

JOHN HANCOCK INCOME SECURITIES TRUST
Form N-CSR
January 05, 2012

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 811-4186

John Hancock Income Securities Trust
(Exact name of registrant as specified in charter)

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

Salvatore Schiavone
Treasurer
601 Congress Street

Boston, Massachusetts 02210
(Name and address of agent for service)

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

Date of fiscal year end: October 31

Date of reporting period: October 31, 2011

Item 1. Schedule of Investments.

Management's discussion of**Fund performance**

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

U.S. bonds posted positive returns for the 12 months ended October 31, 2011. Bonds generated mixed results during the first half of the period as improving economic conditions provided a lift to corporate bonds and commercial mortgage-backed securities, while the threat of rising inflation put downward pressure on Treasury bonds. During the last six months, a marked slowdown in global economic activity and worsening sovereign debt problems in Europe led to a flight to quality, with higher-quality bonds leading the advance. In particular, investors flocked to the relative safety of the Treasury market, sending Treasury yields down to historically low levels. For the 12-month period ended October 31, 2011, investment-grade corporate bonds posted the best returns, while mortgage-backed securities lagged. For the year ended October 31, 2011, John Hancock Income Securities Trust produced a total return of 6.78% at net asset value (NAV) and 8.46% at market value. The Fund's NAV return and its market performance differ because 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 average UBS leveraged closed-end investment-grade bond fund returned 10.70% at NAV and 7.51% at market value. The Barclays Capital Government/Credit Bond Index returned 5.26%. Allocations among segments of the bond market contributed favorably to performance in the first half of the period but detracted from results during the last six months. Overweight positions in corporate bonds and commercial mortgage-backed securities added value during the first half of the period, while an underweight position in Treasury securities was a drag on performance in the last half of the period. Top contributors among the Fund's corporate holdings included broadcasting company CBS Corp., electric utilities MidAmerican Energy Holdings Company (a unit of Berkshire Hathaway) and Exelon Corp. On the downside, significant detractors included French financial services firm AXA SA, tobacco company Alliance One International, Inc. and gaming company Greektown Superholdings. Outside of the corporate sector, the Fund's holdings in interest-only mortgage-backed securities declined as falling interest rates led to increased concerns about higher refinancing activity.

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.

This Fund is subject to interest-rate and credit risk. When interest rates rise, bond prices usually fall. Generally, an increase in the Fund's average maturity will make it more sensitive to interest-rate risk. Higher-yielding bonds are riskier than lower-yielding bonds, and their value may fluctuate more in response to market conditions.

Sector investing is subject to greater risks than the market as a whole. Because the Fund may focus on particular sectors of the economy, its performance may depend on the performance of those sectors.

Portfolio summary**Portfolio Composition¹**

| | | | |
|-----------------|-----|----------------------|----|
| Corporate Bonds | 54% | Preferred Securities | 2% |
|-----------------|-----|----------------------|----|

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| | | | |
|--------------------------------------|-----|--------------------------------|----|
| U.S. Government & Agency Obligations | 27% | Capital Preferred Securities | 2% |
| Collateralized Mortgage Obligations | 9% | Common Stocks | 1% |
| Asset-Backed Securities | 3% | Term Loans | 1% |
| | | Short-Term Investments & Other | 1% |

Sector Composition^{1,2}

| | | | |
|--------------------------------------|-----|--------------------------------|----|
| U.S. Government & Agency Obligations | 27% | Utilities | 4% |
| Financials | 23% | Asset-Backed Securities | 3% |
| Consumer Discretionary | 9% | Consumer Staples | 3% |
| Collateralized Mortgage Obligations | 9% | Telecommunication Services | 2% |
| Energy | 6% | Health Care | 2% |
| Industrials | 5% | Information Technology | 1% |
| Materials | 5% | Short-Term Investments & Other | 1% |

Quality Distribution^{1,3}

| | | | |
|-----|-----|--------------------------------|----|
| AAA | 29% | CCC & Below | 3% |
| AA | 3% | Equity | 1% |
| A | 13% | Preferred Securities | 2% |
| BBB | 28% | Not Rated | 2% |
| BB | 10% | Short-Term Investments & Other | 1% |

B 8%

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

² Sector investing is subject to greater risks than the market as a whole. Because the Fund may focus on particular sectors of the economy, its performance may depend on the performance of those sectors.

³ Ratings are from Moody's Investor Services, Inc. If not available, we have used Standard & Poor's ratings. In the absence of ratings from these agencies, we have used Fitch, Inc. ratings. "Not Rated" securities are those with no ratings available from these agencies. All ratings are as of 10-31-11 and do not reflect subsequent downgrades or upgrades, if any.

Fund's investments

As of 10-31-11

| | Rate (%) | Maturity date | Par value | Value |
|---|----------|---------------|-----------|----------------------|
| Corporate Bonds 80.59% (54.02% of Total Investments) | | | | \$137,247,785 |
| (Cost \$132,742,076) | | | | |
| Consumer Discretionary 11.25% | | | | 19,158,344 |
| Auto Components 0.69% | | | | |
| Allison Transmission, Inc. (S)(Z) | 7.125 | 05-15-19 | \$380,000 | 368,600 |
| Exide Technologies | 8.625 | 02-01-18 | 280,000 | 280,000 |
| Hyva Global BV (S)(Z) | 8.625 | 03-24-16 | 340,000 | 306,000 |
| Visteon Corp. (S) | 6.750 | 04-15-19 | 220,000 | 213,400 |
| Automobiles 1.89% | | | | |
| Ford Motor Credit Company LLC (Z) | 5.000 | 05-15-18 | 440,000 | 448,235 |
| Ford Motor Credit Company LLC (Z) | 5.875 | 08-02-21 | 435,000 | 464,945 |

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|--|--------|----------|-----------|-----------|
| Harley-Davidson Funding Corp. (S)(Z) | 5.750 | 12-15-14 | 160,000 | 174,483 |
| Hyundai Capital Services, Inc. (S)(Z) | 4.375 | 07-27-16 | 310,000 | 314,537 |
| Hyundai Capital Services, Inc. (S)(Z) | 6.000 | 05-05-15 | 430,000 | 462,514 |
| Kia Motors Corp. (S)(Z) | 3.625 | 06-14-16 | 315,000 | 307,064 |
| Nissan Motor Acceptance Corp. (S)(Z) | 4.500 | 01-30-15 | 1,000,000 | 1,051,309 |
| Food Products 0.14% | | | | |
| Simmons Foods, Inc. (S) | 10.500 | 11-01-17 | 250,000 | 233,750 |
| Hotels, Restaurants & Leisure 2.95% | | | | |
| CCM Merger, Inc. (S) | 8.000 | 08-01-13 | 485,000 | 460,750 |
| Downstream Development Authority of the Quapaw Tribe of Oklahoma (S) | 10.500 | 07-01-19 | 275,000 | 264,000 |
| Greektown Superholdings, Inc. | 13.000 | 07-01-15 | 1,713,000 | 1,760,108 |
| Jacobs Entertainment, Inc. (Z) | 9.750 | 06-15-14 | 600,000 | 582,000 |
| Little Traverse Bay Bands of Odawa Indians (S)(Z) | 9.000 | 08-31-20 | 319,000 | 261,580 |
| Palace Entertainment Holdings LLC/Palace Entertainment Holdings Corp. (S) | 8.875 | 04-15-17 | 235,000 | 230,300 |
| ROC Finance LLC/ROC Finance 1 Corp. (S) | 12.125 | 09-01-18 | 390,000 | 411,450 |
| Seminole Indian Tribe of Florida (S)(Z) | 6.535 | 10-01-20 | 650,000 | 627,315 |
| Seminole Indian Tribe of Florida (S)(Z) | 7.750 | 10-01-17 | 325,000 | 338,000 |
| Waterford Gaming LLC (S)(Z) | 8.625 | 09-15-14 | 221,551 | 82,623 |
| Household Durables 0.04% | | | | |

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|--------------------------------|--------|----------|--------|--------|
| American Standard Americas (S) | 10.750 | 01-15-16 | 85,000 | 62,900 |
|--------------------------------|--------|----------|--------|--------|

Internet & Catalog Retail 0.31%

| | | | | |
|-------------------|-------|----------|---------|---------|
| Expedia, Inc. (Z) | 5.950 | 08-15-20 | 530,000 | 537,759 |
|-------------------|-------|----------|---------|---------|

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See notes to financial statements

| | Rate (%) | Maturity date | Par value | Value |
|--|-----------------|----------------------|------------------|--------------|
| Media 4.13% | | | | |
| AMC Entertainment, Inc. | 8.750 | 06-01-19 | \$140,000 | \$148,050 |
| CBS Corp. (Z) | 7.875 | 07-30-30 | 595,000 | 790,350 |
| CCO Holdings LLC/CCO Holdings Capital Corp. | 8.125 | 04-30-20 | 145,000 | 156,963 |
| Cinemark USA, Inc. | 7.375 | 06-15-21 | 195,000 | 194,513 |
| DIRECTV Holdings LLC/DIRECTV Financing Company, Inc. (Z) | 6.350 | 03-15-40 | 220,000 | 264,103 |
| Grupo Televisa SAB (Z) | 6.625 | 01-15-40 | 310,000 | 355,870 |
| News America, Inc. | 6.150 | 03-01-37 | 165,000 | 182,518 |
| News America, Inc. (Z) | 6.150 | 02-15-41 | 275,000 | 309,233 |
| News America, Inc. | 6.400 | 12-15-35 | 150,000 | 169,928 |
| News America, Inc. (Z) | 7.600 | 10-11-15 | 1,000,000 | 1,144,417 |
| News America, Inc. (Z) | 7.750 | 01-20-24 | 1,020,000 | 1,238,983 |
| Nexstar Broadcasting, Inc. (Z) | 7.000 | 01-15-14 | 84,000 | 83,160 |
| Nexstar Broadcasting, Inc., PIK (Z) | 7.000 | 01-15-14 | 255,998 | 253,438 |

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|---|--------|----------|-----------|------------------|
| Regal Cinemas Corp. | 8.625 | 07-15-19 | 115,000 | 123,050 |
| Regal Entertainment Group | 9.125 | 08-15-18 | 100,000 | 107,000 |
| Time Warner Cable, Inc. (Z) | 6.750 | 07-01-18 | 605,000 | 722,318 |
| UBM PLC (S)(Z) | 5.750 | 11-03-20 | 275,000 | 272,814 |
| XM Satellite Radio, Inc. (S) | 7.625 | 11-01-18 | 485,000 | 522,588 |
| Multiline Retail 0.09% | | | | |
| Sears Holdings Corp. | 6.625 | 10-15-18 | 175,000 | 150,938 |
| Specialty Retail 0.32% | | | | |
| Hillman Group, Inc. | 10.875 | 06-01-18 | 210,000 | 215,775 |
| Hillman Group, Inc. (S) | 10.875 | 06-01-18 | 95,000 | 97,613 |
| Limited Brands, Inc. (Z) | 6.625 | 04-01-21 | 230,000 | 241,500 |
| Textiles, Apparel & Luxury Goods 0.69% | | | | |
| Burlington Coat Factory Warehouse Corp. (S)(Z) | 10.000 | 02-15-19 | 665,000 | 658,350 |
| Levi Strauss & Company (Z) | 7.625 | 05-15-20 | 500,000 | 511,250 |
| Consumer Staples 3.12% | | | | 5,319,068 |
| Food & Staples Retailing 0.65% | | | | |
| CVS Caremark Corp. (6.302% to 6-1-12, then 3 month LIBOR + 2.065%) (Z) | 6.302 | 06-01-37 | 1,150,000 | 1,116,938 |
| Food Products 1.14% | | | | |
| Bunge Ltd. Finance Corp. | 4.100 | 03-15-16 | 205,000 | 211,351 |
| Bunge Ltd. Finance Corp. (Z) | 8.500 | 06-15-19 | 389,000 | 476,987 |

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|--------------------------------|--------|----------|---------|---------|
| Corp. Pesquera Inca SAC (S)(Z) | 9.000 | 02-10-17 | 340,000 | 342,040 |
| Del Monte Foods Company (S) | 7.625 | 02-15-19 | 235,000 | 223,250 |
| JBS Finance II, Ltd. (S)(Z) | 8.250 | 01-29-18 | 360,000 | 333,000 |
| Reddy Ice Corp. (Z) | 11.250 | 03-15-15 | 380,000 | 355,300 |

Household Products 0.24%

| | | | | |
|---|-------|----------|---------|---------|
| Reynolds Group Issuer, Inc./Reynolds Group Issuer LLC (S) | 9.000 | 04-15-19 | 420,000 | 405,300 |
|---|-------|----------|---------|---------|

Personal Products 0.30%

| | | | | |
|------------------------------------|-------|----------|---------|---------|
| Hypermarcas SA (S) | 6.500 | 04-20-21 | 150,000 | 145,500 |
| Revlon Consumer Products Corp. (Z) | 9.750 | 11-15-15 | 335,000 | 359,288 |

See notes to financial statements

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| | Rate (%) | Maturity date | Par value | Value |
|--|-----------------|----------------------|------------------|-------------------|
| Tobacco 0.79% | | | | |
| Alliance One International, Inc. (Z) | 10.000 | 07-15-16 | \$1,000,000 | \$865,000 |
| Lorillard Tobacco Company | 3.500 | 08-04-16 | 150,000 | 150,772 |
| Lorillard Tobacco Company (Z) | 6.875 | 05-01-20 | 295,000 | 334,342 |
| | | | | 14,475,592 |
| Energy 8.50% | | | | |
| Energy Equipment & Services 0.75% | | | | |
| Astoria Depositor Corp., Series B (S)(Z) | 8.144 | 05-01-21 | 1,000,000 | 870,000 |
| Trinidad Drilling, Ltd. (S) | 7.875 | 01-15-19 | 265,000 | 277,588 |

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|--|-------|----------|---------|---------|
| Weatherford International, Inc. | 6.800 | 06-15-37 | 105,000 | 122,390 |
| Gas Utilities 0.31% | | | | |
| DCP Midstream LLC (S)(Z) | 9.750 | 03-15-19 | 405,000 | 533,027 |
| Oil, Gas & Consumable Fuels 7.44% | | | | |
| Alpha Natural Resources, Inc. | 6.000 | 06-01-19 | 125,000 | 124,063 |
| Alpha Natural Resources, Inc. | 6.250 | 06-01-21 | 270,000 | 266,625 |
| Arch Coal, Inc. (S) | 7.000 | 06-15-19 | 160,000 | 165,600 |
| Arch Coal, Inc. (S) | 7.250 | 06-15-21 | 270,000 | 278,100 |
| Chesapeake Energy Corp. (Z) | 6.125 | 02-15-21 | 265,000 | 277,588 |
| Energy Transfer Partners LP (Z) | 9.700 | 03-15-19 | 330,000 | 408,825 |
| Enterprise Products Operating LLC (7.000% to 6-1-17, then 3 month LIBOR + 2.778%) (Z) | 7.000 | 06-01-67 | 695,000 | 672,413 |
| EV Energy Partners LP/EV Energy Finance Corp. (S)(Z) | 8.000 | 04-15-19 | 400,000 | 398,000 |
| Kerr-McGee Corp. (Z) | 6.950 | 07-01-24 | 770,000 | 934,339 |
| Kinder Morgan Energy Partners LP (Z) | 7.750 | 03-15-32 | 195,000 | 244,790 |
| Kinder Morgan Finance Company ULC | 5.700 | 01-05-16 | 615,000 | 628,838 |
| Marathon Petroleum Corp. (S)(Z) | 6.500 | 03-01-41 | 280,000 | 328,435 |
| MarkWest Energy Partners LP/MarkWest Energy Finance Corp. (Z) | 6.500 | 08-15-21 | 495,000 | 511,088 |
| Newfield Exploration Company | 5.750 | 01-30-22 | 260,000 | 275,600 |
| Niska Gas Storage US LLC/Niska Gas Storage Canada ULC (Z) | 8.875 | 03-15-18 | 395,000 | 408,825 |

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|---|--------|----------|-----------|-------------------|
| NuStar Logistics LP (Z) | 7.650 | 04-15-18 | 845,000 | 1,000,652 |
| Petro-Canada (Z) | 9.250 | 10-15-21 | 1,000,000 | 1,384,037 |
| Spectra Energy Capital LLC (Z) | 6.200 | 04-15-18 | 1,000,000 | 1,128,565 |
| TransCanada Pipelines, Ltd. (6.350% to 5-15-17, then 3 month LIBOR + 2.210%) (Z) | 6.350 | 05-15-67 | 710,000 | 724,585 |
| Williams Partners LP/Williams Partners Finance Corp. (Z) | 7.250 | 02-01-17 | 1,620,000 | 1,927,364 |
| Woodside Finance, Ltd. (S)(Z) | 4.500 | 11-10-14 | 550,000 | 584,255 |
| Financials 29.68% | | | | 50,549,275 |
| Capital Markets 3.61% | | | | |
| Affinion Group Holdings, Inc. | 11.625 | 11-15-15 | 235,000 | 192,113 |
| Credit Suisse AG | 5.400 | 01-14-20 | 355,000 | 355,575 |
| Credit Suisse AG (3 month LIBOR + 0.690% to 5-15-17, then 3 month LIBOR + 1.690%) (Q)(Z) | 0.976 | 05-15-17 | 715,000 | 468,890 |
| Credit Suisse New York (Z) | 4.375 | 08-05-20 | 555,000 | 565,529 |
| Jefferies Group, Inc. (Z) | 6.875 | 04-15-21 | 905,000 | 874,601 |
| Jefferies Group, Inc. | 8.500 | 07-15-19 | 165,000 | 178,148 |
| Macquarie Bank, Ltd. (S)(Z) | 6.625 | 04-07-21 | 260,000 | 255,368 |

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| | Rate (%) | Maturity date | Par value | Value |
|--|-----------------|--------------------------|------------------|--------------|
|--|-----------------|--------------------------|------------------|--------------|

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Capital Markets (continued)

| | | | | |
|---|--------|----------|-----------|-----------|
| Macquarie Group, Ltd. (S)(Z) | 6.000 | 01-14-20 | \$340,000 | \$342,501 |
| Morgan Stanley | 5.500 | 07-28-21 | 150,000 | 146,957 |
| Morgan Stanley (Z) | 5.550 | 04-27-17 | 500,000 | 503,019 |
| Morgan Stanley | 5.750 | 01-25-21 | 140,000 | 138,664 |
| Morgan Stanley (Z) | 7.300 | 05-13-19 | 485,000 | 521,699 |
| Nationstar Mortgage/Nationstar Capital Corp. | 10.875 | 04-01-15 | 485,000 | 492,275 |
| The Goldman Sachs Group, Inc. | 5.250 | 07-27-21 | 300,000 | 303,762 |
| The Goldman Sachs Group, Inc. (Z) | 6.150 | 04-01-18 | 760,000 | 813,240 |
| Commercial Banks 5.75% | | | | |
| Abbey National Treasury Services PLC (Z) | 4.000 | 04-27-16 | 385,000 | 367,754 |
| Banco de Credito del Peru (S) | 4.750 | 03-16-16 | 175,000 | 174,230 |
| Barclays Bank PLC (Z) | 5.140 | 10-14-20 | 1,930,000 | 1,757,491 |
| Barclays Bank PLC (S) | 6.050 | 12-04-17 | 295,000 | 283,519 |
| BBVA Bancomer SA (S)(Z) | 6.500 | 03-10-21 | 485,000 | 482,575 |
| BPCE SA (12.500% to 9-30-19, then 3 month LIBOR + 12.980%) (Q)(S)(Z) | 12.500 | 09-30-19 | 330,000 | 306,666 |
| First Tennessee Bank NA (Z) | 5.050 | 01-15-15 | 405,000 | 404,957 |
| ICICI Bank, Ltd. (S)(Z) | 5.750 | 11-16-20 | 475,000 | 470,574 |
| Lloyds TSB Bank PLC (Z) | 6.375 | 01-21-21 | 440,000 | 472,633 |
| National City Bank (P)(Z) | 0.703 | 06-07-17 | 575,000 | 527,162 |

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|--|--------|----------|-----------|-----------|
| Regions Financial Corp. (P) | 0.528 | 06-26-12 | 265,000 | 260,443 |
| Regions Financial Corp. (Z) | 7.750 | 11-10-14 | 1,000,000 | 1,032,500 |
| Santander Holdings USA, Inc. | 4.625 | 04-19-16 | 115,000 | 113,378 |
| Santander Issuances SA (6.500% to 11-15-14, then 3 month LIBOR + 3.920%) (S)(Z) | 6.500 | 08-11-19 | 600,000 | 565,878 |
| The Chuo Mitsui Trust & Banking Company, Ltd. (5.506% to 4-15-15, then 3 month LIBOR + 2.490%) (Q)(S)(Z) | 5.506 | 04-15-15 | 940,000 | 968,200 |
| The Royal Bank of Scotland PLC (Z) | 4.875 | 03-16-15 | 330,000 | 335,659 |
| Wachovia Bank NA (Z) | 5.850 | 02-01-37 | 390,000 | 415,842 |
| Wachovia Bank NA (Z) | 6.600 | 01-15-38 | 325,000 | 380,989 |
| Wachovia Corp. | 5.750 | 06-15-17 | 405,000 | 467,798 |
| Consumer Finance 2.08% | | | | |
| Capital One Financial Corp. (Z) | 6.150 | 09-01-16 | 730,000 | 776,127 |
| Capital One Financial Corp. (Z) | 6.750 | 09-15-17 | 1,000,000 | 1,166,292 |
| Discover Bank (Z) | 7.000 | 04-15-20 | 270,000 | 282,693 |
| Discover Financial Services (Z) | 10.250 | 07-15-19 | 585,000 | 704,167 |
| Nelnet, Inc. (P)(Z) | 3.740 | 09-29-36 | 715,000 | 607,814 |
| Diversified Financial Services 7.24% | | | | |
| Bank of America Corp. (Z) | 6.500 | 08-01-16 | 305,000 | 317,798 |
| Bank of America NA | 5.300 | 03-15-17 | 150,000 | 143,634 |
| Bank of America NA (Z) | 6.000 | 10-15-36 | 390,000 | 377,887 |

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| Bosphorus Financial Services, Ltd. (P)(S)(Z) | 2.086 | 02-15-12 | 62,500 | 62,366 |
| Citigroup, Inc. (Z) | 5.850 | 12-11-34 | 300,000 | 327,008 |
| Citigroup, Inc. (Z) | 6.125 | 11-21-17 | 1,935,000 | 2,134,197 |
| General Electric Capital Corp. (Z) | 4.375 | 09-16-20 | 365,000 | 372,549 |
| General Electric Capital Corp. | 5.300 | 02-11-21 | 220,000 | 234,845 |

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| | Rate (%) | Maturity date | Par value | Value |
|--|----------|---------------|-----------|-----------|
| Diversified Financial Services (continued) | | | | |
| General Electric Capital Corp. | 5.875 | 01-14-38 | \$390,000 | \$421,702 |
| General Electric Capital Corp. (Z) | 6.000 | 08-07-19 | 335,000 | 381,601 |
| GTP Acquisition Partners I LLC (S) | 4.347 | 06-15-16 | 435,000 | 437,389 |
| GTP Acquisition Partners I LLC (S) | 7.628 | 06-15-16 | 325,000 | 315,487 |
| GTP Towers Issuer LLC (S) | 8.112 | 02-15-15 | 885,000 | 910,257 |
| JPMorgan Chase & Company (Z) | 3.700 | 01-20-15 | 295,000 | 307,614 |
| JPMorgan Chase & Company (Z) | 5.600 | 07-15-41 | 575,000 | 630,220 |
| JPMorgan Chase & Company (Z) | 6.000 | 01-15-18 | 765,000 | 857,856 |
| JPMorgan Chase & Company (7.900% to 4-30-18, then 3 month LIBOR + 3.470%) (Q)(Z) | 7.900 | 04-30-18 | 655,000 | 705,245 |
| Merrill Lynch & Company, Inc. | 6.220 | 09-15-26 | 175,000 | 161,976 |

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|---|-------|----------|-----------|-----------|
| Merrill Lynch & Company, Inc. (Z) | 6.875 | 04-25-18 | 1,000,000 | 1,029,429 |
| Merrill Lynch & Company, Inc. (Z) | 7.750 | 05-14-38 | 310,000 | 311,135 |
| The Bear Stearns Companies LLC (Z) | 7.250 | 02-01-18 | 1,000,000 | 1,180,111 |
| Tomkins LLC/Tomkins, Inc. (S) | 9.250 | 10-01-18 | 121,000 | 131,890 |
| USB Realty Corp. (6.091% to 1-15-12, then 3 month LIBOR + 1.147%) (Q)(S)(Z) | 6.091 | 01-15-12 | 800,000 | 578,000 |
| Insurance 5.36% | | | | |
| Aflac, Inc. (Z) | 6.900 | 12-17-39 | 230,000 | 254,342 |
| Aflac, Inc. | 8.500 | 05-15-19 | 385,000 | 483,756 |
| AXA SA (6.379% to 12-14-36, then 3 month LIBOR + 2.256%) (Q)(S) | 6.379 | 12-14-36 | 175,000 | 130,813 |
| Chubb Corp. (6.375% until 4-15-17, then 3 month LIBOR + 2.250%) (Z) | 6.375 | 03-29-67 | 315,000 | 316,575 |
| CNA Financial Corp. (Z) | 6.500 | 08-15-16 | 720,000 | 781,903 |
| CNA Financial Corp. (Z) | 7.250 | 11-15-23 | 540,000 | 585,468 |
| CNO Financial Group, Inc. (S)(Z) | 9.000 | 01-15-18 | 375,000 | 394,688 |
| Glen Meadow Pass-Through Trust (6.505% to 2-15-17, then 3 month LIBOR + 2.125%) (S)(Z) | 6.505 | 02-12-67 | 835,000 | 626,250 |
| Hartford Financial Services Group, Inc. | 6.625 | 03-30-40 | 225,000 | 229,874 |
| Liberty Mutual Group, Inc. (S)(Z) | 7.800 | 03-15-37 | 705,000 | 641,550 |
| Lincoln National Corp. (Z) | 8.750 | 07-01-19 | 535,000 | 654,304 |
| Lincoln National Corp. (6.050% until 4-20-17, then 3 month LIBOR + 2.040%) (Z) | 6.050 | 04-20-67 | 535,000 | 470,800 |

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| | | | | |
|--|--------|----------|---------|---------|
| MetLife, Inc. | 10.750 | 08-01-39 | 150,000 | 198,000 |
| Teachers Insurance & Annuity Association of America (S)(Z) | 6.850 | 12-16-39 | 605,000 | 775,490 |
| The Hanover Insurance Group, Inc. | 6.375 | 06-15-21 | 150,000 | 159,529 |
| Unum Group (Z) | 7.125 | 09-30-16 | 395,000 | 453,650 |
| UnumProvident Finance Company PLC (S)(Z) | 6.850 | 11-15-15 | 605,000 | 669,078 |
| W.R. Berkley Corp. (Z) | 5.600 | 05-15-15 | 365,000 | 386,762 |
| Willis Group Holdings PLC (Z) | 5.750 | 03-15-21 | 350,000 | 373,356 |
| Willis North America, Inc. (Z) | 7.000 | 09-29-19 | 495,000 | 550,972 |

Real Estate Investment Trusts 5.53%

| | | | | |
|---|-------|----------|---------|---------|
| Brandywine Operating Partnership LP (Z) | 7.500 | 05-15-15 | 345,000 | 380,457 |
| CommonWealth REIT (Z) | 6.650 | 01-15-18 | 480,000 | 514,234 |
| DDR Corp. (Z) | 7.500 | 04-01-17 | 625,000 | 677,281 |
| Dexus Property Group (S)(Z) | 7.125 | 10-15-14 | 495,000 | 548,810 |
| Duke Realty LP (Z) | 6.750 | 03-15-20 | 590,000 | 643,666 |
| Duke Realty LP (Z) | 8.250 | 08-15-19 | 265,000 | 311,817 |

12 Income Securities Trust | **Annual report**

See notes to financial statements

| | Rate (%) | Maturity date | Par value | Value |
|--|-----------------|----------------------|------------------|--------------|
| Real Estate Investment Trusts (continued) | | | | |

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| | | | | |
|--|--------|----------|-----------|------------------|
| Goodman Funding Pty, Ltd. (S)(Z) | 6.375 | 04-15-21 | \$645,000 | \$653,689 |
| Health Care REIT, Inc. (Z) | 4.950 | 01-15-21 | 400,000 | 377,787 |
| Health Care REIT, Inc. (Z) | 6.125 | 04-15-20 | 700,000 | 720,461 |
| Health Care REIT, Inc. (Z) | 6.200 | 06-01-16 | 505,000 | 541,627 |
| Healthcare Realty Trust, Inc. (Z) | 6.500 | 01-17-17 | 540,000 | 583,574 |
| Mack-Cali Realty LP (Z) | 7.750 | 08-15-19 | 330,000 | 392,950 |
| MPT Operating Partnership LP/MPT Finance Corp. (S) | 6.875 | 05-01-21 | 230,000 | 228,850 |
| Post Apartment Homes LP | 4.750 | 10-15-17 | 185,000 | 188,247 |
| Simon Property Group LP (Z) | 10.350 | 04-01-19 | 345,000 | 470,082 |
| Ventas Realty LP/Ventas Capital Corp. | 4.750 | 06-01-21 | 390,000 | 383,099 |
| Vornado Realty LP (Z) | 4.250 | 04-01-15 | 755,000 | 772,455 |
| WEA Finance LLC/WT Finance Australia Pty, Ltd. (S)(Z) | 6.750 | 09-02-19 | 290,000 | 328,264 |
| Weyerhaeuser Company (Z) | 7.375 | 03-15-32 | 690,000 | 693,387 |
| Real Estate Management & Development 0.11% | | | | |
| Realogy Corp. (S) | 7.875 | 02-15-19 | 215,000 | 193,500 |
| Health Care 2.62% | | | | 4,461,991 |
| Biotechnology 0.09% | | | | |
| Chiron Merger Sub, Inc. (S) | 10.500 | 11-01-18 | 160,000 | 159,600 |
| Health Care Equipment & Supplies 0.30% | | | | |
| Alere, Inc. (Z) | 7.875 | 02-01-16 | 335,000 | 331,650 |

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| | | | | |
|--|--------|----------|-------------------|---------|
| Alere, Inc. | 8.625 | 10-01-18 | 185,000 | 184,769 |
| Health Care Providers & Services 1.08% | | | | |
| BioScrip, Inc. (Z) | 10.250 | 10-01-15 | 285,000 | 287,138 |
| Community Health Systems, Inc. (Z) | 8.875 | 07-15-15 | 440,000 | 450,450 |
| Gentiva Health Services, Inc. | 11.500 | 09-01-18 | 70,000 | 56,000 |
| HCA, Inc. | 7.500 | 02-15-22 | 380,000 | 387,600 |
| Medco Health Solutions, Inc. (Z) | 7.125 | 03-15-18 | 545,000 | 650,533 |
| Life Sciences Tools & Services 0.09% | | | | |
| PerkinElmer, Inc. | 5.000 | 11-15-21 | 150,000 | 154,383 |
| Pharmaceuticals 1.06% | | | | |
| Catalent Pharma Solutions, Inc., PIK (Z) | 9.500 | 04-15-15 | 425,756 | 423,627 |
| Endo Pharmaceuticals Holdings, Inc. (S) | 7.250 | 01-15-22 | 390,000 | 420,225 |
| Hospira, Inc. (Z) | 6.050 | 03-30-17 | 485,000 | 547,197 |
| Valeant Pharmaceuticals International, Inc. (S) | 6.750 | 10-01-17 | 95,000 | 95,000 |
| Valeant Pharmaceuticals International, Inc. (S)(Z) | 6.875 | 12-01-18 | 315,000 | 313,819 |
| Industrials 7.76% | | | 13,207,520 | |
| Aerospace & Defense 1.87% | | | | |
| Bombardier, Inc. (S)(Z) | 7.750 | 03-15-20 | 240,000 | 264,000 |
| Colt Defense LLC/Colt Finance Corp. | 8.750 | 11-15-17 | 250,000 | 188,750 |
| Ducommun, Inc. (S) | 9.750 | 07-15-18 | 70,000 | 72,100 |

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| | | | | |
|--|-------|----------|---------|---------|
| Embraer Overseas, Ltd. (Z) | 6.375 | 01-15-20 | 380,000 | 416,100 |
| Textron, Inc. (Z) | 5.600 | 12-01-17 | 505,000 | 522,535 |
| Textron Financial Corp. (6.000% to 2-15-17, then 3 month LIBOR + 1.735%) (S)(Z) | 6.000 | 02-15-67 | 750,000 | 562,500 |

See notes to financial statements

Annual report | Income Securities Trust 13

| | Rate (%) | Maturity date | Par value | Value |
|--|----------|---------------|-----------|-----------|
| Aerospace & Defense (continued) | | | | |
| Huntington Ingalls Industries, Inc. (S) | 7.125 | 03-15-21 | \$295,000 | \$298,688 |
| Kratos Defense & Security Solutions, Inc. | 10.000 | 06-01-17 | 230,000 | 238,050 |
| Lockheed Martin Corp. (Z) | 3.350 | 09-15-21 | 615,000 | 622,004 |
| Airlines 2.78% | | | | |
| America West Airlines 2000-1 Pass Through Trust (Z) | 8.057 | 07-02-20 | 189,240 | 189,240 |
| Continental Airlines 1998-1 Class A Pass Through Trust (Z) | 6.648 | 09-15-17 | 196,662 | 193,221 |
| Continental Airlines 1999-1 Class A Pass Through Trust (Z) | 6.545 | 02-02-19 | 211,272 | 210,744 |
| Continental Airlines 2000-2 Class B Pass Through Trust (Z) | 8.307 | 04-02-18 | 155,383 | 151,110 |
| Continental Airlines 2007-1 Class A Pass Through Trust (Z) | 5.983 | 04-19-22 | 525,155 | 535,658 |
| Continental Airlines 2010-1 Class A Pass Through Trust | 4.750 | 01-12-21 | 155,000 | 153,450 |

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| | | | | |
|--|--------|----------|---------|---------|
| Delta Air Lines 2007-1 Class A Pass Through Trust (Z) | 6.821 | 08-10-22 | 608,854 | 614,943 |
| Delta Air Lines 2010-1 Class A Pass Through Trust | 6.200 | 07-02-18 | 212,235 | 222,847 |
| Delta Air Lines 2011-1 Class A Pass Through Trust (Z) | 5.300 | 04-15-19 | 375,000 | 376,875 |
| Northwest Airlines 2002-1 Class G-2 Pass Through Trust (Z) | 6.264 | 11-20-21 | 550,818 | 543,933 |
| Northwest Airlines 2007-1 Class A Pass Through Trust (Z) | 7.027 | 11-01-19 | 415,624 | 417,702 |
| United Air Lines 2009-1 Pass Through Trust | 10.400 | 11-01-16 | 177,279 | 195,893 |
| United Air Lines 2009-2A Pass Through Trust (Z) | 9.750 | 01-15-17 | 404,651 | 437,023 |
| United Airlines 2007-1 Class C Pass Through Trust (P) | 2.647 | 07-02-14 | 544,720 | 498,419 |
| Building Products 0.75% | | | | |
| Masco Corp. | 7.125 | 03-15-20 | 285,000 | 284,806 |
| Voto-Votorantim Overseas Trading Operations NV (S)(Z) | 6.625 | 09-25-19 | 450,000 | 475,875 |
| Voto-Votorantim, Ltd. (S)(Z) | 6.750 | 04-05-21 | 490,000 | 513,275 |
| Commercial Services & Supplies 0.54% | | | | |
| Garda World Security Corp. (S) | 9.750 | 03-15-17 | 100,000 | 101,500 |
| International Lease Finance Corp. (S)(Z) | 7.125 | 09-01-18 | 290,000 | 299,425 |
| Steelcase, Inc. (Z) | 6.375 | 02-15-21 | 500,000 | 522,332 |

Construction & Engineering 0.18%

| | | | | |
|--------------------|-------|----------|---------|---------|
| Tutor Perini Corp. | 7.625 | 11-01-18 | 335,000 | 312,388 |
|--------------------|-------|----------|---------|---------|

Electrical Equipment 0.12%

| | | | | |
|---------------------|-------|----------|---------|---------|
| Coleman Cable, Inc. | 9.000 | 02-15-18 | 205,000 | 202,950 |
|---------------------|-------|----------|---------|---------|

Industrial Conglomerates 0.27%

| | | | | |
|--------------------------------|-------|----------|---------|---------|
| Odebrecht Finance, Ltd. (S)(Z) | 6.000 | 04-05-23 | 350,000 | 351,400 |
|--------------------------------|-------|----------|---------|---------|

| | | | | |
|--------------------------------|-------|----------|---------|---------|
| Odebrecht Finance, Ltd. (Q)(S) | 7.500 | 09-14-49 | 100,000 | 101,500 |
|--------------------------------|-------|----------|---------|---------|

14 Income Securities Trust | **Annual report**

See notes to financial statements

| | Rate (%) | Maturity date | Par value | Value |
|--|-----------------|----------------------|------------------|--------------|
| Machinery 0.18% | | | | |
| Pentair, Inc. (Z) | 5.000 | 05-15-21 | \$300,000 | \$313,080 |
| Marine 0.27% | | | | |
| Navios Maritime Holdings, Inc./Navios Maritime Finance II U.S., Inc. | 8.125 | 02-15-19 | 225,000 | 177,188 |
| Navios South American Logistics, Inc./Navios Logistics Finance U.S., Inc. (S) | 9.250 | 04-15-19 | 315,000 | 277,988 |
| Road & Rail 0.55% | | | | |
| The Hertz Corp. (Z) | 6.750 | 04-15-19 | 625,000 | 637,500 |
| Western Express, Inc. (S)(Z) | 12.500 | 04-15-15 | 485,000 | 291,000 |
| Trading Companies & Distributors 0.14% | | | | |
| Aircastle, Ltd. (Z) | 9.750 | 08-01-18 | 225,000 | 239,906 |

Transportation Infrastructure 0.11%

| | | | | |
|------------------------------|-------|----------|---------|---------|
| Asciano Finance, Ltd. (S)(Z) | 4.625 | 09-23-20 | 185,000 | 179,622 |
|------------------------------|-------|----------|---------|---------|

Information Technology 0.63%**1,071,714****Computers & Peripherals 0.19%**

| | | | | |
|-------------------------|-------|----------|---------|---------|
| Hewlett-Packard Company | 4.375 | 09-15-21 | 310,000 | 326,264 |
|-------------------------|-------|----------|---------|---------|

IT Services 0.44%

| | | | | |
|-------------------------|-------|----------|---------|---------|
| Brightstar Corp. (S)(Z) | 9.500 | 12-01-16 | 560,000 | 565,600 |
|-------------------------|-------|----------|---------|---------|

| | | | | |
|---------------|-------|----------|---------|---------|
| Equinix, Inc. | 8.125 | 03-01-18 | 165,000 | 179,850 |
|---------------|-------|----------|---------|---------|

Materials 7.09%**12,078,928****Chemicals 1.10%**

| | | | | |
|----------------------------|-------|----------|---------|---------|
| American Pacific Corp. (Z) | 9.000 | 02-01-15 | 245,000 | 236,425 |
|----------------------------|-------|----------|---------|---------|

| | | | | |
|-------------------------------------|-------|----------|---------|---------|
| Braskem America Finance Company (S) | 7.125 | 07-22-41 | 425,000 | 417,563 |
|-------------------------------------|-------|----------|---------|---------|

| | | | | |
|---------------------------|-------|----------|---------|---------|
| Braskem Finance, Ltd. (S) | 7.000 | 05-07-20 | 515,000 | 556,200 |
|---------------------------|-------|----------|---------|---------|

| | | | | |
|---------------------------|-------|----------|---------|---------|
| Fufeng Group, Ltd. (S)(Z) | 7.625 | 04-13-16 | 335,000 | 291,450 |
|---------------------------|-------|----------|---------|---------|

| | | | | |
|----------------------------------|-------|----------|---------|---------|
| Incitec Pivot Finance LLC (S)(Z) | 6.000 | 12-10-19 | 345,000 | 374,092 |
|----------------------------------|-------|----------|---------|---------|

Construction Materials 0.53%

| | | | | |
|---|-------|----------|---------|---------|
| Building Materials Corp. of America (S) | 6.750 | 05-01-21 | 230,000 | 238,625 |
|---|-------|----------|---------|---------|

| | | | | |
|---------------------|-------|----------|---------|---------|
| Cemex SAB de CV (S) | 9.000 | 01-11-18 | 510,000 | 425,850 |
|---------------------|-------|----------|---------|---------|

| | | | | |
|------------------------|--------|----------|---------|---------|
| Severstal Columbus LLC | 10.250 | 02-15-18 | 100,000 | 105,000 |
|------------------------|--------|----------|---------|---------|

| | | | | |
|--------------------------|-------|----------|---------|---------|
| Vulcan Materials Company | 7.500 | 06-15-21 | 130,000 | 128,378 |
|--------------------------|-------|----------|---------|---------|

Containers & Packaging 0.79%

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| | | | | |
|---|--------|----------|---------|---------|
| Polymer Group, Inc. (S) | 7.750 | 02-01-19 | 95,000 | 98,563 |
| Pretium Packaging LLC/Pretium Finance, Inc. (S) | 11.500 | 04-01-16 | 165,000 | 161,700 |
| Solo Cup Company | 10.500 | 11-01-13 | 250,000 | 252,500 |
| Temple-Inland, Inc. (Z) | 6.625 | 01-15-18 | 750,000 | 834,729 |
| Metals & Mining 3.18% | | | | |
| Alcoa, Inc. (Z) | 5.400 | 04-15-21 | 255,000 | 253,428 |
| Allegheny Technologies, Inc. | 5.950 | 01-15-21 | 140,000 | 152,240 |
| Allegheny Technologies, Inc. (Z) | 9.375 | 06-01-19 | 280,000 | 358,831 |
| ArcelorMittal (Z) | 6.750 | 03-01-41 | 280,000 | 282,580 |
| ArcelorMittal (Z) | 9.850 | 06-01-19 | 370,000 | 439,942 |
| Cliffs Natural Resources, Inc. (Z) | 6.250 | 10-01-40 | 295,000 | 301,078 |
| Commercial Metals Company (Z) | 7.350 | 08-15-18 | 310,000 | 315,165 |
| FMG Resources August 2006 Pty, Ltd. (S) | 8.250 | 11-01-19 | 170,000 | 174,250 |
| Gerdau Trade, Inc. (S)(Z) | 5.750 | 01-30-21 | 330,000 | 325,875 |

See notes to financial statements

Annual report | Income Securities Trust 15

| | Rate (%) | Maturity date | Par value | Value |
|--|----------|---------------|-----------|-----------|
| Metals & Mining (continued) | | | | |
| JMC Steel Group (S) | 8.250 | 03-15-18 | \$185,000 | \$183,150 |
| Metinvest BV (S)(Z) | 8.750 | 02-14-18 | 435,000 | 413,250 |

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| | | | | |
|---|--------|----------|---------|------------------|
| Rain CII Carbon LLC/CII Carbon Corp. (S)(Z) | 8.000 | 12-01-18 | 555,000 | 566,100 |
| SunCoke Energy, Inc. (S)(Z) | 7.625 | 08-01-19 | 259,000 | 261,590 |
| Teck Resources, Ltd. | 6.250 | 07-15-41 | 155,000 | 180,068 |
| Teck Resources, Ltd. (Z) | 10.750 | 05-15-19 | 239,000 | 295,165 |
| Thompson Creek Metals Company, Inc. (S) | 7.375 | 06-01-18 | 155,000 | 129,038 |
| Vale Overseas, Ltd. (Z) | 6.875 | 11-10-39 | 320,000 | 371,453 |
| Winsway Coking Coal Holding, Ltd. (S)(Z) | 8.500 | 04-08-16 | 470,000 | 406,550 |
| Paper & Forest Products 1.49% | | | | |
| Georgia-Pacific LLC (S)(Z) | 5.400 | 11-01-20 | 800,000 | 894,548 |
| Georgia-Pacific LLC | 7.250 | 06-01-28 | 165,000 | 208,070 |
| International Paper Company (Z) | 9.375 | 05-15-19 | 385,000 | 494,846 |
| Mercer International, Inc. | 9.500 | 12-01-17 | 67,000 | 67,838 |
| Verso Paper Holdings LLC/Verso Paper, Inc. | 8.750 | 02-01-19 | 100,000 | 72,000 |
| Westvaco Corp. (Z) | 7.950 | 02-15-31 | 770,000 | 810,798 |
| Telecommunication Services 3.20% | | | | 5,443,897 |
| Diversified Telecommunication Services 2.45% | | | | |
| AT&T, Inc. (Z) | 5.550 | 08-15-41 | 650,000 | 739,521 |
| Axtel SAB de CV (S) | 9.000 | 09-22-19 | 160,000 | 139,200 |
| BellSouth Telecommunications, Inc. (Z) | 6.300 | 12-15-15 | 568,815 | 607,220 |
| CenturyLink, Inc. (Z) | 6.450 | 06-15-21 | 305,000 | 306,403 |

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| | | | | |
|--|-------|----------|---------|-------------------|
| CenturyLink, Inc. | 7.600 | 09-15-39 | 305,000 | 304,012 |
| Frontier Communications Corp. (Z) | 8.500 | 04-15-20 | 635,000 | 676,275 |
| PAETEC Holding Corp. (Z) | 9.875 | 12-01-18 | 369,000 | 405,900 |
| Qwest Corp. (Z) | 8.375 | 05-01-16 | 330,000 | 377,025 |
| Telecom Italia Capital SA | 7.200 | 07-18-36 | 365,000 | 353,624 |
| Telecom Italia Capital SA | 7.721 | 06-04-38 | 260,000 | 264,230 |
| Wireless Telecommunication Services 0.75% | | | | |
| America Movil SAB de CV (Z) | 5.000 | 03-30-20 | 440,000 | 491,301 |
| Crown Castle Towers LLC (S)(Z) | 4.883 | 08-15-20 | 760,000 | 779,186 |
| Utilities 6.74% | | | | 11,481,456 |
| Electric Utilities 3.63% | | | | |
| Beaver Valley II Funding (Z) | 9.000 | 06-01-17 | 384,000 | 409,747 |
| BVPS II Funding Corp. (Z) | 8.890 | 06-01-17 | 517,000 | 562,498 |
| Commonwealth Edison Company (Z) | 5.800 | 03-15-18 | 525,000 | 618,454 |
| Exelon Corp. (Z) | 4.900 | 06-15-15 | 985,000 | 1,074,044 |
| FPL Energy National Wind LLC (S)(Z) | 5.608 | 03-10-24 | 239,808 | 248,405 |
| ITC Holdings Corp. (S)(Z) | 5.500 | 01-15-20 | 415,000 | 469,464 |
| Oncor Electric Delivery Company LLC (Z) | 5.000 | 09-30-17 | 820,000 | 913,760 |
| PNM Resources, Inc. | 9.250 | 05-15-15 | 440,000 | 497,200 |
| PNPP II Funding Corp. (Z) | 9.120 | 05-30-16 | 273,000 | 297,352 |

PPL Capital Funding, Inc. (6.700% to 3-30-17,

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| | | | | |
|----------------------------------|-------|----------|---------|---------|
| then 3 month LIBOR + 2.665%) (Z) | 6.700 | 03-30-67 | 525,000 | 506,625 |
| TXU Corp. (Z) | 7.460 | 01-01-15 | 193,613 | 191,266 |
| W3A Funding Corp. (Z) | 8.090 | 01-02-17 | 386,792 | 387,484 |

Energy Equipment & Services 0.46%

| | | | | |
|---|-------|----------|---------|---------|
| MidAmerican Energy Holdings Company (Z) | 8.480 | 09-15-28 | 550,000 | 784,002 |
|---|-------|----------|---------|---------|

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See notes to financial statements

| | Rate (%) | Maturity date | Par value | Value |
|--|-----------------|----------------------|------------------|--------------|
|--|-----------------|----------------------|------------------|--------------|

Independent Power Producers & Energy Traders 1.60%

| | | | | |
|--|-------|----------|-----------|-----------|
| Allegheny Energy Supply Company LLC (S)(Z) | 5.750 | 10-15-19 | \$460,000 | \$502,202 |
| Dolphin Subsidiary II, Inc. (S) | 7.250 | 10-15-21 | 570,000 | 611,325 |
| Exelon Generation Company LLC (Z) | 6.250 | 10-01-39 | 360,000 | 431,800 |
| Ipalco Enterprises, Inc. (S) | 5.000 | 05-01-18 | 440,000 | 446,600 |
| NRG Energy, Inc. (S)(Z) | 7.625 | 01-15-18 | 370,000 | 374,625 |
| NRG Energy, Inc. (Z) | 8.250 | 09-01-20 | 355,000 | 367,425 |

Multi-Utilities 0.60%

| | | | | |
|--|-------|----------|---------|---------|
| Integrus Energy Group, Inc. (6.110% to 12-1-16, then 3 month LIBOR + 2.120%) (Z) | 6.110 | 12-01-66 | 650,000 | 620,750 |
| Wisconsin Energy Corp. (6.250% to 5-15-17, then 3 month LIBOR + 2.113%) (Z) | 6.250 | 05-15-67 | 410,000 | 405,900 |

Water Utilities 0.45%

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| | | | | |
|---|--------|----------|-----------|--------------------|
| Paulo (S)(Z) | 6.250 | 12-16-20 | 305,000 | 311,100 |
| Midwest Generation LLC, Series B (Z) | 8.560 | 01-02-16 | 440,616 | 449,428 |
| Convertible Bonds 0.18% (0.13% of Total Investments) | | | | \$313,720 |
| (Cost \$267,530) | | | | |
| Consumer Discretionary 0.18% | | | | 313,720 |
| Media 0.18% | | | | |
| XM Satellite Radio, Inc. (S) | 7.000 | 12-01-14 | \$248,000 | 313,720 |
| Municipal Bonds 0.28% (0.18% of Total Investments) | | | | \$469,763 |
| (Cost \$414,547) | | | | |
| California 0.17% | | | | 279,295 |
| State of California General Obligation Bond | 7.600 | 11-01-40 | \$225,000 | 279,295 |
| Illinois 0.11% | | | | 190,468 |
| State of Illinois General Obligation Bond | 5.100 | 06-01-33 | 210,000 | 190,468 |
| Term Loans (M)1.19% (0.80% of Total Investments) | | | | \$2,032,100 |
| (Cost \$2,362,129) | | | | |
| Consumer Discretionary 1.07% | | | | 1,818,929 |
| Automobiles 0.28% | | | | |
| Chrysler Group LLC | 6.000 | 05-24-17 | \$498,750 | 470,280 |
| Hotels, Restaurants & Leisure 0.65% | | | | |
| CCM Merger, Inc. | 7.000 | 03-01-17 | 192,496 | 190,812 |
| East Valley Tourist Development Authority | 12.000 | 08-06-12 | 549,505 | 373,663 |

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| | | | | |
|------------------------------------|-------|----------|---------|---------|
| Kalispel Tribal Economic Authority | 7.500 | 02-22-17 | 591,047 | 549,674 |
|------------------------------------|-------|----------|---------|---------|

Media 0.14%

| | | | | |
|--------------|--------|----------|---------|---------|
| Vertis, Inc. | 11.750 | 12-31-15 | 337,410 | 234,500 |
|--------------|--------|----------|---------|---------|

Financials 0.12%

213,171

Real Estate Investment Trusts 0.12%

| | | | | |
|-----------------------|-------|----------|---------|---------|
| iStar Financial, Inc. | 7.000 | 06-30-14 | 220,000 | 213,171 |
|-----------------------|-------|----------|---------|---------|

See notes to financial statements

Annual report | Income Securities Trust 17

| | Rate (%) | Maturity date | Par value | Value |
|--|-----------------|----------------------|------------------|--------------------|
| Capital Preferred Securities (a) 2.82% (1.89% of Total Investments) | | | | \$4,806,702 |

(Cost \$4,942,884)

Financials 2.82%

4,806,702

Capital Markets 0.80%

| | | | | |
|--|-------|----------|-----------|---------|
| State Street Capital Trust III (P)(Q)(Z) | 5.337 | 12-19-11 | \$715,000 | 716,216 |
|--|-------|----------|-----------|---------|

| | | | | |
|--------------------------------------|-------|----------|---------|---------|
| State Street Capital Trust IV (P)(Z) | 1.347 | 06-15-37 | 935,000 | 654,893 |
|--------------------------------------|-------|----------|---------|---------|

Commercial Banks 1.46%

| | | | | |
|--|-------|----------|---------|---------|
| Fifth Third Capital Trust IV (6.500% to 4-15-17 then 3 month LIBOR + 1.368%) (Z) | 6.500 | 04-15-37 | 825,000 | 806,438 |
|--|-------|----------|---------|---------|

| | | | | |
|--|-------|----------|---------|---------|
| PNC Financial Services Group, Inc. (Q) | 6.750 | 12-31-49 | 215,000 | 214,970 |
|--|-------|----------|---------|---------|

| | | | | |
|--|-------|----------|---------|---------|
| PNC Preferred Funding Trust III (8.700% to 3-15-13, then 3 month LIBOR + 5.226%) (Q)(S)(Z) | 8.700 | 03-15-13 | 835,000 | 858,163 |
|--|-------|----------|---------|---------|

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Regions Financing Trust II (6.625% to 5-15-27,
then 3 month LIBOR 1.290%) (Q)

6.625 05-15-27 160,000 130,400

Sovereign Capital Trust VI (Z)

7.908 06-13-36 480,000 471,456

Insurance 0.56%

Aon Corp. (Z)

8.205 01-01-27 345,000 403,816

MetLife Capital Trust X (9.250% to 4-8-38 then
3 month LIBOR + 5.540%) (S)

9.250 04-08-33 175,000 204,750

ZFS Finance USA Trust II (6.450% to 6-15-16
then 3 month LIBOR + 2.000%) (S)

6.450 12-15-65 360,000 345,600

U.S. Government & Agency Obligations 39.56%
(26.52% of Total Investments)

\$67,364,894

(Cost \$66,279,770)

U.S. Government 3.76%

6,397,839

U.S. Treasury Notes

Note (Z) 2.125 02-29-16 \$945,000 999,707

Note (Z) 2.125 08-15-21 4,850,000 4,846,217

U.S. Treasury Strips, PO 2.864 11-15-30 1,020,000 551,915

U.S. Government Agency 35.80%

60,967,055

Federal Home Loan Mortgage Corp.

30 Yr Pass Thru Ctf 4.000 09-01-40 5,601,099 5,817,703

30 Yr Pass Thru Ctf 5.000 03-01-41 5,986,260 6,427,371

30 Yr Pass Thru Ctf 6.500 06-01-37 45,345 49,969

30 Yr Pass Thru Ctf 6.500 10-01-37 98,718 108,785

30 Yr Pass Thru Ctf 6.500 11-01-37 205,387 226,332

30 Yr Pass Thru Ctf 6.500 12-01-37 89,951 99,124

30 Yr Pass Thru Ctf 6.500 04-01-39 2,332,438 2,570,295

Federal National Mortgage Association

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| | | | | |
|---------------------|-------|----------|-----------|-----------|
| 15 Yr Pass Thru Ctf | 4.000 | 06-01-24 | 1,065,374 | 1,121,478 |
| 30 Yr Pass Thru Ctf | 4.000 | 08-01-40 | 6,285,052 | 6,541,608 |
| 30 Yr Pass Thru Ctf | 4.000 | 10-01-40 | 2,896,376 | 3,018,918 |
| 30 Yr Pass Thru Ctf | 4.000 | 09-01-41 | 2,991,508 | 3,134,188 |
| 30 Yr Pass Thru Ctf | 4.500 | 10-01-40 | 3,405,035 | 3,624,615 |
| 30 Yr Pass Thru Ctf | 5.000 | 02-01-41 | 3,082,450 | 3,316,933 |
| 30 Yr Pass Thru Ctf | 5.000 | 04-01-41 | 975,509 | 1,068,617 |
| 30 Yr Pass Thru Ctf | 5.500 | 02-01-36 | 1,792,808 | 1,951,849 |
| 30 Yr Pass Thru Ctf | 5.500 | 12-01-36 | 5,169,613 | 5,620,135 |
| 30 Yr Pass Thru Ctf | 5.500 | 06-01-37 | 911,255 | 989,815 |

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See notes to financial statements

| | Rate (%) | Maturity date | Par value | Value |
|--|-----------------|----------------------|------------------|---------------------|
| Federal National Mortgage Association | | | | |
| 30 Yr Pass Thru Ctf | 5.500 | 06-01-38 | \$1,758,173 | \$1,907,824 |
| 30 Yr Pass Thru Ctf | 5.500 | 10-01-39 | 4,075,031 | 4,422,522 |
| 30 Yr Pass Thru Ctf | 5.500 | 08-01-40 | 402,122 | 437,041 |
| 30 Yr Pass Thru Ctf | 6.000 | 05-01-37 | 2,173,888 | 2,388,571 |
| 30 Yr Pass Thru Ctf | 6.500 | 07-01-36 | 754,223 | 834,054 |
| 30 Yr Pass Thru Ctf | 6.500 | 01-01-39 | 3,645,337 | 4,024,342 |
| 30 Yr Pass Thru Ctf | 6.500 | 03-01-39 | 222,479 | 245,332 |
| 30 Yr Pass Thru Ctf | 6.500 | 06-01-39 | 301,482 | 333,109 |
| Government National Mortgage Association | | | | |
| 30 Yr Pass Thru Ctf (Z) | 5.500 | 11-15-38 | 617,795 | 686,525 |
| Foreign Government Obligations 0.22% (0.15% of Total Investments) | | | | \$376,832 |
| (Cost \$368,386) | | | | |
| South Korea 0.22% | | | | 376,832 |
| Korea Development Bank (Z) | 4.000 | 09-09-16 | \$370,000 | 376,832 |
| Collateralized Mortgage Obligations 13.10% (8.78% of Total Investments) | | | | \$22,305,412 |

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(Cost \$25,792,298)

| Commercial & Residential 11.02% | | | | 18,767,799 |
|---|-------|----------|-------------|-------------------|
| American Home Mortgage Assets | | | | |
| Series 2006-6, Class XP IO | 2.301 | 12-25-46 | \$8,260,415 | 495,706 |
| American Tower Trust | | | | |
| Series 2007-1A, Class D (S) | 5.957 | 04-15-37 | 865,000 | 923,137 |
| Banc of America Commercial Mortgage, Inc. | | | | |
| Series 2006-2, Class AM (P) | 5.766 | 05-10-45 | 595,000 | 613,712 |
| Series 2006-4, Class AM | 5.675 | 07-10-46 | 590,000 | 568,370 |
| Series 2006-3, Class A4 (P) | 5.889 | 07-10-44 | 785,000 | 865,740 |
| Bear Stearns Adjustable Rate Mortgage Trust | | | | |
| Series 2005-1, Class B2 (P) | 3.548 | 03-25-35 | 777,371 | 105,017 |
| Bear Stearns Alt-A Trust | | | | |
| Series 2004-12 1A1 (P) | 0.595 | 01-25-35 | 735,798 | 619,208 |
| Series 2005-3, Class B2 (P) | 2.495 | 04-25-35 | 536,036 | 13,895 |
| Bear Stearns Commercial Mortgage Securities, Inc. | | | | |
| Series 2006-PW14, Class D (S) | 5.412 | 12-11-38 | 655,000 | 278,004 |
| Citigroup/Deutsche Bank Commercial Mortgage Trust | | | | |
| Series 2005-CD1, Class C (P) | 5.226 | 07-15-44 | 295,000 | 201,774 |
| Countrywide Alternative Loan Trust | | | | |
| Series 2006-OA12, Class X IO | 2.797 | 09-20-46 | 12,033,852 | 740,958 |
| First Horizon Alternative Mortgage Securities | | | | |
| Series 2004-AA5, Class B1 (P) | 2.326 | 12-25-34 | 407,298 | 45,898 |
| GMAC Mortgage Loan Trust | | | | |
| Series 2004-AR2, Class 3A (P) | 3.163 | 08-19-34 | 849,357 | 749,065 |
| Greenwich Capital Commercial Funding Corp. | | | | |
| Series 2006-GG7, Class AM (P) | 5.877 | 07-10-38 | 595,000 | 588,406 |

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GSR Mortgage Loan Trust

| | | | | |
|-----------------------------|-------|----------|-----------|-----------|
| Series 2006-4F, Class 6A1 | 6.500 | 05-25-36 | 2,711,756 | 1,871,163 |
| Series 2004-9, Class B1 (P) | 3.097 | 08-25-34 | 793,213 | 290,448 |

Harborview Mortgage Loan Trust

| | | | | |
|-----------------------------|-------|----------|-----------|---------|
| Series 2004-11, Class X1 IO | 2.084 | 01-19-35 | 4,612,390 | 329,107 |
| Series 2005-11, Class X IO | 2.161 | 08-19-45 | 3,018,627 | 135,055 |

See notes to financial statements

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| | Rate (%) | Maturity date | Par value | Value |
|---|----------|---------------|--------------|-----------|
| Harborview Mortgage Loan Trust | | | | |
| Series 2005-2, Class X IO | 2.292 | 05-19-35 | \$12,685,786 | \$647,305 |
| Series 2005-8, Class 1X IO | 2.299 | 09-19-35 | 5,056,077 | 247,164 |
| Series 2007-3, Class ES IO | 0.350 | 05-19-47 | 12,382,983 | 81,728 |
| Series 2007-4, Class ES IO | 0.350 | 07-19-47 | 15,406,096 | 83,655 |
| Series 2007-6, Class ES IO (S) | 0.342 | 08-19-37 | 10,328,801 | 66,517 |
| IndyMac Index Mortgage Loan Trust | | | | |
| Series 2004-AR13, Class B1 | 5.296 | 01-25-35 | 311,363 | 26,784 |
| Series 2005-AR18, Class 1X IO | 2.156 | 10-25-36 | 10,181,350 | 552,949 |
| Series 2005-AR18, Class 2X IO | 1.821 | 10-25-36 | 9,678,944 | 508,629 |
| Series 2005-AR5, Class B1 (P) | 2.591 | 05-25-35 | 242,585 | 2,424 |
| JPMorgan Chase Commercial Mortgage Securities Corp. | | | | |
| Series 2006-LDP7, Class AM (P) | 5.878 | 04-15-45 | 535,000 | 534,254 |
| LB-UBS Commercial Mortgage Trust | | | | |
| Series 2007-C1, Class AM | 5.455 | 02-15-40 | 850,000 | 787,220 |
| MLCC Mortgage Investors, Inc. | | | | |
| Series 2006-3, Class 2A1 (P) | 2.379 | 10-25-36 | 709,774 | 635,527 |
| Series 2007-3, Class M1 (P) | 5.330 | 09-25-37 | 283,639 | 173,610 |
| Series 2007-3, Class M2 (P) | 5.330 | 09-25-37 | 104,717 | 58,845 |

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| | | | | |
|---|-------|----------|------------|------------------|
| Series 2007-3, Class M3 (P) | 5.330 | 09-25-37 | 71,101 | 22,746 |
| <hr/> | | | | |
| Morgan Stanley Capital I | | | | |
| Series 2008-HQ8, Class AM (P) | 5.466 | 03-12-44 | 1,020,000 | 1,046,012 |
| <hr/> | | | | |
| Provident Funding Mortgage Loan Trust | | | | |
| Series 2005-1, Class B1 (P) | 2.658 | 05-25-35 | 388,081 | 59,339 |
| <hr/> | | | | |
| Thornburg Mortgage Securities Trust | | | | |
| Series 2004-1, Class II2A (P) | 1.744 | 03-25-44 | 831,506 | 699,326 |
| <hr/> | | | | |
| WaMu Mortgage Pass Through Certificates | | | | |
| Series 2004-AR13, Class X IO | 1.443 | 11-25-34 | 12,197,467 | 581,641 |
| Series 2005-AR1, Class X IO | 1.548 | 01-25-45 | 18,005,116 | 842,024 |
| Series 2005-AR12, Class 1A2 (P) | 2.492 | 10-25-35 | 226,353 | 212,663 |
| Series 2005-AR4, Class B1 (P) | 2.585 | 04-25-35 | 1,441,498 | 294,133 |
| Series 2005-AR6, Class X IO | 0.649 | 04-25-45 | 8,279,194 | 415,577 |
| Series 2005-AR8, Class X IO | 1.647 | 07-25-45 | 14,976,628 | 753,064 |
| U.S. Government Agency 2.08% | | | | 3,537,613 |
| <hr/> | | | | |
| Federal Home Loan Mortgage Corp. | | | | |
| Series 3747, Class HI IO | 4.500 | 07-15-37 | 6,498,239 | 920,364 |
| Series 3794, Class PI IO | 4.500 | 02-15-38 | 1,105,862 | 148,715 |
| <hr/> | | | | |
| Federal National Mortgage Association | | | | |
| Series 2009-47, Class EI IO | 5.000 | 08-25-19 | 888,028 | 95,545 |
| Series 2010-68, Class CI IO | 5.000 | 11-25-38 | 1,421,025 | 207,942 |
| Series 398, Class C3 IO | 4.500 | 05-25-39 | 1,430,194 | 188,677 |
| Series 401, Class C2 IO | 4.500 | 06-25-39 | 898,942 | 114,384 |
| Series 402, Class 3 IO | 4.000 | 11-25-39 | 1,123,955 | 168,349 |
| Series 402, Class 4 IO | 4.000 | 10-25-39 | 1,970,605 | 287,928 |
| Series 402, Class 7 IO | 4.500 | 11-25-39 | 1,708,082 | 245,676 |
| Series 402, Class 8 IO | 4.500 | 11-25-39 | 2,020,724 | 277,181 |
| Series 407, Class 15 IO | 5.000 | 01-25-40 | 1,486,278 | 255,288 |
| Series 407, Class 16 IO | 5.000 | 01-25-40 | 373,944 | 60,970 |
| Series 407, Class 17 IO | 5.000 | 01-25-40 | 313,749 | 43,548 |
| Series 407, Class 21 IO | 5.000 | 01-25-39 | 1,332,688 | 161,632 |
| Series 407, Class 7 IO | 5.000 | 03-25-41 | 493,460 | 90,564 |
| Series 407, Class 8 IO | 5.000 | 03-25-41 | 473,382 | 77,592 |
| <hr/> | | | | |

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Government National Mortgage Association

| | | | | |
|-----------------------------|-------|----------|-----------|---------|
| Series 2010-78, Class AI IO | 4.500 | 04-20-39 | 1,613,512 | 193,258 |
|-----------------------------|-------|----------|-----------|---------|

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See notes to financial statements

| | Rate (%) | Maturity date | Par value | Value |
|---|-----------------|----------------------|------------------|--------------------|
| Asset Backed Securities 4.81% (3.22% of Total Investments) | | | | \$8,183,840 |

(Cost \$8,458,104)

| | | | | |
|--------------------------------------|--|--|--|------------------|
| Asset Backed Securities 4.81% | | | | 8,183,840 |
|--------------------------------------|--|--|--|------------------|

Bravo Mortgage Asset Trust

| | | | | |
|---------------------------------|-------|----------|-----------|---------|
| Series 2006-1A, Class A2 (P)(S) | 0.485 | 07-25-36 | \$612,198 | 510,178 |
|---------------------------------|-------|----------|-----------|---------|

Carrington Mortgage Loan Trust

| | | | | |
|--------------------------------|-------|----------|---------|---------|
| Series 2005-OPT2, Class M2 (P) | 0.695 | 05-25-35 | 435,000 | 384,673 |
|--------------------------------|-------|----------|---------|---------|

Citigroup Mortgage Loan Trust

| | | | | |
|--------------------------------|-------|----------|---------|---------|
| Series 2006-WFH3, Class A3 (P) | 0.395 | 10-25-36 | 692,091 | 631,189 |
|--------------------------------|-------|----------|---------|---------|

ContiMortgage Home Equity Loan Trust

| | | | | |
|--------------------------|-------|----------|--------|--------|
| Series 1995-2, Class A-5 | 8.100 | 08-15-25 | 37,324 | 37,050 |
|--------------------------|-------|----------|--------|--------|

FUEL Trust

| | | | | |
|-------------------|-------|----------|---------|---------|
| Series 2011-1 (S) | 4.207 | 04-15-16 | 630,000 | 633,188 |
|-------------------|-------|----------|---------|---------|

Home Equity Asset Trust

| | | | | |
|-----------------------------|-------|----------|---------|---------|
| Series 2005-5, Class M1 (P) | 0.725 | 11-25-35 | 450,000 | 339,851 |
|-----------------------------|-------|----------|---------|---------|

| | | | | |
|------------------------------|-------|----------|-----------|-----------|
| Series 2007-3, Class 2a2 (P) | 0.425 | 08-25-37 | 1,760,000 | 1,198,757 |
|------------------------------|-------|----------|-----------|-----------|

Leaf Capital Funding SPE A LLC

| | | | | |
|-------------------------------|-------|----------|--------|--------|
| Series 2010-A, Class C (P)(S) | 7.244 | 12-15-20 | 80,000 | 80,000 |
|-------------------------------|-------|----------|--------|--------|

| | | | | |
|-------------------------------|--------|----------|--------|--------|
| Series 2010-A, Class D (P)(S) | 10.244 | 12-15-20 | 62,000 | 62,000 |
|-------------------------------|--------|----------|--------|--------|

| | | | | |
|--------------------------------|--------|----------|--------|--------|
| Series 2010-A, Class E1 (P)(S) | 14.744 | 12-15-20 | 72,000 | 72,000 |
|--------------------------------|--------|----------|--------|--------|

Leaf II Receivables Funding LLC

| | | | | |
|----------------------------|-------|----------|---------|---------|
| Series 2011-1, Class A (S) | 1.700 | 12-20-18 | 375,188 | 367,460 |
|----------------------------|-------|----------|---------|---------|

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| | | | | |
|---|-------|----------|---------------|--------------------|
| Master Asset Backed Securities Trust | | | | |
| Series 2007-HE2, Class A2 (P) | 0.945 | 08-25-37 | 603,399 | 526,219 |
| Merrill Lynch Mortgage Investors, Inc. | | | | |
| Series 2005-HE2, Class A2C (P) | 0.615 | 09-25-36 | 670,000 | 572,217 |
| Series 2005-WMC1, Class M1 (P) | 0.745 | 09-25-35 | 311,578 | 285,959 |
| New Century Home Equity Loan Trust | | | | |
| Series 2005-3, Class M1 (P) | 0.725 | 07-25-35 | 305,000 | 250,330 |
| Novastar Home Equity Loan | | | | |
| Series 2004-4, Class M3 (P) | 1.325 | 03-25-35 | 645,000 | 574,394 |
| Park Place Securities, Inc. | | | | |
| Series 2004-WHQ2, Class M2 (P)(Z) | 0.875 | 02-25-35 | 915,000 | 703,054 |
| Residential Asset Securities Corp. | | | | |
| Series 2005-KS4, Class M1 (P) | 0.655 | 05-25-35 | 374,753 | 332,357 |
| Sonic Capital LLC | | | | |
| Series 2011-1A, Class A2 (S)(Z) | 5.438 | 05-20-41 | 612,250 | 622,964 |
| | | | Shares | Value |
| Common Stocks 2.59% (1.74% of Total Investments) | | | | \$4,413,220 |
| (Cost \$4,532,738) | | | | |
| Consumer Discretionary 0.03% | | | | 56,075 |
| Hotels, Restaurants & Leisure 0.03% | | | | |
| Greektown Superholdings, Inc. (I) | | | 768 | 56,075 |
| Consumer Staples 0.41% | | | | 698,700 |
| Tobacco 0.41% | | | | |
| Philip Morris International, Inc. (Z) | | | 10,000 | 698,700 |
| Energy 0.33% | | | | 567,280 |

Oil, Gas & Consumable Fuels 0.33%

| | | |
|--------------------------------|-------|---------|
| Royal Dutch Shell PLC, ADR (Z) | 8,000 | 567,280 |
|--------------------------------|-------|---------|

See notes to financial statements

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| | Shares | Value |
|--------------------------|--------|--------------------|
| Health Care 0.68% | | \$1,163,453 |

Pharmaceuticals 0.68%

| | | |
|-------------------------|--------|---------|
| Eli Lilly & Company (Z) | 17,000 | 631,720 |
|-------------------------|--------|---------|

| | | |
|-----------------------|-------|---------|
| Johnson & Johnson (Z) | 8,258 | 531,733 |
|-----------------------|-------|---------|

| | | |
|-------------------------------------|--|----------------|
| Information Technology 0.38% | | 638,040 |
|-------------------------------------|--|----------------|

Semiconductors & Semiconductor Equipment 0.38%

| | | |
|-----------------|--------|---------|
| Intel Corp. (Z) | 26,000 | 638,040 |
|-----------------|--------|---------|

| | | |
|------------------------|--|------------------|
| Materials 0.43% | | \$734,074 |
|------------------------|--|------------------|

Containers & Packaging 0.43%

| | | |
|--------------------------------|--------|---------|
| Rock-Tenn Company, Class A (Z) | 12,402 | 734,074 |
|--------------------------------|--------|---------|

| | | |
|---|--|----------------|
| Telecommunication Services 0.33% | | 555,598 |
|---|--|----------------|

Diversified Telecommunication Services 0.33%

| | | |
|--------------------|--------|---------|
| Telefonica SA, ADR | 26,000 | 555,598 |
|--------------------|--------|---------|

| | | |
|--|--|--------------------|
| Preferred Securities (b) 3.26% (2.18% of Total Investments) | | \$5,551,095 |
|--|--|--------------------|

(Cost \$5,372,796)

| | | |
|-------------------------------------|--|------------------|
| Consumer Discretionary 0.64% | | 1,094,555 |
|-------------------------------------|--|------------------|

Hotels, Restaurants & Leisure 0.64%

| | | |
|---|--------|-----------|
| Greektown Superholdings, Inc., Series A (I) | 14,991 | 1,094,555 |
|---|--------|-----------|

Consumer Staples 0.65%**1,101,173****Food & Staples Retailing 0.65%**

| | | |
|---|--------|-----------|
| Ocean Spray Cranberries, Inc., Series A, 6.250% (S)(Z) | 12,500 | 1,101,173 |
|---|--------|-----------|

Energy 0.16%**264,441****Oil, Gas & Consumable Fuels 0.16%**

| | | |
|------------------------------------|-------|---------|
| Apache Corp., Series D, 6.000% (Z) | 4,697 | 264,441 |
|------------------------------------|-------|---------|

Financials 1.81%**3,090,926****Consumer Finance 0.15%**

| | | |
|----------------------------------|--------|---------|
| Ally Financial, Inc., 7.300% (Z) | 11,815 | 260,403 |
|----------------------------------|--------|---------|

Diversified Financial Services 0.26%

| | | |
|---|-------|---------|
| Citigroup Capital XIII (7.875% to 10-30-15, then 3 month LIBOR + 6.370%) | 3,900 | 105,027 |
|---|-------|---------|

| | | |
|--|--------|---------|
| GMAC Capital Trust I (8.125% to 2-15-16, then 3 month LIBOR + 5.785%) | 16,350 | 342,696 |
|--|--------|---------|

Real Estate Investment Trusts 1.40%

| | | |
|--|--------|-----------|
| Apartment Investment & Management Company, Series T, 8.000% (Z) | 55,000 | 1,377,200 |
|--|--------|-----------|

| | | |
|--|--------|-----------|
| Public Storage, Inc., Depositary Shares, Series W, 6.500% (Z) | 40,000 | 1,005,600 |
|--|--------|-----------|

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| | Par value | Value |
|--|-----------|-----------------------|
| Short-Term Investments 0.59% (0.39% of Total Investments) | | \$997,000 |
| <hr/> | | |
| (Cost \$997,000) | | |
| Repurchase Agreement 0.59% | | 997,000 |
| Repurchase Agreement with State Street Corp. dated 10-31-11 at 0.010% to be repurchased at \$997,000 on 11-1-11, collateralized by \$1,020,000 U.S. Treasury Notes, 0.125% due 9-30-13 (valued at \$1,017,272, including interest) | \$997,000 | 997,000 |
| Total investments (Cost \$252,530,258)†149.19% | | \$254,062,363 |
| <hr/> | | |
| Other assets and liabilities, net (49.19%) | | (\$83,765,379) |
| <hr/> | | |
| Total net assets 100.00% | | \$170,296,984 |
| <hr/> | | |

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

ADR American Depositary Receipts

IO Interest Only Security — (Interest Tranche of Stripped Security). Rate shown is the annualized yield at the end of the period.

LIBOR London Interbank Offered Rate

PIK Payment-in-kind

PO Principal-Only Security — (Principal Tranche of Stripped Security). Rate shown is the annualized yield on date of purchase.

REIT Real Estate Investment Trust

(a) Includes hybrid securities with characteristics of both equity and debt that trade with, and pay, interest income.

(b) Includes preferred stocks and hybrid securities with characteristics of both equity and debt that pay dividends on a periodic basis.

(I) Non-income producing security.

(M) Term loans are variable rate obligations. The coupon rate shown represents the rate at period end.

(P) Variable rate obligation. The coupon rate shown represents the rate at period end.

(Q) Perpetual bonds have no stated maturity date. Date shown is next call date.

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(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. Rule 144A securities amounted to \$45,664,389 or 26.81% of the Fund's net assets as of 10-31-11.

(Z) A portion of this security is segregated as collateral pursuant to the Committed Facility Agreement. Total collateral value at 10-31-11 was \$197,417,805.

† At 10-31-11, the aggregate cost of investment securities for federal income tax purposes was \$253,120,263. Net unrealized appreciation aggregated \$942,100, of which \$12,749,507 related to appreciated investment securities and \$11,807,407 related to depreciated investment securities.

The Fund had the following country concentration as a percentage of investments on 10-31-11.

| | |
|--------------------------------|-----|
| United States | 89% |
| United Kingdom | 2% |
| Canada | 1% |
| Australia | 1% |
| Cayman Islands | 1% |
| Mexico | 1% |
| Brazil | 1% |
| South Korea | 1% |
| Luxembourg | 1% |
| Other Countries | 1% |
| Short-Term Investments & Other | 1% |

See notes to financial statements

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FINANCIAL STATEMENTS

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 for each common share.

Assets

| | |
|--|---------------|
| Investments, at value (Cost \$252,530,258) | \$254,062,363 |
| Cash | 593 |
| Cash held at broker for futures contracts | 62,288 |
| Receivable for investments sold | 1,558,080 |
| Dividends and interest receivable | 2,974,239 |
| Other receivables and prepaid expenses | 22,001 |

| | |
|---------------------|--------------------|
| Total assets | 258,679,564 |
|---------------------|--------------------|

Liabilities

| | |
|---|------------|
| Payable for investments purchased | 967,564 |
| Committed facility agreement payable (Note 8) | 87,000,000 |
| Swap contracts, at value (Note 3) | 273,958 |
| Payable for futures variation margin (Note 3) | 3,016 |
| Interest payable (Note 8) | 9,341 |
| Payable to affiliates | |
| Accounting and legal services fees | 1,719 |
| Trustees' fees | 16,651 |
| Other liabilities and accrued expenses | 110,331 |

| | |
|--------------------------|-------------------|
| Total liabilities | 88,382,580 |
|--------------------------|-------------------|

Net assets

| | |
|---|---------------|
| Paid-in capital | \$183,929,253 |
| Undistributed net investment income | 1,261,578 |
| Accumulated net realized loss on investments, futures contracts and foreign currency transactions | (16,271,995) |
| Net unrealized appreciation (depreciation) on investments, futures contracts and swap contracts | 1,378,148 |

| | |
|-------------------|----------------------|
| Net assets | \$170,296,984 |
|-------------------|----------------------|

Net asset value per share

| | |
|---|---------|
| Based on 11,631,473 shares of beneficial interest outstanding — unlimited number of shares authorized with no par value | \$14.64 |
|---|---------|

FINANCIAL STATEMENTS

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

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

Investment income

| | |
|-----------------------------|--------------|
| Interest | \$14,838,704 |
| Dividends | 402,098 |
| Less foreign taxes withheld | (7,147) |

Total investment income **15,233,655**

Expenses

| | |
|---|-----------|
| Investment management fees (Note 5) | 1,361,966 |
| Accounting and legal services fees (Note 5) | 22,131 |
| Transfer agent fees | 88,585 |
| Trustees' fees (Note 5) | 53,388 |
| Printing and postage | 57,664 |
| Professional fees | 108,515 |
| Custodian fees | 27,751 |
| Interest expense (Note 8) | 898,145 |
| Stock exchange listing fees | 24,010 |
| Other | 33,989 |

Total expenses **2,676,144**

Net investment income **12,557,511**

Realized and unrealized gain (loss)**Net realized gain (loss) on**

| | |
|-------------------------------|------------------|
| Investments | 3,437,202 |
| Futures contracts (Note 3) | (307,429) |
| Foreign currency transactions | 15,750 |
| | 3,145,523 |

Change in net unrealized appreciation (depreciation) of

| | |
|----------------------------|--------------------|
| Investments | (4,525,389) |
| Futures contracts (Note 3) | 217,787 |
| Swap contracts (Note 3) | (273,958) |
| | (4,581,560) |

Net realized and unrealized loss **(1,436,037)**

Increase in net assets from operations **\$11,121,474**

FINANCIAL STATEMENTS

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.

| | Year ended 10-31-11 | Year ended 10-31-10 |
|---|-----------------------------------|---------------------------|
| Increase (decrease) in net assets | | |
| From operations | | |
| Net investment income | \$12,557,511 | \$13,650,728 |
| Net realized gain (loss) | 3,145,523 | (1,071,550) |
| Change in net unrealized appreciation (depreciation) | (4,581,560) | 16,925,575 |
| Increase in net assets resulting from operations | 11,121,474 | 29,504,753 |
| Distributions to shareholders | | |
| From net investment income | (13,136,659) | (13,367,891) |
| From Fund share transactions (Note 6) | 1,037,011 | 1,079,434 |
| Total increase (decrease) | (978,174) | 17,216,296 |
| Net assets | | |
| Beginning of year | 171,275,158 | 154,058,862 |
| End of year | \$170,296,984 | \$171,275,158 |
| Undistributed net investment income | \$1,261,578 | \$977,458 |
| 26 Income Securities Trust Annual report | See notes to financial statements | |

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 | |
| <hr/> | |
| Net increase in net assets from operations | \$11,121,474 |
| Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities: | |
| Long-term investments purchased | (186,924,219) |
| Long-term investments sold | 180,466,620 |
| Decrease in short-term investments | 380,000 |
| Net amortization of premium (discount) | 2,655,542 |
| Decrease in dividends and interest receivable | 483,122 |
| Decrease in payable for investments purchased | (317,697) |
| Increase in receivable for investments sold | (630,337) |
| Increase in cash held at broker for futures contracts | (7,838) |
| Increase in other receivables and prepaid expenses | (1,598) |
| Increase in unrealized depreciation of swap contracts | 273,958 |
| Decrease in payable for futures variation margin | (6,882) |
| Decrease in payable to affiliates | (10,234) |
| Decrease in interest payable | (1,333) |
| Increase in other liabilities and accrued expenses | 30,914 |
| Net change in unrealized (appreciation) depreciation on investments | 4,525,389 |
| Net realized gain on investments | (3,437,202) |
| Net cash provided by operating activities | \$8,599,679 |
| <hr/> | |
| Cash flows from financing activities | |
| Borrowings from credit facility agreement payable | 3,500,000 |
| Distributions to common shareholders net of reinvestments | (12,099,648) |
| Net cash used in financing activities | (\$8,599,648) |
| Net increase in cash | \$31 |
| Cash at beginning of period | \$562 |
| Cash at end of period | \$593 |

Supplemental disclosure of cash flow information

| | |
|---|-----------|
| Cash paid for interest | \$899,478 |
| Noncash financing activities not included herein consist of reinvestment of distributions | 1,037,011 |

See notes to financial statements

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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 ¹ | 12-31-07 | 12-31-06 |
|--|----------------|----------------|----------------|----------------------------|----------------|----------------|
| Per share operating performance | | | | | | |
| Net asset value, beginning of year | \$14.82 | \$13.42 | \$10.67 | \$14.53 | \$15.22 | \$15.30 |
| Net investment income ² | 1.08 | 1.19 | 1.18 | 1.05 | 1.34 | 1.26 |
| Net realized and unrealized gain (loss) on investments | (0.13) | 1.37 | 2.70 | (3.92) | (0.69) | (0.03) |
| Distributions to Auction Preferred Shares (APS) | — | — | — | (0.15) | (0.42) | (0.38) |
| Total from investment operations | 0.95 | 2.56 | 3.88 | (3.02) | 0.23 | 0.85 |
| Less distributions to common shareholders | | | | | | |
| From net investment income | (1.13) | (1.16) | (1.13) | (0.84) | (0.92) | (0.93) |
| Net asset value, end of year | \$14.64 | \$14.82 | \$13.42 | \$10.67 | \$14.53 | \$15.22 |
| Per share market value, end of year | \$14.81 | \$14.76 | \$12.94 | \$9.67 | \$12.85 | \$14.75 |
| Total return at net asset value (%)³ | 6.78 | 19.90 | 39.06 | (21.36)⁴ | 1.97 | 6.24 |
| Total return at market value (%)³ | 8.46 | 23.85 | 47.95 | (19.41)⁴ | (6.94) | 15.15 |

Ratios and supplemental data

| | | | | | | |
|---|-------|-------|-------|-------|-------|-------|
| Net assets applicable to common shares, end of year (in millions) | \$170 | \$171 | \$154 | \$121 | \$165 | \$172 |
| Ratios (as a percentage of average net assets): | | | | | | |

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| | | | | | | |
|---------------------------------------|------|------|-------|-------------------|-------------------|-------------------|
| Expenses (excluding interest expense) | 1.04 | 1.12 | 1.40 | 1.41 ⁵ | 1.16 ⁶ | 1.17 ⁶ |
| Interest expense (Note 8) | 0.52 | 0.66 | 0.85 | 0.76 ⁵ | — | — |
| Expenses (including interest expense) | 1.56 | 1.78 | 2.25 | 2.17 ⁵ | 1.16 ⁶ | 1.17 ⁶ |
| Net investment income | 7.34 | 8.44 | 10.56 | 9.37 ⁵ | 8.87 ⁷ | 8.30 ⁷ |
| Portfolio turnover (%) | 71 | 79 | 94 | 40 | 54 | 94 |

Senior securities

| | | | | | | |
|---|---------|---------|---------|----------|----------|----------|
| Total value of APS outstanding (in millions) | — | — | — | — | \$90 | \$90 |
| Involuntary liquidation preference per unit (in thousands) | — | — | — | — | 25 | 25 |
| Average market value per unit (in thousands) | — | — | — | — | 25 | 25 |
| Asset coverage per unit ⁸ | — | — | — | <u>9</u> | \$71,228 | \$73,375 |
| Total debt outstanding end of year (in millions) (Note 8) | \$87 | \$84 | \$58 | \$58 | — | — |
| Asset coverage per \$1,000 of APS ¹⁰ | — | — | — | — | \$2,851 | \$2,928 |
| Asset coverage per \$1,000 of debt ¹¹ | \$2,957 | \$3,051 | \$3,656 | \$3,094 | — | — |

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See notes to financial statements

¹ For the ten-month period ended 10-31-08. The Fund changed its fiscal year end from December 31 to October 31.

² Based on the average daily shares outstanding.

³ 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.

⁴ Not annualized.

⁵ Annualized.

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 0.76% and 0.77% for the years ended 12-31-07 and 12-31-06, respectively.

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 ratio of net investment income would have been 5.82% and 5.45% for the years ended 12-31-07 and 12-31-06, respectively.

⁸ Calculated by subtracting the Fund's total liabilities from the Fund's total assets and dividing that amount by the number of APS outstanding, as of the applicable 1940 Act Evaluation Date, which may differ from the financial reporting date.

⁹ In May 2008, the Fund entered into a Committed Facility Agreement with a third-party commercial bank in order to redeem the APS. The redemption of all APS was completed on 6-12-08.

¹⁰ Asset coverage equals the total net assets plus APS divided by the APS of the Fund outstanding at period end.

¹¹ 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 Income Securities Trust (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.

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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 |
|------------------------------|-----------------------------------|-------------------------|---|--|
| Corporate Bonds | \$137,247,785 | — | \$136,903,582 | \$344,203 |
| Convertible Bonds | 313,720 | — | 313,720 | — |
| Municipal Bonds | 469,763 | — | 469,763 | — |
| Term Loans | 2,032,100 | — | 2,032,100 | — |
| Capital Preferred Securities | 4,806,702 | — | 4,806,702 | — |

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| | | | | |
|--------------------------------------|-------------------|-------------|------------|-----------|
| U.S. Government & Agency Obligations | 67,364,894 | — | 67,364,894 | — |
| Foreign Government Obligations | 376,832 | — | 376,832 | — |
| Collateralized Mortgage Obligations | 22,305,412 | — | 22,180,136 | 125,276 |
| Asset Backed Securities | 8,183,840 | — | 7,969,840 | 214,000 |
| Common Stocks | 4,413,220 | \$4,357,145 | — | 56,075 |
| Preferred Stocks | 5,551,095 | 3,355,367 | 1,101,173 | 1,094,555 |
| Short-Term Investments | 997,000 | — | 997,000 | — |

Total Investments in

| | | | | |
|------------------------------------|----------------------|--------------------|----------------------|--------------------|
| Securities | \$254,062,363 | \$7,712,512 | \$244,515,742 | \$1,834,109 |
| Other Financial Instruments | | | | |
| Futures | \$120,001 | \$120,001 | — | — |
| Interest Rate Swaps | (\$273,958) | — | (\$273,958) | — |

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

The following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value. Transfers in or out of Level 3 represent the beginning value of any security or instrument where a change in the level has occurred from the beginning to the end of the period.

| | COLLATERALIZED | | | | | TOTAL |
|--|------------------|----------------------|-------------------------|-----------------|----------------------|--------------------|
| | CORPORATE BONDS | MORTGAGE OBLIGATIONS | ASSET BACKED SECURITIES | COMMON STOCKS | PREFERRED SECURITIES | |
| Balance as of 10-31-10 | \$318,165 | \$1,269,712 | — | \$84,924 | \$1,657,686 | \$3,330,487 |
| Realized gain (loss) | 4,457 | (320,128) | — | — | — | (315,671) |
| Change in unrealized appreciation (depreciation) | (66,776) | 284,036 | — | (28,849) | (563,131) | (374,720) |
| Purchases | 288,263 | 83,148 | \$1,209,614 | — | — | 1,581,025 |
| Sales | (199,906) | (18,957) | (995,614) | — | — | (1,214,477) |
| Transfers into Level 3 | — | — | — | — | — | — |
| Transfers out of Level 3 | — | (1,172,535) | — | — | — | (1,172,535) |
| Balance as of 10-31-11 | \$344,203 | \$125,276 | \$214,000 | \$56,075 | \$1,094,555 | \$1,834,109 |
| Change in unrealized at period end* | (\$79,356) | (\$36,092) | — | (\$28,849) | (\$563,131) | (\$707,428) |

* Change in unrealized appreciation (depreciation) attributable to Level 3 securities held at the period end. This balance is included in the change in unrealized appreciation (depreciation) on the Statement of Operations.

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. Debt obligations are valued based on the evaluated prices provided by an independent pricing service,

which utilizes both dealer-supplied and electronic data processing techniques, taking into account factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data. 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.

Repurchase agreements. The Fund may enter into repurchase agreements. When the Fund enters into a repurchase agreement, it receives collateral which is held in a segregated account by the Fund's custodian. The collateral amount is marked-to-market and monitored on a daily basis to ensure that the collateral held is in an amount not less than the principal amount of the repurchase agreement plus any accrued interest. In the event of a default by the counterparty, realization of the collateral proceeds could be delayed, during which time the collateral value may decline.

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. Debt obligations may be placed in a non-accrual status and related interest income may be reduced by stopping current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful. 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.

Real estate investment trusts. The Fund may invest in real estate investment trusts (REITs) and, as a result, will estimate the components of distributions from these securities. Such estimates are revised when actual components of distributions are known. Distributions from REITs received in excess of income are recorded as a reduction of cost of investments and/or as a realized gain.

Stripped securities. Stripped mortgage backed securities are financial instruments structured to separate principal and interest cash flows so that one class receives the entire principal from the underlying mortgage assets (PO or principal only), while the other class receives the interest cash flows (IO or interest only). Both PO and IO investments represent an interest in the cash flows of an underlying stripped mortgage backed security. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Fund may fail to fully recover its initial investment in an IO security. The market value of these securities can be extremely volatile in response to changes in interest rates. In addition, these securities present additional credit risk such that the Fund may not receive all or part of its principal or interest payments because the borrower or issuer has defaulted on its obligation.

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

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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.

For federal income tax purposes, the Fund has a capital loss carryforward of \$15,528,375 available to offset future net realized capital gains as of October 31, 2011. The following table details the capital loss carryforward available as of October 31, 2011.

CAPITAL LOSS CARRYFORWARD EXPIRING AT OCTOBER 31

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------|-------------|-------------|-------------|-------------|-----------|
| \$2,244,981 | \$3,342,775 | \$1,351,797 | \$1,367,076 | \$6,785,450 | \$436,296 |

Under the Regulated Investment Company Modernization Act of 2010, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

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 quarterly 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 | \$13,136,659 | \$13,367,891 |

As of October 31, 2011, the components of distributable earnings on a tax basis included \$1,271,648 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 tender fees, derivative transactions and amortization and accretion on debt securities.

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.

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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 objective. 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, no collateral was posted by the Fund for the benefit of counterparties to over-the-counter derivatives transactions.

Futures. A futures contract is a contractual agreement to buy or sell a particular commodity, currency, or financial instrument at a pre-determined price in the future. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values and/or interest rates and potential losses in excess of the amounts recognized on the Statement of assets and liabilities. Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade.

Upon entering into a futures contract, the Fund is required to deposit initial margin with the broker in the form of cash or securities. The amount of required margin is generally based on a percentage of the contract value; this amount is the initial margin for the trade. The margin deposit must then be maintained at the established level over the life of the contract. Futures contracts are marked-to-market daily and an appropriate payable or receivable for the change in value (variation margin) is recorded by the Fund.

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During the year ended October 31, 2011, the Fund used futures contracts to manage the duration of the portfolio. The following table summarizes the contracts held at October 31, 2011. During the year ended October 31, 2011, the Fund held futures contracts with absolute notional values ranging from \$7.2 million to \$13.1 million, as measured at each quarter end.

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| OPEN CONTRACTS | NUMBER OF CONTRACTS | POSITION | EXPIRATION DATE | VALUE | UNREALIZED APPRECIATION (DEPRECIATION) |
|--|------------------------|----------|-----------------|-------------|--|
| U.S. Treasury 30-Year Bond Futures | 10 | Long | Dec 2011 | \$1,390,313 | \$34,815 |
| Ultra Long U.S. Treasury Bond Futures | 11 | Long | Dec 2011 | 1,676,125 | 108,594 |
| U.S. Treasury 10-Year Note Futures | 52 | Short | Dec 2011 | (6,711,250) | (16,798) |
| U.S. Treasury 5-Year Note Futures | 27 | Short | Dec 2011 | (3,310,453) | (6,610) |
| | | | | | \$120,001 |

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 on a periodic basis. 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, 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 | \$22,000,000 | 1.442500% | 3 Month LIBOR (a) | Aug 2016 | (\$273,958) |

Capital Services

(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 INSTRUMENTS LOCATION | ASSET DERIVATIVES FAIR VALUE | LIABILITY DERIVATIVES FAIR VALUE |
|-------------------------|---|--------------------------------------|------------------------------------|--|
| Interest rate contracts | Payable for futures variation margin | Futures | \$143,409† | (\$23,408)† |
| | Swap contracts at value | Interest rate swaps | — | (\$273,958) |
| Total | | | \$143,409 | (\$297,366) |

†Reflects cumulative appreciation/depreciation of futures as disclosed above. Only the period end variation margin is separately disclosed on the Statement of assets and liabilities.

Effect of derivative instruments on the Statement of operations

The table below summarizes the net realized gain (loss) 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 | FUTURE CONTRACTS |
|-------------------------|-------------------------------------|---------------------|
| Interest rate contracts | Net realized loss | (\$307,429) |
| Total | | (\$307,429) |

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 | FUTURES CONTRACTS | SWAP CONTRACTS | TOTAL |
|------|-------------------------------------|----------------------|-------------------|-------|
|------|-------------------------------------|----------------------|-------------------|-------|

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| | | | | |
|-------------------------|--|------------------|--------------------|-------------------|
| Interest rate contracts | Change in unrealized appreciation (depreciation) | \$217,787 | (\$273,958) | (\$56,171) |
| Total | | \$217,787 | (\$273,958) | (\$56,171) |

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 the sum of (a) 0.650% of the first \$150,000,000 of the Fund's average daily net assets and the

value attributable to the credit facility agreement (collectively, managed assets), (b) 0.375% of the next \$50,000,000, (c) 0.350% of the next \$100,000,000 and (d) 0.300% of the Fund's average daily managed assets in excess of \$300,000,000. 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 0.53% of the Fund's average daily managed assets.

Accounting and legal services. Pursuant to a service agreement, the Fund reimburses the Adviser for its expenses associated with providing the administrative, financial, legal, accounting and recordkeeping services of the Fund, including the preparation of Fund tax returns, periodic reports to shareholders and regulatory reports, among other services. These accounting and legal services fees incurred for the year ended October 31, 2011 amounted to an annual rate of 0.01% of the Fund's average daily managed assets.

Trustee expenses. The Fund 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

Transactions in Fund shares for the year ended October 31, 2011 and for the year ended October 31, 2010 were as follows:

| | Year ended 10-31-11 | | Year ended 10-31-10 | |
|--------------------------|---------------------|-------------|---------------------|-------------|
| | Shares | Amount | Shares | Amount |
| Distributions reinvested | 71,838 | \$1,037,011 | 77,303 | \$1,079,434 |

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 \$90 million and to invest the borrowings in accordance with its investment practices.

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% and is payable monthly. 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 amounted to \$25,473 and is included in the interest expense in the Statement of operations. As of October 31, 2011, the Fund had borrowings of \$87,000,000 at an interest rate of 0.95%, which are reflected in the Committed facility agreement payable 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 \$85,812,603 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. There has been no lending activity under this agreement during year ended October 31, 2011.

Note 9 — Purchase and sale of securities

Purchases and sales of securities, other than short-term securities and U.S. Treasury obligations, aggregated \$140,330,976 and \$122,853,690, respectively, for the year ended October 31, 2011. Purchases and sales of U.S. Treasury obligations aggregated \$46,593,243 and \$57,612,930, respectively, for the year ended October 31, 2011.

Auditor's report

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of John Hancock Income Securities Trust:

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 Income Securities Trust (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, agent banks 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 end 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.

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Additional information

Unaudited

Investment objective and policy

The Fund is a closed-end diversified management investment company, common shares of which were initially offered to the public on February 14, 1973, and are publicly traded on the NYSE. The Fund's investment objective is to generate a high level of current income consistent with prudent investment risk. Under normal circumstances, the Fund invests at least 80% of net assets in income securities. Income securities will consist of the following: (i) marketable corporate debt securities, (ii) governmental obligations and (iii) cash and commercial paper. "Net assets" is defined as net assets plus borrowings for investment purposes. The Fund will notify shareholders at least 60 days prior to any change in this 80% investment policy.

The Fund seeks to achieve its objective by investing primarily in a diversified portfolio of freely marketable debt securities. The Fund may invest an amount not exceeding 20% of its assets in income-producing preferred securities and common stocks. It is contemplated that at least 75% of the value of the Fund's total assets will be represented by debt securities, which have at the time of purchase a rating within the four highest grades as determined by Moody's Investors Service, Inc. or Standard & Poor's Corporation. The Fund intends to engage in short-term trading and may invest in repurchase agreements.

On March 9, 2011, the Board of Trustees amended the Fund's investment policy regarding the use of reverse repurchase agreement transactions. The new policy provides the following:

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 may also invest up to 20% of its total assets in income-producing preferred and common stocks.” was replaced with the following: “The Fund may also invest up to 20% of its total assets in income-producing preferred securities and common stocks.”; and

(ii) investment policy stating that “The Fund may also purchase income producing securities which are convertible into or come with rights to purchase preferred and common stocks.” was replaced with the following: “The Fund may also purchase income producing securities which are convertible into or come with rights to purchase preferred securities and common stocks.”

Dividends and distributions

During the year ended October 31, 2011, dividends from net investment income totaling \$1.1337 per share were paid to shareholders. The dates of payments and the amounts per share were as follows:

| PAYMENT DATE | INCOME DIVIDEND |
|--------------------|--------------------|
| December 31, 2010 | \$0.2818 |
| March 31, 2011 | 0.2874 |
| June 30, 2011 | 0.2749 |
| September 30, 2011 | 0.2896 |
| | \$1.1337 |

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,

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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.

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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.

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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 Income Securities Trust (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 a separate agreement. 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

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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 |
|--|---------------|--------------|--------------|--------------|
| Income Securities Trust | 17.67% | 9.72% | 7.42% | 7.00% |
| Intermediate-Term Bond Peer Group Median | 15.21% | 9.67% | 8.30% | 7.00% |
| BarCap US Govt/Credit TR Index | 6.59% | 5.60% | 5.56% | 5.83% |

The Board noted that the Fund's performance compared favorably to its Peer Group's median performance over multiple periods shown. The Board noted that the Fund's performance compared favorably to 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

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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 three basis points above the Peer Group median advisory fee ratio. 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 Ratio | 0.80% | 0.77% |
| Gross Expense Ratio | 1.78% | 1.53% |
| Net Expense Ratio (Excluding Leverage Expense) | 1.12% | 1.14% |

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 and the Fund compared favorably to peers in this analysis.

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. To ensure that any economies are reasonably shared with the Fund as its assets increase, the Adviser and the Board agreed to continue the existing breakpoints to the contractual advisory fee rate.

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 | Trustee of the Trust since¹ | Number of John Hancock funds overseen by Trustee |
|----------------------------|---|---|
|----------------------------|---|---|

| | | |
|--|------|----|
| Steven R. Pruchansky , Born: 1944 | 2005 | 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 | 2005 | 46 |
|-------------------------------------|------|----|

Chief Executive Officer, Director and Treasurer, Alpha Analytical Laboratories (environmental, chemical

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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

2005

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

2004

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).

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Independent Trustees (continued)

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| Name, Year of Birth Position(s) held with Fund Principal occupation(s) and other directorships during past 5 years | Trustee of the Trust since¹ | 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 | 1996 | 46 |
|--|------|----|

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 | 1996 | 46 |
|--|------|----|

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 | 2009 | 46 |
|-------------------------------------|------|----|

Vice Chairman, Risk & Regulatory Matters, KPMG LLP (KPMG) (2002–2006); Vice Chairman, Industrial Markets, KPMG (1998–2002).

Non-Independent Trustees⁴

| Name, Year of Birth Position(s) held with Fund Principal occupation(s) and other directorships during past 5 years | Trustee of the Trust since¹ | 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).

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Non-Independent Trustees⁴ (continued)

| Name, Year of Birth Position(s) held with Fund Principal occupation(s) and other directorships during past 5 years | Trustee of the Trust since¹ | 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 Position(s) held with Fund 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

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

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).

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Principal officers who are not Trustees (continued)

| Name, Year of Birth | Officer |
|--|----------------|
| Position(s) held with Fund | of the |
| Principal occupation(s) and other | Trust |

directorships during past 5 years

since

Francis V. Knox, Jr., Born: 1947

2005

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).

Charles A. Rizzo, Born: 1957

2007

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).

Salvatore Schiavone, Born: 1965

2009

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 Each Trustee holds office until his or her successor is elected and qualified, or until the Trustee's death, retirement, resignation or removal.

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 McHaffiet

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: JHS

For shareholder assistance refer to page 44

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

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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.jhfunds.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.

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1-800-852-0218
1-800-231-5469 TDD
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www.jhfunds.com

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12/11

ITEM 2. CODE OF ETHICS.

As of the end of the year, October 31, 2011, the registrant has adopted a code of ethics, as defined in Item 2 of Form N-CSR, that applies to its Chief Executive Officer, Chief Financial Officer and Treasurer (respectively, the principal executive officer, the principal financial officer and the principal accounting officer, the [Senior Financial Officers]). A copy of the code of ethics is filed as an exhibit to this Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Stanley Martin is the audit committee financial expert and is independent, pursuant to general instructions on Form N-CSR Item 3.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) Audit Fees

The aggregate fees billed for professional services rendered by the principal accountant(s) for the audit of the registrant's annual financial statements or services that are normally provided by the accountant(s) in connection with statutory and regulatory filings or engagements amounted to \$43,714 for the fiscal year ended October 31, 2011 and \$36,410 for the fiscal year ended October 31, 2010. These fees were billed to the registrant and were approved by the registrant's audit committee.

(b) Audit-Related Services

Audit-related fees amounted to \$0 for the fiscal year ended October 31, 2011 and \$0 for the fiscal year ended October 31, 2010 billed to the registrant or to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant ("control affiliates").

(c) Tax Fees

The aggregate fees billed for professional services rendered by the principal accountant(s) for the tax compliance, tax advice and tax planning (tax fees) amounted to \$3,107 for the fiscal year ended October 31, 2011 and \$2,959 for the fiscal year ended October 31, 2010. The nature of the services comprising the tax fees was the review of the registrant's tax returns and tax distribution requirements. These fees were billed to the registrant and were approved by the registrant's audit committee.

(d) All Other Fees

The all other fees billed to the registrant for products and services provided by the principal accountant were \$73 for the fiscal year ended October 31, 2011 and \$20,020 for the fiscal year ended October 31, 2010 billed to the registrant for products and services provided by the principal accountant. These fees were approved by the registrant's audit committee.

(e)(1) Audit Committee Pre-Approval Policies and Procedures:

The trust's Audit Committee must pre-approve all audit and non-audit services provided by the independent registered public accounting firm (the Auditor) relating to the operations or financial reporting of the funds. Prior to the commencement of any audit or non-audit services to a fund, the Audit Committee reviews the services to determine whether they are appropriate and permissible under applicable law.

The trust's Audit Committee has adopted policies and procedures to, among other purposes, provide a framework for the Committee's consideration of audit-related and non-audit services by the Auditor. The policies and procedures require that any audit-related and non-audit service provided by the Auditor and any non-audit service provided by the Auditor to a fund service

provider that relates directly to the operations and financial reporting of a fund are subject to approval by the Audit Committee before such service is provided. Audit-related services provided by the Auditor that are expected to exceed \$25,000 per instance/per fund are subject to specific pre-approval by the Audit Committee. Tax services provided by the Auditor that are expected to exceed \$30,000 per instance/per fund are subject to specific pre-approval by the Audit Committee.

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All audit services, as well as the audit-related and non-audit services that are expected to exceed the amounts stated above, must be approved in advance of provision of the service by formal resolution of the Audit Committee. At the regularly scheduled Audit Committee meetings, the Committee reviews a report summarizing the services, including fees, provided by the Auditor.

(e)(2) Services approved pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X:

Audit-Related Fees, Tax Fees and All Other Fees:

There were no amounts that were approved by the Audit Committee pursuant to the de minimis exception under Rule 2-01 of Regulation S-X.

(f) According to the registrant's principal accountant, for the fiscal year ended October 31, 2011, the percentage of hours spent on the audit of the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons who were not full-time, permanent employees of principal accountant was less than 50%.

(g) The aggregate non-audit fees billed by the registrant's accountant(s) for services rendered to the registrant and rendered to the registrant's control affiliates for each of the last two fiscal years of the registrant were \$1,674,958 for the fiscal year ended October 31, 2011 and \$3,086,768 for the fiscal year ended October 31, 2010.

(h) The audit committee of the registrant has considered the non-audit services provided by the registrant's principal accountant(s) to the control affiliates and has determined that the services that were not pre-approved are compatible with maintaining the principal accountant(s)' independence.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant has a separately-designated standing audit committee comprised of independent trustees. As of October 31, 2011, the members of the audit committee were as follows:

Stanley Martin - Chairman
Dr. John A. Moore
Charles L. Ladner
Patti McGill Peterson

Effective January 1, 2012, the members of the audit committee are as follows:

Stanley Martin - Chairman
Dr. John A. Moore
Patti McGill Peterson
James F. Carlin

ITEM 6. SCHEDULE OF INVESTMENTS.

(a) Not applicable.
(b) Not applicable.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

See attached exhibit "Proxy Voting Policies and Procedures".

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Information about the portfolio managers

Information about the portfolio managers

Management Biographies and Fund ownership

Below is an alphabetical list of the portfolio managers who share joint responsibility for the day-to-day investment management of the Fund. It provides a brief summary of their business careers over the past five years and their range of beneficial share ownership in the Fund as of October 31, 2011.

Barry H. Evans, CFA

President, Chief Fixed Income Officer and Chief Operating Officer, John Hancock Asset Management since 2005
 Senior Vice President, John Hancock Advisers LLC (1986–2005)
 Began business career in 1986
 Joined fund team in 2002
 Fund ownership — \$10,001–\$50,000

Jeffrey N. Given, CFA

Vice President, John Hancock Asset Management since 2005
 Second Vice President, John Hancock Advisers LLC (1993–2005)
 Began business career in 1993
 Joined fund team in 1999
 Fund ownership — \$1–\$10,000

Howard C. Greene, CFA

Senior Vice President, John Hancock Asset Management since 2005
 Senior Vice President, John Hancock Advisers LLC (2002–2005)
 Vice President at Sun Life Financial Services Company of Canada (1987–2002)
 Began business career in 1979
 Joined fund team in 2005
 Fund ownership — None

Other Accounts the Portfolio Managers are Managing

The table below indicates for each portfolio manager information about the accounts over which the portfolio manager has day-to-day investment responsibility. All information on the number of accounts and total assets in the table is as of October 31, 2011. For purposes of the table, “Other Pooled Investment Vehicles” may include investment partnerships and group trusts, and “Other Accounts” may include separate accounts for institutions or individuals, insurance company general or separate accounts, pension funds and other similar institutional accounts.

| <i>PORTFOLIO MANAGER</i> | <i>OTHER ACCOUNTS MANAGED BY THE PORTFOLIO MANAGERS</i> |
|--------------------------|--|
| Barry H. Evans, CFA | Other Investment Companies: 8 accounts with assets of approximately \$12.0 billion. Other Pooled Investment Vehicles: None Other Accounts: 27 accounts with assets of approximately \$326 million. |
| Jeffrey N. Given, CFA | Other Investment Companies: 14 accounts with assets of approximately \$11.6 billion. Other Pooled Investment Vehicles: 4 accounts with assets of |

approximately \$279.7 million.

Other Accounts: 8 accounts with assets of approximately \$2.3 billion.

Howard C. Greene, CFA Other Investment Companies: 10 accounts with assets of approximately \$9.7 billion.

Other Pooled Investment Vehicles: 4 accounts with assets of approximately \$279.7 million.

Other Accounts: 8 accounts with assets of \$2.3 billion

Neither the Adviser nor the Subadviser receives a fee based upon the investment performance of any of the accounts included under "Other Accounts Managed by the Portfolio Managers" in the table above except for one Other account with total assets of approximately \$245.1 million managed by Mr. Greene, for which the Subadviser receives a performance-based fee.

When a portfolio manager is responsible for the management of more than one account, the potential arises for the portfolio manager to favor one account over another. For the reasons outlined

below, the Fund does not believe that any material conflicts are likely to arise out of a portfolio manager's responsibility for the management of the Fund as well as one or more other accounts. The Adviser and the Subadviser have adopted procedures, overseen by the Chief Compliance Officer, that are intended to monitor compliance with the policies referred to in the following paragraphs.

□ The Subadviser has policies that require a portfolio manager to allocate investment opportunities in an equitable manner and generally to allocate such investments proportionately among all accounts with similar investment objectives.

□ When a portfolio manager intends to trade the same security for more than one account, the policies of the Subadviser generally require that such trades for the individual accounts are aggregated so each account receives the same price. Where not possible or may not result in the best possible price, the Subadviser will place the order in a manner intended to result in as favorable a price as possible for such client.

□ The investment performance on specific accounts is not a factor in determining the portfolio manager's compensation. See "Compensation of Portfolio Managers" below. Neither the Adviser nor the Subadviser receives a performance-based fee with respect to other accounts managed by the Fund's portfolio managers.

□ The Subadviser imposes certain trading restrictions and reporting requirements for accounts in which a portfolio manager or certain family members have a personal interest in order to confirm that such accounts are not favored over other accounts.

□ The Subadviser seeks to avoid portfolio manager assignments with potentially conflicting situations. However, where a portfolio manager is responsible for accounts with differing investment objectives and policies, it is possible that the portfolio manager will conclude that it is in the best interest of one account to sell a portfolio security while another account continues to hold or increase the holding in such security.

Compensation of Portfolio Managers

The Subadviser has adopted a system of compensation for portfolio managers and others involved in the investment process that is applied systematically among investment professionals. At the Subadviser, the structure of compensation of investment professionals is currently comprised of the following basic components: base salary and an annual investment bonus plan as well as customary benefits that are offered generally to all full-time employees of the Subadviser. A limited number of senior investment professionals, who serve as officers

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of both the Subadviser and its parent company, may also receive options or restricted stock grants of common shares of Manulife Financial. The following describes each component of the compensation package for the individuals identified as a portfolio manager for the Funds.

Base salary. Base compensation is fixed and normally reevaluated on an annual basis. The Subadviser seeks to set compensation at market rates, taking into account the experience and responsibilities of the investment professional.

Investment Bonus Plan. Only investment professionals are eligible to participate in the Investment Bonus Plan. Under the plan, investment professionals are eligible for an annual bonus. The plan is intended to provide a competitive level of annual bonus compensation that is tied to the investment professional achieving superior investment performance and aligns the financial incentives of the Subadviser and the investment professional. Any bonus under the plan is completely discretionary, with a maximum annual bonus that may be well in excess of base salary. Payout of a portion of this bonus may be deferred for up to five years. While the amount of any bonus is discretionary, the following factors are generally used in determining bonuses under the plan:

□ **Investment Performance:** The investment performance of all accounts managed by the investment professional over one- and three-year periods are considered. The pre-tax performance of each account is measured relative to an appropriate peer group benchmark (for example a Morningstar large cap growth peer group if the fund invests primarily in large cap stocks with a growth strategy). With respect to fixed income accounts, relative yields are also used to measure performance.

□ **The Profitability of the Subadviser:** The profitability of the Subadviser and its parent company are also considered in determining bonus awards.

• **Non-Investment Performance:** To a lesser extent, intangible contributions, including the investment professional's support of client service and sales activities, new fund/strategy idea generation, professional growth and development, and management, where applicable, are also evaluated when determining bonus awards.

Options and Stock Grants. A limited number of senior investment professionals may receive options to purchase shares of Manulife Financial stock. Generally, such option would permit the investment professional to purchase a set amount of stock at the market price on the date of grant. The option can be exercised for a set period (normally a number of years or until termination of employment) and the investment professional would exercise the option if the market value of Manulife Financial stock increases. Some investment professionals may receive restricted stock grants, where the investment professional is entitled to receive the stock at no or nominal cost, provided that the stock is forgone if the investment professional's employment is terminated prior to a vesting date.

The Subadviser also permits investment professionals to participate on a voluntary basis in a deferred compensation plan, under which the investment professional may elect on an annual basis to defer receipt of a portion of their compensation until retirement. Participation in the plan is voluntary.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The registrant has adopted procedures by which shareholders may recommend nominees to the registrant's Board of Trustees. A copy of the procedures is filed as an exhibit to this Form N-CSR. See attached □John Hancock Funds □ Nominating, Governance and Administration Committee Charter.□

ITEM 11. CONTROLS AND PROCEDURES.

(a) Based upon their evaluation of the registrant's disclosure controls and procedures as conducted within 90 days of the filing date of this Form N-CSR, the registrant's principal executive officer and principal financial officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material

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information required to be disclosed by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a)(1) Code of Ethics for Senior Financial Officers is attached.

(a)(2) Separate certifications for the registrant's principal executive officer and principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(a) under the Investment Company Act of 1940, are attached.

(b)(1) Separate certifications for the registrant's principal executive officer and principal financial officer, as required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and Rule 30a-2(b) under the Investment Company Act of 1940, are attached. The certifications furnished pursuant to this paragraph are not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certifications are not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Registrant specifically incorporates them by reference.

(c)(1) Proxy Voting Policies and Procedures are attached.

(c)(2) Submission of Matters to a Vote of Security Holders is attached. See attached John Hancock Funds Nominating, Governance and Administration Committee Charter.

(c)(3) Contact person at the registrant.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

John Hancock Income Securities Trust

By: /s/ Keith F. Hartstein

Keith F. Hartstein
President and
Chief Executive Officer

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Date: December 13, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Keith F. Hartstein

Keith F. Hartstein
President and
Chief Executive Officer

Date: December 13, 2011

By: /s/ Charles A. Rizzo

Charles A. Rizzo
Chief Financial Officer

Date: December 13, 2011