

JOHN HANCOCK FINANCIAL OPPORTUNITIES FUND
Form N-CSR
March 01, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-08568

John Hancock Financial Opportunities Fund
(Exact name of registrant as specified in charter)

200 Berkeley Street, Boston, Massachusetts 02116
(Address of principal executive offices) (Zip code)

Salvatore Schiavone

Treasurer
200 Berkeley Street

Boston, Massachusetts 02116
(Name and address of agent for service)

Registrant's telephone number, including area code: 617-663-4497

Date of fiscal year end: December 31

Date of reporting period: December 31, 2018

ITEM 1. REPORTS TO STOCKHOLDERS.

John Hancock

Financial Opportunities Fund

Ticker: BTO

Annual report 12/31/18

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the fund's shareholder reports such as this one will no longer be sent by mail, unless you specifically request paper copies of the reports from the transfer agent or from your financial intermediary. Instead, the reports will be made available on our website, and you will be notified by mail each time a report is posted and be provided with a website link to access the report.

If you have already elected to receive shareholder reports electronically, you will not be affected by this change and you do not need to take any action. You may elect to receive shareholder reports and other communications electronically by calling the transfer agent, Computershare, at 800-852-0218, by going to "Communication Preferences" at computershare.com/investor, or by contacting your financial intermediary.

You may elect to receive all reports in paper, free of charge, at any time. You can inform the transfer agent or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by following the instructions listed above. Your election to receive reports in paper will apply to all funds held with John Hancock Investments or your financial intermediary.

A message to shareholders

Dear shareholder,

The past year proved a challenging one for equity investors as stock markets across many major economies worldwide posted losses. In the United States, new tariffs on a range of imports and heightened fears of a full-blown trade war with China weighed on investor sentiment despite relatively supportive U.S. economic fundamentals. Global economic growth slowed, and international markets have faced some challenging headwinds that may not abate in the near future.

Concerns about the potential for a more widespread global economic slowdown led to a significant increase in volatility as well as a flight to quality, particularly in the final months of the year. While at John Hancock Investments we believe that the bull market appears to be in the later innings, the economic underpinnings in the United States suggest that there's still room for stocks to run.

Your best resource in unpredictable and volatile markets is your financial advisor, who can help position your portfolio so that it's sufficiently diversified to meet your long-term objectives and to withstand the inevitable turbulence along the way.

On behalf of everyone at John Hancock Investments, I'd like to take this opportunity to welcome new shareholders and to thank existing shareholders for the continued trust you've placed in us.

Sincerely,

Andrew G. Arnott
President and CEO,
John Hancock Investments
Head of Wealth and Asset Management,
United States and Europe

This commentary reflects the CEO's views, which are subject to change at any time. Investing involves risks, including the potential loss of principal. Diversification does not guarantee a profit or eliminate the risk of a loss. It is not possible to invest directly in an index. For more up-to-date information, please visit our website at jhinvestments.com.

John Hancock
Financial Opportunities Fund

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ANNUAL REPORT | JOHN HANCOCK FINANCIAL OPPORTUNITIES FUND 1

Your fund at a glance

INVESTMENT OBJECTIVE

The fund seeks to provide a high level of total return consisting of long-term capital appreciation and current income.

AVERAGE ANNUAL TOTAL RETURNS AS OF 12/31/18 (%)

The S&P Composite 1500 Banks Index is an unmanaged index of banking sector stocks in the S&P 1500 Index.

It is not possible to invest directly in an index. Index figures do not reflect expenses and sales charges, which would result in lower returns.

The performance data contained within this material represents past performance, which does not guarantee future results.

Investment returns and principal value will fluctuate and a shareholder may sustain losses. Further, the fund's performance at net asset value (NAV) is different from the fund's performance at closing market price because the closing market price is subject to the dynamics of secondary market trading. Market risk may be increased when shares are purchased at a premium to NAV or sold at a discount to NAV. Current month-end performance may be higher or lower than the performance cited. The fund's most recent performance can be found at jhinvestment.com or by calling 800-852-0218.

ANNUAL REPORT | JOHN HANCOCK FINANCIAL OPPORTUNITIES FUND 2

PERFORMANCE HIGHLIGHTS OVER THE LAST TWELVE MONTHS

Financial stocks suffered along with the broader market

Stock performance in the financials and other sectors was challenged by higher volatility, which stemmed from concerns over slowing economic growth and other sources of uncertainty.

The fund underperformed a comparative benchmark

The fund trailed the S&P Composite 1500 Banks Index, in part due to its underweight exposure to large U.S. banks.

Despite a challenging market, fundamentals remained attractive for financials

A number of factors continued to support financial stocks' fundamentals if not their price performance including decent loan growth, improving margins, and benign credit conditions.

PORTFOLIO COMPOSITION AS OF 12/31/18 (%)

INDUSTRY COMPOSITION AS OF 12/31/18 (%)

A note about risks

As is the case with all exchange-listed closed-end funds, shares of this fund may trade at a discount or a premium to the fund's net asset value (NAV). An investment in the fund is subject to investment and market risks, including the possible loss of the entire principal invested. There is no guarantee prior distribution levels will be maintained, and distributions may include a substantial return of capital. A return of capital is the return of all or a portion of a shareholder's investment in the fund. The fund's prospectus includes additional information regarding returns of capital and the risks associated with distributions made by the fund, including potential tax implications. The fund's use of leverage creates additional risks, including greater volatility of the fund's NAV, market price, and returns. There is no assurance that the fund's leverage strategy will be successful. Focusing on a particular industry or sector may increase the fund's volatility and make it more susceptible to market, economic, and regulatory risks, as well as other factors affecting those industries or sectors. Fixed-income investments are subject to interest-rate risk; their value will normally decline as interest rates rise. An issuer of securities held by the fund may default, have its credit rating downgraded, or otherwise perform poorly, which may affect fund performance. Derivatives transactions, including hedging and other strategic transactions, may increase a fund's volatility and could produce disproportionate losses, potentially more than the fund's principal investment. Liquidity the extent to which a security may be sold or a derivative position closed without negatively affecting its market value may be impaired by reduced trading volume, heightened volatility, rising interest rates, and other market conditions. The primary risks associated with the use of futures contracts and options are imperfect correlation, unanticipated market movement, and counterparty risk. Cybersecurity incidents may allow an unauthorized party to gain access to fund assets, customer data, or proprietary information, or cause a fund or its service providers to suffer data corruption or lose operational functionality. Similar incidents affecting issuers of a fund's securities may negatively impact performance.

Discussion of fund performance

How would you describe the market environment for financial stocks during the 12 months ended December 31, 2018?

Although 2018 saw four hikes in the federal funds rate, rising LIBOR (London Interbank Offered Rate), a relatively stable credit environment, and improving loan growth all of which are generally positive for banks and the broader financials sector financial stocks had disappointing price performance for the year.

Fears about an economic slowdown, which could lead to modestly higher credit costs and slower-than-expected loan growth, weighed heavily on bank stocks. More uncertainty around the U.S. Federal Reserve's future pace of rate hikes, tariffs and trade, and the partial U.S. government shutdown in the latter part of December didn't help matters. Falling stock prices across the financials sector drove greater selling pressure that only served to deepen the stocks' decline.

What were the largest detractors from and contributors to the fund's relative return?

Some of the largest detractors for the year versus a comparative benchmark were the underweights in JPMorgan Chase & Co. and Bank of America Corp., whose stocks generally held up better than other bank stocks during the market's pullback.

Other underperformers for the period included small- and mid-cap banks, which didn't perform as well as the large, diversified banks. These included Georgia-headquartered Ameris Bancorp and Chemical Financial Corp. of Michigan.

The largest contributor to relative performance was an underweight in Citigroup, Inc., which struggled due to the slowdown in global growth (half of Citigroup's revenues are generated outside the United States). Financial technology company Evertec, Inc., which provides transaction

TOP 10 HOLDINGS AS OF 12/31/18 (%)

JPMorgan Chase & Co.	2.8
M&T Bank Corp.	2.7
The PNC Financial Services Group, Inc.	2.6
Cullen/Frost Bankers, Inc.	2.4
BB&T Corp.	2.3
Citizens Financial Group, Inc.	2.3
SunTrust Banks, Inc.	2.3
U.S. Bancorp	2.2
Bank of America Corp.	1.9
Comerica, Inc.	1.8
TOTAL	23.3

As a percentage of total investments.

Cash and cash equivalents are not included.

processing services in the Caribbean and Latin America, was another positive contributor to performance.

Did you make any notable positioning changes in the fund?

We increased the fund's use of leverage in December in favor of opportunities we saw in some fixed-income securities and yield-oriented equities.

What's your outlook for financials?

We view the recent downdraft in stock prices as a tremendous buying opportunity, particularly for bank stocks. We expect company margins will remain healthy, loan growth will remain solid, and that the credit environment will remain stable into 2019. In general, we would say the disappointing stock price performance for financials marks a strong disconnect from company fundamentals, which remain intact. The silver lining here is that valuations in the sector are, in our opinion, the best they've been for many years.

Our economic outlook hasn't changed. We believe GDP growth in the United States will be solid in 2019, albeit slower than in 2018. We think financial companies should be able to focus on controlling expense growth to produce positive operating leverage, and we continue to see the potential for robust merger activity in the financials sector, particularly among banks. The regulatory environment remains favorable, potentially leading to lower compliance costs. Last, we think it's worth noting that many financial companies are focused on capital return and have used this decline in stock prices to buy back shares.

MANAGED BY

Susan A. Curry

On the fund since 2006

Investing since 1993

Lisa A. Welch

On the fund since 1998

Investing since 1986

Ryan P. Lentell, CFA

On the fund since 2015

Investing since 1999

The views expressed in this report are exclusively those of Lisa A. Welch, John Hancock Asset Management, and are subject to change. They are not meant as investment advice. Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future. Current and future portfolio holdings are subject to risk.

ANNUAL REPORT | JOHN HANCOCK FINANCIAL OPPORTUNITIES FUND 6

Fund's investments
AS OF 12-31-18

	Shares	Value
Common stocks 113.5% (93.1% of Total investments)		\$616,200,535
(Cost \$407,889,896)		
Financials 111.5%		605,360,953
Banks 99.6%		
1st Source Corp.	121,706	4,909,620
Access National Corp.	117,879	2,514,359
Ameris Bancorp	306,471	9,705,937
Atlantic Capital Bancshares, Inc. (A)	241,667	3,956,089
Avidbank Holdings, Inc. (A)(B)(C)	200,000	4,180,000
Bank of America Corp. (C)	498,443	12,281,636
Bank of Commerce Holdings	79,361	869,797
Bank of Marin Bancorp	117,462	4,844,133
Bar Harbor Bankshares	129,698	2,909,126
Baycom Corp. (A)	62,154	1,435,136
BB&T Corp.	346,799	15,023,333
Berkshire Hills Bancorp, Inc.	334,441	9,019,874
BOK Financial Corp. (C)	13,129	962,750
Bryn Mawr Bank Corp.	80,000	2,752,000
Business First Bancshares, Inc.	27,447	665,041
Cadence BanCorp (B)(C)	102,475	1,719,531
California Bancorp, Inc. (A)	19,085	324,707
California Bancorp, Inc. (A)(B)(C)	21,059	367,480
Cambridge Bancorp	9,795	815,434
Camden National Corp.	55,164	1,984,249
Carolina Financial Corp.	70,982	2,100,357
Carolina Trust Bancshares, Inc. (A)	325,000	2,463,500
Centric Financial Corp. (A)	275,000	2,515,013
Chemical Financial Corp. (B)(C)	217,502	7,962,748
Citigroup, Inc. (C)	115,107	5,992,470
Citizens Financial Group, Inc.	503,303	14,963,198
City Holding Company	39,363	2,660,545
Civista Bancshares, Inc.	93,265	1,624,676
Coastal Financial Corp. (A)(B)(C)	35,302	537,649
Columbia Banking System, Inc.	146,165	5,304,328
Comerica, Inc.	176,778	12,142,881
Commerce Bancshares, Inc. (B)(C)	121,784	6,864,978
Communities First Financial Corp. (A)	115,523	2,287,355
County Bancorp, Inc.	62,184	1,080,136
Cullen/Frost Bankers, Inc. (B)(C)	178,964	15,738,094
DNB Financial Corp.	78,515	2,119,905
Eagle Bancorp Montana, Inc.	82,912	1,340,687
Equity Bancshares, Inc., Class A (A)(B)(C)	130,915	4,614,754
Evans Bancorp, Inc.	69,760	2,267,898
FCB Financial Holdings, Inc., Class A (A)	188,399	6,326,438
SEE NOTES TO FINANCIAL STATEMENTS	ANNUAL REPORT JOHN HANCOCK FINANCIAL OPPORTUNITIES FUND	

	Shares	Value
Financials (continued)		
Banks (continued)		
Fifth Third Bancorp	284,551	\$6,695,485
First Bancorp, Inc.	266,499	7,008,924
First Business Financial Services, Inc.	60,700	1,184,257
First Citizens BancShares, Inc., Class A	15,038	5,670,078
First Community Corp.	136,228	2,646,910
First Financial Bancorp (B)(C)	403,431	9,569,383
First Hawaiian, Inc.	233,930	5,265,764
First Horizon National Corp. (B)(C)	108,740	1,431,018
First Merchants Corp.	118,683	4,067,266
First Mid-Illinois Bancshares, Inc.	28,496	909,592
First Security Group, Inc. (A)	83,942	2,867,964
Flushing Financial Corp.	139,050	2,993,747
FNB Corp. (B)(C)	706,188	6,948,890
German American Bancorp, Inc.	60,090	1,668,699
Glacier Bancorp, Inc. (B)(C)	171,733	6,804,061
Great Southern Bancorp, Inc.	40,257	1,853,030
Great Western Bancorp, Inc.	149,171	4,661,594
Hancock Whitney Corp.	245,752	8,515,307
Heritage Commerce Corp.	371,642	4,214,420
Heritage Financial Corp.	189,099	5,620,022
HomeTown Bankshares Corp.	174,720	2,068,685
Horizon Bancorp, Inc.	404,586	6,384,367
Howard Bancorp, Inc. (A)	156,530	2,238,379
Independent Bank Corp. (MA) (B)(C)	146,636	10,309,977
Independent Bank Corp. (MI)	125,407	2,636,055
JPMorgan Chase & Co. (C)	189,766	18,524,957
KeyCorp	738,141	10,909,724
Level One Bancorp, Inc.	64,375	1,443,931
M&T Bank Corp.	124,860	17,871,212
Mackinac Financial Corp.	72,333	987,345
MB Financial, Inc.	203,268	8,055,511
MidWestOne Financial Group, Inc.	38,224	949,102
MutualFirst Financial, Inc.	100,539	2,671,321
National Commerce Corp. (A)	71,147	2,561,292
Nicolet Bankshares, Inc. (A)	35,912	1,752,506
Northrim BanCorp, Inc.	99,739	3,278,421
Old National Bancorp	419,575	6,461,455
Old Second Bancorp, Inc.	202,363	2,630,719
Pacific Premier Bancorp, Inc. (A)	208,491	5,320,690
PacWest Bancorp (B)(C)	201,725	6,713,408
Park National Corp.	42,877	3,642,401
Peoples Bancorp, Inc.	122,945	3,700,645
Pinnacle Financial Partners, Inc. (B)(C)	126,415	5,827,732
Presidio Bank (A)(B)(C)	46,859	977,010

	Shares	Value
Financials (continued)		
Banks (continued)		
Prime Meridian Holding Company	108,010	\$2,025,188
QCR Holdings, Inc.	48,822	1,566,698
Regions Financial Corp. (C)	723,674	9,682,758
Renasant Corp.	159,629	4,817,603
SBT Bancorp, Inc.	37,879	1,344,705
Shore Bancshares, Inc.	183,579	2,669,239
South Atlantic Bancshares, Inc. (A)	265,755	2,931,278
South State Corp. (B)(C)	93,903	5,629,485
Southern First Bancshares, Inc. (A)	131,586	4,219,963
State Bank Financial Corp.	53,182	1,148,199
Stock Yards Bancorp, Inc.	66,324	2,175,427
SunTrust Banks, Inc.	296,433	14,952,081
The Community Financial Corp.	32,029	936,528
The First Bancshares, Inc.	210,000	6,352,500
The First of Long Island Corp.	57,322	1,143,574
The PNC Financial Services Group, Inc. (B)(C)	148,765	17,392,116
Towne Bank	157,856	3,780,651
TriCo Bancshares	202,536	6,843,691
U.S. Bancorp (C)	318,276	14,545,213
Union Bankshares Corp.	164,127	4,633,305
United Bankshares, Inc. (B)(C)	125,661	3,909,314
United Community Banks, Inc.	111,192	2,386,180
Washington Trust Bancorp, Inc.	123,905	5,889,205
Wells Fargo & Company (C)	159,225	7,337,088
Zions Bancorp NA	282,210	11,497,235
Capital markets 4.8%		
Ares Management Corp., Class A (B)(C)	217,118	3,860,358
KKR & Company, Inc., Class A (B)(C)	355,776	6,983,883
Oaktree Specialty Lending Corp. (B)(C)	837,762	3,543,733
The Blackstone Group LP (C)	243,005	7,243,979
TPG Specialty Lending, Inc. (B)(C)	243,379	4,402,726