

HANCOCK JOHN BANK & THRIFT OPPORTUNITY FUND
Form N-CSR
December 29, 2005
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- 8568

John Hancock Bank and Thrift Opportunity Fund
(Exact name of registrant as specified in charter)

601 Congress Street, Boston, Massachusetts 02210
(Address of principal executive offices) (Zip code)

Alfred P. Ouellette
Senior Attorney and Assistant Secretary
601 Congress Street
Boston, Massachusetts 02210
(Name and address of agent for service)

Registrant's telephone number, including area code: 617-663-4324

Date of fiscal year end: October 31

Date of reporting period: October 31, 2005

ITEM 1. REPORT TO SHAREHOLDERS.

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To Our Shareholders,

I am pleased to be writing to you as the new President and Chief Executive Officer of John Hancock Funds, LLC, following the departure of James A. Shepherdson to pursue other opportunities. In addition, on July 25, 2005, your fund's Board of Trustees appointed me to the roles of President and Chief Executive Officer of your fund.

As a means of introduction, I have been involved in the mutual fund industry since 1985. I have been with John Hancock Funds for the last 15 years, most recently as executive vice president of retail sales and marketing and a member of the company's executive and investment committees. In my former capacity, I was responsible for all aspects of the distribution and marketing of John Hancock Funds' open-end and closed-end funds. Outside of John Hancock, I have served as Chairman of the Investment Company Institute (ICI) Sales Force Marketing Committee since September 2003.

It is an exciting time to be at John Hancock Funds, and I am grateful for the opportunity to lead and shape its future growth. With the acquisition of John Hancock by Manulife Financial Corporation in April 2004, we are receiving broad support toward the goal of providing our shareholders with excellent investment opportunities and a more complete lineup of choices for the discerning investor.

For one example, we have recently added five "Lifestyle Portfolio" funds-of-funds that blend multiple fund offerings from internal and external money managers to create a broadly diversified asset allocation portfolio. Look for more information about these exciting additions to the John Hancock family of funds in the near future.

Although there has been a change in executive-level management, rest assured that the one thing that never wavers is John Hancock Funds' commitment to placing the needs of shareholders above all else. We are all dedicated to the task of working with you and your financial advisors to help you reach your long-term financial goals.

Sincerely,

Keith F. Hartstein,
President and Chief Executive Officer

This commentary reflects the CEO's views as of October 31, 2005. They are subject to change at any time.

**YOUR FUND
AT A GLANCE**

**The Fund seeks
long-term capital
appreciation with
moderate income**

as a secondary objective by normally investing at least 80% of its assets in stocks of regional banks and lending companies, including commercial and industrial banks, savings and loan associations and bank holding companies.

Over the last twelve months

- The stock market advanced in fits and starts, as it pondered spiking energy prices, rising interest rates and solid economic data.
- Banks lagged other financial stocks and the broad stock market as a flattening yield curve crimped margins and bank mergers dried up.
- The Fund's strategy of focusing on regional banks, while successful over the long term, put it at a disadvantage to more broadly diversified financial funds in this period.

Top 10 holdings

3.1%	Wachovia Corp.
2.9%	Compass Bancshares, Inc.
2.9%	U.S. Bancorp.
2.9%	M&T Bank Corp.
2.9%	PNC Financial Services Group, Inc.
2.8%	Marshall & Ilsley Corp.
2.8%	SunTrust Banks, Inc.
2.7%	Wells Fargo & Co.
2.7%	Comerica, Inc.
2.5%	North Fork Bancorp., Inc.

As a percentage of net assets on October 31, 2005.

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BY JAMES K. SCHMIDT, CFA, LISA A. WELCH AND THOMAS M. FINUCANE,
PORTFOLIO MANAGERS

MANAGERS
REPORT

JOHN HANCOCK

Bank and Thrift Opportunity Fund

The stock market advanced in a choppy fashion over the last 12 months, buffeted by rising short-term interest rates, mixed, but basically solid, economic data and oil prices that rose to historic highs. Throughout the period, investors struggled with concerns that rising rates and energy costs would spark inflation, stall economic growth and hurt corporate profits. The period began in the midst of a strong rally in the fourth quarter of 2004 and became more dicey in 2005 as investors grew increasingly wary. But largely with the strength of the market's rally in November and December 2004, and brief rallies in the summer on better-than-expected corporate earnings, the market managed to produce a decent return for the period. For the 12 months ending October 31, 2005, the broad market, as measured by the Standard & Poor's 500 Index returned 8.72% .

Financial stocks as a group kept pace with the broad market, as the Standard & Poor's 500 Financial Index returned 8.99% . The gains were based primarily on the strength of the investment bankers, asset managers and trust and custody banks. They benefited from the resilient markets that were fertile ground for increased merger and acquisitions activity and debt and equity issuance. Banks were the laggards in an interest rate environment that saw short-term rates rise at the hands of the Federal Reserve, which was intent on preventing inflation. At the same time, longer-term rates, in uncharacteristic fashion, did not move up as much, making for a flatter yield curve. That put pressure on bank margins, as the difference between what banks pay depositors and what they collect from loans shrunk. Life and health insurance companies did well all year as they turned in good results and were viewed as safe havens that had little taint of scandal or negative news headlines.

*Financial stocks as a group kept
pace with the broad market...*

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Fund performance

For the year ended October 31, 2005, John Hancock Bank and Thrift Opportunity Fund posted total returns of 5.44% at net asset value and 3.68% at market value. The difference in the Fund's net asset value (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. By comparison, the Fund's benchmark Standard & Poor's 500 Financial Index returned 8.99% and the average open-end financial services fund returned 8.98% at net asset value, according to Lipper, Inc. Keep in mind that your net asset value return will be different from the Fund's performance if you were not invested in the Fund for the entire period and did not reinvest all distributions.

Regional banks struggle

In the last 12 months, the Fund underperformed its Lipper category and benchmark Standard & Poor's 500 Financial Index because of the Fund's mandate to invest primarily in regional banks. With a flat-ter yield curve putting pressure on bank interest margins, regional banks and thrifts in particular sold off after several years of spectacular outperformance. We were also hampered by our underweights in the good-performing investment bankers and insurance companies and by not owning any real estate investment trusts.

Select winners and disappointments

We did, however, have a number of names that performed well, including those considered more market sensitive and some non-bank capital-market sensitive holdings, such as Legg Mason, which we have since sold. Some of the best performers were banks perceived to be asset sensitive -- that is, improving results as interest rates rise. Topping our list were Zions Bancorp., Mercantile Bancshares Corp. and City National Corp.

Our trust banks and larger, more diversified banks also helped lift Fund results. These included Mellon Financial Corp. and Northern Trust Corp. PNC Financial Services Group, Inc., while not a trust bank, has more market-sensitive revenues than average because it owns asset manager BlackRock. Some of our larger banks,

such as

Our trust banks and larger, more diversified banks also helped lift Fund results.

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Industry distribution¹

Regional
banks -- 68%

Diversified
banks -- 15%

Thrifts & mortgage
finance -- 7%

Asset management &
custody banks -- 4%

Other diversified
financial services --
4%

Wachovia Corp. and U.S. Bancorp., did well because of their more diversified revenue stream, which made them less dependent on spread income, which is the income earned by the difference between what banks pay depositors and charge borrowers.

Our individual underperformers were largely banks that suffered earnings shortfalls or had slowdowns in mortgage activity. In this category were Fifth Third Bancorp., TCF Financial Corp., First Horizon National Corp. and North Fork Bancorp.

Merger slowdown

After a blistering year of bank mergers in 2004, the pace slowed to a crawl this fiscal year, with only four that involved Fund holdings --Hibernia Corp., which was bought by Capital One; Amegy Bancorp, which signed a deal to be purchased by Zions Bancorp; MBNA Corp., which is being bought by Bank of America Corp. and Columbia Bancorp., which is being bought by Fulton Financial Corp. The main reasons for the merger slowdown are lofty valuations at the smaller banks that have sparked unrealistic price expectations among sellers, and potential buyers otherwise

occupied integrating previous mergers. We've been through periods like this before, and over time price expectations adjust and mergers ramp up. It is also likely that the expense difficulties of complying with Sarbanes-Oxley will create additional incentives for small banks to consider merging.

Outlook

We remain cautiously optimistic in the near term on the prospects for financial stocks. Going into next year, higher interest rates,

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elevated oil prices and a slower economy could lead to some concerns. Currently, with the banking industry fundamentals so good, with the percentage of bad loans very low, commercial loan activity growing and profitability very high, it would not be unrealistic to expect somewhat of a downturn in the recent high growth rate in earnings. Despite these short-term challenges, we remain convinced that the merger trend that was one of the key drivers of this fund's birth remains in place. There are still 7,500 banks -- down from 14,000 some 20 years ago -- and we believe the trend will continue for a good many years to come.

...we remain convinced that the merger trend that was one of the key drivers of this fund's birth remains in place.

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.

Sector investing is subject to greater risks than the market as a whole.

¹ As a percentage of net assets on October 31, 2005.

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FINANCIAL STATEMENTS

FUND'S INVESTMENTS

Securities owned
by the Fund on
October 31, 2005

This schedule is divided into three main categories: bonds, common stocks and short-term investments. Bonds and common stocks are further broken down by industry group. Short-term investments, which represent the Fund's cash position, are listed last.

Issuer, description	Interest rate	Maturity date	Credit rating	Par value (000)	Value
Bonds 0.10%					\$893,662

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(Cost \$770,000)

Regional Banks 0.10% **893,662**

CSBI Capital Trust I,
Gtd Sub Cap Inc Ser A (B)(G) 11.750% 06-06-27 B- \$770 893,662

Issuer **Shares** **Value**

Common stocks 97.61% **\$866,507,570**

(Cost \$383,067,328)

Asset Management & Custody Banks 4.44% **39,452,002**

Affiliated Managers Group, Inc. (MA) (I)(L) 130,750 10,035,062

Bank of New York Co., Inc. (The) (NY) 313,000 9,793,770

Federated Investors, Inc. (Class B) (PA) 30,000 1,050,300

Mellon Financial Corp. (PA) 330,000 10,457,700

Northern Trust Corp. (IL) (L) 70,000 3,752,000

State Street Corp. (MA) 79,000 4,363,170

Consumer Finance 0.29% **2,557,000**

MBNA Corp. (DE) 100,000 2,557,000

Diversified Banks 14.63% **129,873,398**

Bank of America Corp. (NC) 498,170 21,789,956

Comerica, Inc. (MI) 407,400 23,539,572

Toronto-Dominion Bank (The) (Canada) 140,499 6,647,008

U.S. Bancorp. (MN) 878,541 25,987,243

Wachovia Corp. (NC) (L) 545,071 27,536,987

Wells Fargo & Co. (CA) (L) 404,861 24,372,632

Other Diversified Financial Services 4.31% **38,268,247**

Citigroup, Inc. (NY) 455,925 20,872,246

JPMorgan Chase & Co. (NY) 475,041 17,396,001

See notes to financial statements.

FINANCIAL STATEMENTS

Issuer	Shares	Value
Regional Banks 67.46%		\$598,809,099

ABC Bancorp. (GA)	78,480	1,518,588
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Alabama National Bancorp. (AL)	142,500	9,216,900
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Amegy Bancorp., Inc. (TX)	520,660	12,042,866
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AmericanWest Bancorp. (WA) (I)	357,921	8,214,287
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AmSouth Bancorp. (AL) (L)	95,879	2,419,027
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BB&T Corp. (NC)	344,846	14,600,780
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Benjamin Franklin Bancorp., Inc. (MA)	15,000	202,500
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Beverly National Corp. (MA)	47,500	1,235,000
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BOK Financial Corp. (OK)	117,208	5,159,496
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Camden National Corp. (ME)	140,000	4,851,000
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Capital City Bank Group, Inc. (FL)	74,543	2,722,310
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Cardinal Financial Corp. (VA)	86,200	871,482
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Cascade Bancorp. (OR)	194,272	4,429,402
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Chittenden Corp. (VT)	175,245	5,041,799
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City Holding Co. (WV)	41,600	1,524,224
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City National Corp. (CA)	222,927	16,358,383
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CoBiz, Inc. (CO)	53,850	954,760
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Colonial BancGroup, Inc. (The) (AL)	585,200	14,249,620
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Columbia Bancorp. (MD)	90,000	3,639,600
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Columbia Bancorp. (OR) (L)	13,250	278,250
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Columbia Banking System, Inc. (WA)	29,645	857,037
Commercial Bankshares, Inc. (FL)	63,702	2,261,421
Community Bancorp. (NV) (I)	10,790	352,186
Community Banks, Inc. (PA)	105,055	3,022,432
Compass Bancshares, Inc. (AL) (L)	533,357	26,006,487
Cullen/Frost Bankers, Inc. (TX)	20,000	1,056,400
Dearborn Bancorp., Inc. (MI) (I)	41,310	1,034,815
Desert Community Bank (CA)	137,500	4,373,875
DNB Financial Corp. (PA)	69,121	1,416,980
East West Bancorp., Inc. (CA) (L)	500,000	19,145,000
Eurobancshares, Inc. (Puerto Rico) (I)	87,830	915,189
F.N.B. Corp. (PA)	90,049	1,613,678
Fifth Third Bancorp. (OH)	500,040	20,086,607
Financial Institutions, Inc. (NY)	73,000	1,341,740
First Charter Corp. (NC)	52,200	1,330,578
First Horizon National Corp. (TN) (L)	156,650	6,059,222
First Midwest Bancorp., Inc. (IL)	49,000	1,862,980
First National Lincoln Corp. (ME)	146,499	2,710,232
First Regional Bancorp. (CA) (I)	150,000	10,083,000

See notes to financial statements.

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FINANCIAL STATEMENTS

Issuer	Shares	Value
Regional Banks (continued)		

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First State Bancorp. (NM)	130,000	\$2,900,300
FirstMerit Corp. (OH)	2,950	77,792
Fulton Financial Corp. (PA) (L)	133,503	2,244,185
Glacier Bancorp., Inc. (MT)	367,788	10,842,390
Greene County Bancshares, Inc. (TN)	22,000	584,320
Harleysville National Corp. (PA)	144,664	2,967,059
Hibernia Corp. (Class A) (LA) (L)	234,700	6,963,549
Independent Bank Corp. (MI)	323,510	9,249,151
International Bancshares Corp. (TX)	200,337	5,998,090
KeyCorp (OH) (L)	320,000	10,316,800
Lakeland Financial Corp. (IN)	7,000	288,330
M&T Bank Corp. (NY) (L)	238,657	25,674,720
Marshall & Ilsley Corp. (WI)	572,595	24,598,681
MB Financial, Inc. (IL)	123,950	4,619,617
Mercantile Bankshares Corp. (MD)	209,500	11,807,420
Merrill Merchants Bankshares, Inc. (ME)	75,897	1,916,399
Mid-State Bancshares (CA)	50,000	1,356,500
Midwest Banc Holdings, Inc. (IL) (L)	14,350	322,014
National City Corp. (DE)	545,087	17,568,154
North Fork Bancorp., Inc. (NY)	887,092	22,478,911
Northrim Bancorp., Inc. (AK)	70,053	1,730,309
Oriental Financial Group, Inc. (Puerto Rico)	20,234	251,306
Pacific Capital Bancorp. (CA)	364,354	13,142,249

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Placer Sierra Bancshares (CA)	14,550	391,686
PNC Financial Services Group, Inc. (PA)	418,500	25,407,135
Prosperity Bancshares, Inc. (TX)	125,000	3,811,250
Provident Bankshares Corp. (MD)	165,058	5,753,922
Regions Financial Corp. (AL) (L)	167,390	5,448,545
Republic Bancorp., Inc. (MI)	3,300	45,045
S&T Bancorp., Inc. (PA)	154,700	5,756,387
Sandy Spring Bancorp., Inc. (MD)	12,500	440,625
Security Bank Corp. (GA)	70,000	1,727,600
Sky Financial Group, Inc. (OH)	234,850	6,594,588
SNB Bancshares, Inc. (TX) (I)	94,340	1,037,740
Southcoast Financial Corp. (SC) (I)	40,900	940,700
South Financial Group, Inc. (The) (SC)	15,500	427,335
Southwest Bancorp., Inc. (OK)	41,000	959,810
State National Bancshares, Inc. (TX) (I)(L)	11,580	283,710

See notes to financial statements.

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FINANCIAL STATEMENTS

Issuer	Shares	Value
Regional Banks (continued)		
Summit Bancshares, Inc. (TX)	279,000	\$5,186,610
SunTrust Banks, Inc. (GA)	336,826	24,413,148
Synovus Financial Corp. (GA)	450,000	12,361,500
Taylor Capital Group, Inc. (IL)	241,950	9,953,823

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TCF Financial Corp. (MN)	428,016	11,599,234
TD Banknorth, Inc. (ME)	334,517	9,630,744
Texas Regional Bancshares, Inc. (Class A) (TX)	100,000	2,933,000
Texas United Bancshares, Inc. (TX)	47,100	939,169
TriCo Bancshares (CA)	53,000	1,196,210
UCBH Holdings, Inc. (CA)	400,000	6,960,000
Umpqua Holdings Corp. (OR)	177,901	4,732,167
Univest Corp. (PA)	205,218	5,335,668
Valley National Bancorp. (NJ)	157,386	3,815,037
Vineyard National Bancorp. Co. (CA)	283,970	8,314,642
Virginia Commerce Bancorp., Inc. (VA) (I)	16,671	458,453
Virginia Financial Group, Inc. (VA)	22,400	821,632
West Coast Bancorp. (OR)	67,583	1,787,570
Western Alliance Bancorp. (NV) (I)	20,650	575,103
Whitney Holding Corp. (LA)	150,750	4,070,250
Wilmington Trust Corp. (DE)	350,000	13,268,500
Yardville National Bancorp. (NJ)	97,400	3,537,568
Zions Bancorp. (UT) (L)	203,275	14,934,614
Thriffs & Mortgage Finance 6.48%		57,547,824
Astoria Financial Corp. (NY) (L)	102,865	2,875,077
Commercial Capital Bancorp., Inc. (CA)	450,000	7,227,000
Countrywide Financial Corp. (CA) (L)	291,500	9,260,955
Freddie Mac (VA)	140,000	8,589,000
Hingham Institute for Savings (MA)	80,000	3,080,000

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Hudson City Bancorp., Inc. (NJ)	383,810	4,544,310
LSB Corp. (MA)	65,000	1,057,550
New York Community Bancorp, Inc. (NY)	40,000	646,800
NewAlliance Bancshares, Inc. (CT)	12,581	181,418
PennFed Financial Services, Inc. (NJ)	313,600	6,130,880
Sovereign Bancorp., Inc. (PA)	30,000	647,100
Washington Mutual, Inc. (WA)	254,312	10,070,755
Webster Financial Corp. (CT)	70,110	3,236,979

See notes to financial statements.

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FINANCIAL STATEMENTS

Issuer, description, maturity date	Interest rate	Par value (000)	Value
Short-term investments 13.72%			\$121,694,293
(Cost \$121,694,293)			
Certificates of Deposit 0.01%			78,864
Deposits in mutual banks		\$79	78,864
Joint Repurchase Agreement 2.02%			17,889,000
Investment in a joint repurchase agreement transaction with Barclays Capital, Inc. -- Dated 10-31-05 due 11-01-05 (secured by U.S. Treasury Inflation Indexed Note 0.875% due 04-15-10 and 1.875% due 07-15-13)	3.940%	17,889	17,889,000
	Shares		
Cash Equivalents 11.69%			103,726,429
AIM Cash Investment Trust (T)		103,726,429	103,726,429

Total investments 111.43%	\$989,095,525
<hr/>	
Other assets and liabilities, net (11.43%)	(\$101,456,731)
<hr/>	
Total net assets 100.00%	\$887,638,794

(B) This security is fair valued in good faith under procedures established by the Board of Trustees.

(G) Security rated internally by John Hancock Advisers, LLC.

(I) Non-income-producing security.

(L) All or a portion of this security is on loan as of October 31, 2005.

(T) Represents investment of securities lending collateral.

Parenthetical disclosure of a foreign country in the security description represents country of a foreign issuer.

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

See notes to financial statements.

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FINANCIAL STATEMENTS

**ASSETS AND
LIABILITIES**

October 31, 2005

**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 for each
common share.**

Assets

Investments at value (cost \$505,531,621) including \$101,692,579 of securities loaned	\$989,095,525
Cash	908
Receivable for investments sold	1,803,717
Dividends and interest receivable	1,442,480
Other assets	112,790

Total assets	992,455,420
<hr/>	
Liabilities	
Payable upon return of securities loaned	103,726,429
Payable to affiliates	
Management fees	754,851
Other	83,739
Other payables and accrued expenses	251,607
Total liabilities	104,816,626
<hr/>	
Net assets	
Capital paid-in	396,955,009
Accumulated net realized gain on investments	5,934,800
Net unrealized appreciation of investments	483,563,904
Accumulated net investment income	1,185,081
Net assets	\$887,638,794
<hr/>	

Net asset value per share

Based on 84,400,000 shares of
beneficial interest outstanding --