding passively managed funds and funds-of-funds. The Fund's benchmark index is an unmanaged index of securities that is provided as a basis for comparison with the Fund's performance. Other material provided for the Fund review included (a) information on the profitability of the Agreements to the Adviser and a discussion of any additional benefits to the Adviser or Subadviser or their affiliates that result from being the Adviser or Subadviser to the Fund; (b) a general analysis provided by the Adviser and the Subadviser concerning investment advisory fees charged to other clients, such as institutional clients and other investment companies, having similar investment mandates, as well as the performance of those other clients and a comparison of the services provided to those other clients and the services

provided to the Fund; (c) the impact of economies of scale; (d) a summary of aggregate amounts paid by the Fund to the Adviser; and (e) sales and redemption data regarding the Fund's shares.

At an in-person meeting held on May 1–3, 2011, the Board reviewed materials relevant to its consideration of the Agreements. As a result of the discussions that occurred during the May 1–3, 2011 meeting, the Board asked the Adviser for additional information on certain matters. The Adviser provided the additional information and the Board also considered this information as part of its consideration of the Agreements.

At an in-person meeting held on June 5–7, 2011, the Board, including the Independent Trustees, formally considered the continuation of the Advisory Agreement between the Adviser and the Fund and the Subadvisory Agreement among the Fund, the Adviser and the Subadviser, each for an additional one-year term. The Board considered what it believed were key relevant factors that are described under separate headings presented below.

The Board also considered other matters important to the approval process, such as payments made to and by the Adviser or its affiliates relating to the distribution of Fund shares and other services. The Board reviewed services related to the valuation and pricing of Fund portfolio holdings. Other important matters considered by the Board were the direct and indirect benefits to the Adviser, the Subadviser and their affiliates from their relationship with the Fund and advice from independent legal counsel with respect to the review process and materials submitted for the Board's review.

Nature, extent and quality of services

The Board reviewed the nature, extent and quality of services provided by the Adviser and the Subadviser, including the investment advisory services and the resulting performance of the Fund.

The Board considered the ability of the Adviser and the Subadviser, based on their resources, reputation and other attributes, to attract and retain qualified investment professionals, including research, advisory and supervisory personnel. It considered the background and experience of senior management and investment professionals responsible for managing the Fund. The Board considered the investment philosophy, research and investment decision-making processes of the Adviser and the Subadviser responsible for the daily investment activities of the Fund, including, among other things, portfolio trading capabilities, use of technology, commitment to compliance and approach to training and retaining portfolio managers and other research, advisory and management personnel.

The Board considered the Subadviser's history and experience providing investment services to the Fund. The Board considered the Adviser's execution of its oversight responsibilities. The Board further considered the culture of compliance, resources dedicated to compliance, compliance programs, record of compliance with applicable laws and regulation, with the Fund's investment policies and restrictions and with the applicable Code of Ethics, and the responsibilities of the Adviser's and Subadviser's compliance departments.

In addition to advisory services, the Board considered the quality of the administrative and non-investment advisory services provided to the Fund by the Adviser under separate agreements. The Board noted that the Adviser and its affiliates provide the Fund with certain administrative services (in addition to any such services provided to the Fund by third parties) and officers and other personnel as are necessary for the operations of the Fund. The Board reviewed the structure and duties of the Adviser's administration, accounting, legal and compliance departments and considered the Adviser's and its affiliate's policies and procedures for assuring compliance with applicable laws and regulations.

The Board also received information about the nature, extent and quality of services provided by and fee rates charged by the Adviser and Subadviser to their other clients, including other

registered investment companies, institutional investors and separate accounts. The Board reviewed a general analysis provided by the Adviser and the Subadviser concerning investment advisory fees charged to other clients having similar investment mandates, the services provided to those other clients as compared to the services provided to the Fund, the performance of those other clients as compared to the performance by the Fund and other factors relating to those other clients. The Board considered the significant differences between the Adviser's and Subadviser's services to the Fund and the services they provide to other clients. For other clients that are not closed-end funds, the differences in services relate to the more burdensome regulatory and legal obligations of closed-end funds, the enhanced management and oversight arising from the public trading of Fund shares on an exchange and the generally higher turnover of closed-end fund portfolio holdings. When compared to all clients including mutual funds, the Adviser has greater oversight and supervisory responsibility for the Fund and undertakes greater entrepreneurial risk as the sponsor of the Fund.

Fund performance

The Board was provided with reports, independently prepared by Morningstar, which included a comprehensive analysis of the Fund's performance. The Board also examined materials provided by the Fund's portfolio management team discussing Fund performance and the Fund's investment objective, strategies and outlook. The Board also reviewed a narrative and statistical analysis of the Morningstar data that was prepared by the Adviser, which analyzed various factors that may affect the Morningstar rankings. The Board reviewed information regarding the investment performance of the Fund as compared to its Morningstar Peer Group as well as its benchmark index (see chart below). The Board was provided with a description of the methodology used by Morningstar to select the funds in the Peer Group. The Board also considered updated performance information provided by the Adviser at its May and June 2011 meetings. The Board regularly reviews the performance of the Fund throughout the year and attaches more importance to performance over relatively longer periods of time, typically three to five years.

Set forth below is the performance of the Fund (based on net asset value) over certain time periods ended December 31, 2010 and that of its Peer Group and benchmark index over the same periods:

	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Premium Dividend Fund	21.41%	10.69%	8.44%	7.40%
Moderate Allocation Peer Group Median	21.41%	6.15%	3.83%	7.40%
BofAML Preferred Stock DRD TR Index	11.41%	-16.00%	-10.70%	-2.82%

The Board noted that the Fund's performance compared favorably to the median performance of its Peer Group and its benchmark index's performance for all periods shown.

Expenses and fees

The Board, including the Independent Trustees, reviewed the Fund's contractual advisory fee rate payable by the Fund to the Adviser as compared with the other funds in its Peer Group. The Board also received information about the investment subadvisory fee rate payable by the Adviser to the Subadviser for investment subadvisory services. The Board considered the services provided and the fees charged by the Adviser and the Subadviser to other clients with similar investment mandates, including separately managed institutional accounts.

In addition, the Board considered the cost of the services provided to the Fund by the Adviser. The Board received and considered expense information regarding the Fund's various components, including advisory fees, distribution fees and fees other than advisory and distribution fees, including transfer agent fees, custodian fees, administration fees and other miscellaneous fees (e.g., fees for accounting and legal services). The Board considered comparisons of these expenses to the Peer Group median. The Board also considered expense information regarding the Fund's total operating expense ratio (Gross Expense Ratio) and total operating expense ratio after adjusting for interest expense relating to leverage (Net Expense Ratio (Excluding Leverage Expense)). The

Gross Expense Ratio is based on common assets and includes interest expense and the Net Expense Ratio is based on common assets but excludes interest expense. The Board considered information comparing the Gross Expense Ratio and Net Expense Ratio (Excluding Leverage Expense) of the Fund to that of the Peer Group median. As part of its analysis, the Board reviewed the Adviser's methodology in allocating its costs to the management of the Fund and the Fund complex.

The Board noted that the Fund's advisory fee ratio was thirty-seven basis points above the Peer Group median advisory fee ratio. The Board was aware that this fee is structured to consist of 0.50% fixed fee (which is below the Peer Group median), plus 5% of gross income earned. The Board noted the following information about the Fund's Gross and Net Expense Ratios contained in the Fund's financial statements in relation with the Fund's Peer Group median provided by Morningstar in April 2011:

	FUND	PEER GROUP MEDIAN
Advisory Fee	1.22%	0.85%
Gross Expense Ratio	2.26%	1.91%
Net Expense Ratio (Excluding Leverage Expense)	1.69%	1.33%

The Board was aware that the Peer Group includes both unleveraged funds, funds with varying amounts of leverage, and funds that use borrowing and preferred stocks as leverage; that the Peer Group comparison shows advisory fees and expense ratios as percentages of assets attributable to common shares rather than total managed assets; and that the Fund's fees and expenses are higher than funds in the Peer Group with lower levels of leverage or funds that leverage with preferred stocks. The Board also reviewed comparative information which adjusted expenses of the Fund and the Peer Group for the cost of leverage or interest expense.

The Board received and reviewed statements relating to the Adviser's financial condition and was also provided with a profitability analysis that detailed the revenues earned and the expenses incurred by the Adviser for services under the Advisory Agreement, as well as from other relationships between the Fund and the Adviser and its affiliates. The Board reviewed the Adviser's profitability with respect to the Fund and other funds the Board currently oversees for the year ended December 31, 2010 compared to available aggregate profitability data provided for the year ended December 31, 2009. The Board reviewed the Adviser's profitability with respect to other fund complexes managed by the Adviser and/or its affiliates. The Board reviewed the Adviser's assumptions and methodology of allocating expenses in the profitability analysis, noting the inherent limitations in allocating costs among various advisory products.

The Board also considered a comparison of the Adviser's profitability to that of other similar investment advisers whose profitability information is publicly available. The Board recognized that profitability may be affected by numerous factors including, among other things, fee waivers and expense reimbursements by the Adviser, the types of funds managed, expense allocations and business mix, and therefore comparability of profitability is somewhat limited.

The Board considered the profitability information with respect to the Subadviser, which is affiliated with the Adviser. In addition, as noted above, the Board considered the assumptions and methodology for allocating expenses in the Subadviser's profitability analysis.

Economies of scale

The Board, including the Independent Trustees, considered the extent to which economies of scale might be realized as the assets of the Fund increase. Possible changes in the advisory fee rate or structure in order to enable the Fund to participate in these economies of scale (e.g., through the use of breakpoints in the advisory fee at higher asset levels) are periodically discussed. The Board also

considered the Adviser's overall operations and its ongoing investment in its business in order to expand the scale of, and improve the quality of, its operations that benefit the Fund.

The Board recognized the inherent limitations of any analysis of economies of scale, stemming largely from the Board's understanding that most of the Adviser's costs are not specific to individual funds, but rather are incurred across a variety of products and services.

Other benefits to the Adviser and the Subadviser

The Board understands that the Adviser, the Subadviser or their affiliates may derive other ancillary benefits from their relationship with the Fund, both tangible and intangible, such as their ability to leverage investment professionals who manage other portfolios, an increase in their profile in the investment advisory community and the engagement of their affiliates and/or significant shareholders as service providers to the Fund, including for administrative and distribution services. The Board believes that certain of these benefits are difficult to quantify. The Board also was informed that the Subadviser may use third-party research obtained by soft dollars generated by certain mutual fund transactions to assist itself in managing all or a number of its other client accounts.

Board determination

The Board unanimously approved the continuation of the Advisory Agreement between the Adviser and the Fund for an additional one-year term. The Subadvisory Agreement among the Fund, the Adviser and the Subadviser was also approved for an additional one-year term. Based upon its evaluation of relevant factors in their totality, the Board was satisfied that the terms of the Agreements, including the advisory and subadvisory fee rates, were fair and reasonable and in the best interest of the Fund and its shareholders. In arriving at its decision to approve the Agreements, the Board did not identify any single factor or any group of factors as all-important or controlling, but considered all factors together. Different Trustees may have attributed different weights to the various factors considered. The Independent Trustees were also assisted by independent legal counsel in making this determination. The Trustees' conclusions may be based in part on their consideration of these arrangements in prior years and on their ongoing regular review of Fund performance and operations throughout the year.

Trustees and Officers

This chart provides information about the Trustees and Officers who oversee your John Hancock fund. Officers elected by the Trustees manage the day-to-day operations of the Fund and execute policies formulated by the Trustees.

Independent Trustees

Name, Year of Birth <i>Position(s) held with Fund</i> Principal occupation(s) and other directorships during past 5 years	Trustee of the Trust since ¹	Number of John Hancock funds overseen by Trustee
Steven R. Pruchansky , Born: 1944	1992	46
Chairman (since January 2011); Chairman and Chief Executive Officer, Greenscapes of Southwest Florida, Inc. (since 2000); Director and President, Greenscapes of Southwest Florida, Inc. (until 2000); Member, Board of Advisors, First American Bank (until 2010); Managing Director, Jon James, LLC (real estate) (since 2000); Director, First Signature Bank & Trust Company (until 1991); Director, Mast Realty Trust (until 1994); President, Maxwell Building Corp. (until 1991).		
James F. Carlin , Born: 1940	1989	46
Chief Executive Officer, Director and Treasurer, Alpha Analytical Laboratories (environmental, chemical and pharmaceutical analysis) (since 1985); Part Owner and Treasurer, Lawrence Carlin Insurance Agency, Inc. (since 1995); Chairman and Chief Executive Officer, CIMCO, LLC (management/ investments) (since 1987).		
William H. Cunningham , Born: 1944	1995	46
Professor, University of Texas, Austin, Texas (since 1971); former Chancellor, University of Texas System and former President of the University of Texas, Austin, Texas; Director of the following: LIN Television (since 2009); Lincoln National Corporation (insurance) (Chairman since 2009 and Director since 2006); Resolute Energy Corporation (since 2009); Nanomedical Systems, Inc. (biotechnology company) (Chairman since 2008); Yorktown Technologies, LP (tropical fish) (Chairman since 2007); Greater Austin Crime Commission (since 2001); Southwest Airlines (since 2000); former Director of the following: Introgen (manufacturer of biopharmaceuticals) (until 2008); Hicks Acquisition Company I, Inc. (until 2007); Jefferson-Pilot Corporation (diversified life insurance company) (until 2006); and former Advisory Director, JP Morgan Chase Bank (formerly Texas Commerce Bank–Austin) (until 2009).		
Deborah C. Jackson , Born: 1952	2008	46
President, Cambridge College, Cambridge, Massachusetts (since May 2011); Chief Executive Officer, American Red Cross of Massachusetts Bay (2002–May 2011); Board of Directors of Eastern Bank Corporation (since 2001); Board of Directors of Eastern Bank Charitable Foundation (since 2001); Board of Directors of American Student Assistance Corp. (1996–2009); Board of Directors of Boston Stock Exchange (2002–2008); Board of Directors of Harvard Pilgrim Healthcare (health benefits company) (2007–2011).		
Charles L. Ladner , ^{2,3} Born: 1938	1992	46
Vice Chairman (since March 2011); Chairman and Trustee, Dunwoody Village, Inc. (retirement services) (since 2008); Director, Philadelphia Archdiocesan Educational Fund (since 2009); Senior Vice President and Chief Financial Officer, UGI Corporation (public utility holding company) (retired 1998); Vice President and Director for AmeriGas, Inc. (retired 1998); Director of AmeriGas Partners, L.P. (gas distribution) (until 1997); Director, EnergyNorth, Inc. (until 1995); Director, Parks and History Association (Cooperating Association, National Park Service) (until 2005).		

Independent Trustees (continued)

Name, Year of Birth <i>Position(s) held with Fund</i> Principal occupation(s) and other directorships during past 5 years	Trustee of the Trust since ¹	Number of John Hancock funds overseen by Trustee
Stanley Martin,² Born: 1947	2008	46

Senior Vice President/Audit Executive, Federal Home Loan Mortgage Corporation (2004–2006); Executive Vice President/Consultant, HSBC Bank USA (2000–2003); Chief Financial Officer/Executive Vice President, Republic New York Corporation & Republic National Bank of New York (1998–2000); Partner, KPMG LLP (1971–1998).

Dr. John A. Moore,² Born: 1939	2002	46
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President and Chief Executive Officer, Institute for Evaluating Health Risks, (nonprofit institution) (until 2001); Senior Scientist, Sciences International (health research) (until 2003); Former Assistant Administrator & Deputy Administrator, Environmental Protection Agency; Principal, Hollyhouse (consulting) (since 2000); Director, CIIT Center for Health Science Research (nonprofit research) (until 2007).

Patti McGill Peterson,² Born: 1943	2002	46
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Presidential Advisor for Global Initiatives, American Council on Education (since 2011); Chairperson of the Board of the Trust (during 2009 and 2010); Principal, PMP Globalinc (consulting) (2007–2011); Senior Associate, Institute for Higher Education Policy (2007–2011); Executive Director, CIES (international education agency) (until 2007); Vice President, Institute of International Education (until 2007); Former President Wells College, St. Lawrence University and the Association of Colleges and Universities of the State of New York. Director of the following: Mutual Fund Directors Forum (since 2011); Niagara Mohawk Power Corporation (until 2003); Security Mutual Life (insurance) (until 1997); ONBANK (until 1993). Trustee of the following: Board of Visitors, The University of Wisconsin, Madison (since 2007); Ford Foundation, International Fellowships Program (until 2007); UNCF, International Development Partnerships (until 2005); Roth Endowment (since 2002); Council for International Educational Exchange (since 2003).

Gregory A. Russo, Born: 1949	2008	46
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Vice Chairman, Risk & Regulatory Matters, KPMG LLP (KPMG) (2002–2006); Vice Chairman, Industrial Markets, KPMG (1998–2002).

Non-Independent Trustees⁴

Name, Year of Birth <i>Position(s) held with Fund</i> Principal occupation(s) and other directorships during past 5 years	Trustee of the Trust since ¹	Number of John Hancock funds overseen by Trustee
Hugh McHaffie, Born: 1959	2010	46

Executive Vice President, John Hancock Financial Services (since 2006, including prior positions); President of John Hancock Variable Insurance Trust and John Hancock Funds II (since 2009); Trustee, John Hancock retail funds (since 2010); Chairman and Director, John Hancock Advisers, LLC, John Hancock Investment Management Services, LLC and John Hancock Funds, LLC (since 2010); Senior Vice President, Individual Business Product Management, MetLife, Inc. (1999–2006).

Non-Independent Trustees⁴ (continued)

Name, Year of Birth <i>Position(s) held with Fund</i> Principal occupation(s) and other directorships during past 5 years	Trustee of the Trust since ¹	Number of John Hancock funds overseen by Trustee
John G. Vrysen , Born: 1955	2009	46

Senior Vice President, John Hancock Financial Services (since 2006); Director, Executive Vice President and Chief Operating Officer, John Hancock Advisers, LLC, John Hancock Investment Management Services, LLC and John Hancock Funds, LLC (since 2005); Chief Operating Officer, John Hancock Funds II and John Hancock Variable Insurance Trust (since 2007); Chief Operating Officer, John Hancock retail funds (until 2009); Trustee, John Hancock retail funds (since 2009).

Principal officers who are not Trustees

Name, Year of Birth <i>Position(s) held with Fund</i> Principal occupation(s) and other directorships during past 5 years	Officer of the Trust since
Keith F. Hartstein , Born: 1956	2005

President and Chief Executive Officer

Senior Vice President, John Hancock Financial Services (since 2004); Director, President and Chief Executive Officer, John Hancock Advisers, LLC and John Hancock Funds, LLC (since 2005); Director, John Hancock Asset Management a division of Manulife Asset Management (US) LLC (since 2005); Director, John Hancock Investment Management Services, LLC (since 2006); President and Chief Executive Officer, John Hancock retail funds (since 2005); Member, Investment Company Institute Sales Force Marketing Committee (since 2003).

Andrew G. Arnott , Born: 1971	2009
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Senior Vice President and Chief Operating Officer

Senior Vice President, John Hancock Financial Services (since 2009); Executive Vice President, John Hancock Advisers, LLC (since 2005); Executive Vice President, John Hancock Investment Management Services, LLC (since 2006); Executive Vice President, John Hancock Funds, LLC (since 2004); Chief Operating Officer, John Hancock retail funds (since 2009); Senior Vice President, John Hancock retail funds (since 2010); Vice President, John Hancock Funds II and John Hancock Variable Insurance Trust (since 2006); Senior Vice President, Product Management and Development, John Hancock Funds, LLC (until 2009).

Thomas M. Kinzler , Born: 1955	2006
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Secretary and Chief Legal Officer

Vice President, John Hancock Financial Services (since 2006); Secretary and Chief Legal Counsel, John Hancock Advisers, LLC, John Hancock Investment Management Services, LLC and John Hancock Funds, LLC (since 2007); Secretary and Chief Legal Officer, John Hancock retail funds, John Hancock Funds II and John Hancock Variable Insurance Trust (since 2006); Vice President and Associate General Counsel, Massachusetts Mutual Life Insurance Company (1999–2006); Secretary and Chief Legal Counsel, MML Series Investment Fund (2000–2006); Secretary and Chief Legal Counsel, MassMutual Select Funds and MassMutual Premier Funds (2004–2006).

Principal officers who are not Trustees (continued)

<p>Name, Year of Birth Position(s) held with Fund Principal occupation(s) and other directorships during past 5 years</p>	<p>Officer of the Trust since</p>
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<p>Francis V. Knox, Jr., Born: 1947</p>	<p>2005</p>
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Chief Compliance Officer

Vice President, John Hancock Financial Services (since 2005); Chief Compliance Officer, John Hancock retail funds, John Hancock Funds II, John Hancock Variable Insurance Trust, John Hancock Advisers, LLC and John Hancock Investment Management Services, LLC (since 2005); Vice President and Chief Compliance Officer, John Hancock Asset Management a division of Manulife Asset Management (US) LLC (2005–2008).

<p>Charles A. Rizzo, Born: 1957</p>	<p>2007</p>
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Chief Financial Officer

Vice President, John Hancock Financial Services (since 2008); Senior Vice President, John Hancock Advisers, LLC and John Hancock Investment Management Services, LLC (since 2008); Chief Financial Officer, John Hancock retail funds, John Hancock Funds II and John Hancock Variable Insurance Trust (since 2007); Assistant Treasurer, Goldman Sachs Mutual Fund Complex (2005–2007); Vice President, Goldman Sachs (2005–2007).

<p>Salvatore Schiavone, Born: 1965</p>	<p>2009</p>
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Treasurer

Assistant Vice President, John Hancock Financial Services (since 2007); Vice President, John Hancock Advisers, LLC and John Hancock Investment Management Services, LLC (since 2007); Treasurer, John Hancock retail funds (since 2010); Treasurer, John Hancock closed-end funds (since 2009); Assistant Treasurer, John Hancock Funds II and John Hancock Variable Insurance Trust (since October 2010) and (2007–2009); Assistant Treasurer, John Hancock retail funds (2007–2009); Assistant Treasurer, Fidelity Group of Funds (2005–2007); Vice President, Fidelity Management Research Company (2005–2007).

The business address for all Trustees and Officers is 601 Congress Street, Boston, Massachusetts 02210-2805.

¹ Mr. Carlin, Mr. Cunningham and Mr. Russo serve as Trustees for a term expiring in 2014; Ms. Jackson, Mr. McHaffie, Ms. McGill Peterson and Mr. Pruchansky serve as Trustees for a term expiring in 2013; and Mr. Martin, Mr. Moore and Mr. Vrysen serve as Trustees for a term expiring in 2012.

² Member of the Audit Committee.

³ Mr. Ladner's term of office will end when he retires as a Trustee on 12-31-11.

⁴ Because Messrs. McHaffie and Vrysen are senior executives or directors with the Adviser and/or its affiliates, each of them is considered an "interested person," as defined in the Investment Company Act of 1940, of the Fund.

More information

Trustees

Steven R. Pruchansky

Chairman

James F. Carlin

William H. Cunningham

Deborah C. Jackson

Charles L. Ladner*

Vice Chairman

Stanley Martin*

Hugh McHaffie†

Dr. John A. Moore*

Patti McGill Peterson*

Gregory A. Russo

John G. Vrysent

*Member of the
Audit Committee

†Non-Independent Trustee

Officers

Keith F. Hartstein

President and

Chief Executive Officer

Andrew G. Arnott

Senior Vice President

and Chief Operating Officer

Thomas M. Kinzler

Secretary and Chief Legal Officer

Francis V. Knox, Jr.

Chief Compliance Officer

Charles A. Rizzo

Chief Financial Officer

Salvatore Schiavone

Treasurer

Investment adviser

John Hancock Advisers, LLC

Subadviser

John Hancock Asset Management

a division of Manulife Asset

Management (US) LLC

Custodian

State Street Bank and

Trust Company

Transfer agent

Mellon Investor Services

Legal counsel

K&L Gates LLP

Independent registered

public accounting firm

PricewaterhouseCoopers LLP

Stock symbol

Listed New York Stock

Exchange: PDT

For shareholder assistance refer to page 32

You can also contact us:

1-800-852-0218

jhffunds.com

Regular mail:

Mellon Investor Services

Newport Office Center VII

480 Washington Boulevard

Jersey City, NJ 07310

The Fund's proxy voting policies and procedures, as well as the Fund's proxy voting record for the most recent twelve-month period ended June 30, are available free of charge on the Securities and Exchange Commission (SEC) Web site at www.sec.gov or on our Web site.

The Fund's complete list of portfolio holdings, for the first and third fiscal quarters, is filed with the SEC on Form N-Q. The Fund's Form N-Q is available on our Web site and the SEC's Web site, www.sec.gov, and can be reviewed and copied (for a fee) at the SEC's Public Reference Room in Washington, DC. Call 1-800-SEC-0330 to receive information on the operation of the SEC's Public Reference Room.

We make this information on your fund, as well as **monthly portfolio holdings**, and other fund details available on our Web site at www.jhffunds.com or by calling 1-800-852-0218.

The report is certified under the Sarbanes-Oxley Act, which requires closed-end funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

DOMESTIC EQUITY

Balanced Fund
 Classic Value Fund
 Disciplined Value Fund
 Disciplined Value Mid Cap Fund
 Fundamental All Cap Core Fund
 Fundamental Large Cap Core Fund
 Fundamental Large Cap Value Fund
 Large Cap Equity Fund
 Mid Cap Equity Fund
 Rainier Growth Fund
 Small Cap Equity Fund
 Small Cap Intrinsic Value Fund
 Small Company Fund
 Sovereign Investors Fund
 U.S. Equity Fund
 U.S. Global Leaders Growth Fund

ASSET ALLOCATION**TARGET RISK**

Lifestyle Aggressive Portfolio
 Lifestyle Balanced Portfolio
 Lifestyle Conservative Portfolio
 Lifestyle Growth Portfolio
 Lifestyle Moderate Portfolio

TARGET DATE

Lifecycle 2045 Portfolio
 Lifecycle 2040 Portfolio
 Lifecycle 2035 Portfolio
 Lifecycle 2030 Portfolio
 Lifecycle 2025 Portfolio
 Lifecycle 2020 Portfolio
 Lifecycle 2015 Portfolio
 Lifecycle 2010 Portfolio

GLOBAL/INTERNATIONAL EQUITY

Emerging Markets Fund
 Global Opportunities Fund
 Global Shareholder Yield Fund
 Greater China Opportunities Fund
 International Allocation Portfolio
 International Core Fund
 International Growth Fund
 International Value Equity Fund

SPECIALTY

Alternative Asset Allocation Fund
 Currency Strategies Fund
 Financial Industries Fund
 Natural Resources Fund
 Regional Bank Fund
 Technical Opportunities Fund

INCOME

Bond Fund
 Floating Rate Income Fund
 Government Income Fund
 High Yield Fund
 Investment Grade Bond Fund
 Strategic Income Fund
 Strategic Income Opportunities Fund

TAX-FREE INCOME

California Tax-Free Income Fund
 High Yield Municipal Bond Fund
 Massachusetts Tax-Free Income Fund
 New York Tax-Free Income Fund
 Tax-Free Bond Fund

MONEY MARKET

Money Market Fund

CLOSED-END

Bank and Thrift Opportunity Fund
 Hedged Equity & Income Fund
 Income Securities Trust
 Investors Trust
 Preferred Income Fund
 Preferred Income Fund II
 Preferred Income Fund III
 Premium Dividend Fund
 Tax-Advantaged Dividend Income Fund
 Tax-Advantaged Global Shareholder Yield Fund

The Fund's investment objectives, risks, charges and expenses are included in the prospectus and should be considered carefully before investing. For a prospectus, call your financial professional, call John Hancock Funds at 1-800-225-5291 or visit the Fund's Web site at www.jhfunds.com. Please read the prospectus carefully before investing or sending money.



1-800-852-0218
1-800-231-5469 TDD
1-800-843-0090 EASI-Line
www.jhfunds.com

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12/11